

WINTHROP UNIVERSITY

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2016**

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (The Winthrop University Foundation) of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We did not audit the financial statements of Winthrop University Real Estate Foundation, Inc. (a discretely presented component unit). The Winthrop University Real Estate Foundation, Inc. reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Winthrop Real Estate Foundation, Inc., which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component unit. Those 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 Real Estate Foundation Inc., is based solely on the report of 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. The financial statements of The Winthrop University Foundation and Winthrop Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

Opinion

In our opinion, 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 the business-type activities and discretely presented component units of Winthrop University as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) net pension liability, and the schedule of University contributions to the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) 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.

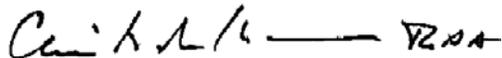
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Winthrop University's basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016, 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 grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Gaffney, SC
October 6, 2016



**WINTHROP UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University (the University) for the year ended June 30, 2016. 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, 38 and 61 that were issued to amend Statements 34 and 35. In the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Introduction

Building on its 19th century origins, Winthrop University's 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 nation and to the State of South Carolina. Winthrop's longtime commitment to be among the very best institutions of its kind in the nation continually guides the mission of the University, providing an educational experience that blends liberal arts, professional programs, global awareness and civic engagement.

Winthrop embraces only those programs and activities that can be delivered at an exemplary level. Numerous national accolades reflect the sustained high quality and value of the Winthrop Experience, including:

- **U.S. News & World Report** has included Winthrop in its listings of America's Best Colleges for the past 24 years.
- **Washington Monthly** has identified Winthrop as the top master's degree-granting public University in South Carolina for contributions to the public good. The magazine also rates the University as one of America's "Best Bang for the Buck Colleges." For contributions to the public good, Winthrop ranked 74th out of 673 institutions and was the state's highest-ranking public University in the master's category. Winthrop was ranked 86th out of 288 public and private universities and colleges in the Southeast that were named "Best Bang for the Buck."
- **Princeton Review** rated Winthrop among the "Best in the Southeast" in its online feature "2016 Best Colleges: Region by Region." This selection is made 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.
- **Money Magazine** has named Winthrop among "Best Colleges" in terms of value. The magazine ranked the colleges and universities on 24 factors in three categories: educational quality, affordability and alumni success.
- **Association of American Colleges and Universities** - Winthrop University is one of only 23 institutions from across all sectors of U.S. higher education comprising the AAC&U Core Commitments Leadership Consortium, which is designed to bring together the most promising institutional practices related to educating students for personal and social responsibility, as well as to deepen and extend these efforts.

Fiscal year 2015-16 marked Dr. Daniel F. Mahony's first year as Winthrop's 11th president. During his first year, Dr. Mahony began a strategic planning process to identify the University's priorities for the future and to determine how best to allocate resources in order to achieve those priorities. Approximately 100 Winthrop community members participated on the overall strategic planning committee or on one of seven working groups focused on Retention, Graduation Rate Improvement, Academic Program Mix, Diversity, Employee Satisfaction, Culture of Philanthropy, and Budget Model. The working groups completed their work and issued reports during the year. In addition, the overall strategic planning committee issued a draft report. During the 2016-17 fiscal year, Winthrop's Strategic Plan will begin to chart the University's progress through 2025.

Statement of Net Position

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Position is a point-of-time financial statement that presents data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University as of the end of the fiscal year. 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.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net position is 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 position. The unrestricted portion of net position is available to the institution for any lawful purpose of the University. Although the unrestricted portion is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position has been designated for various academic initiatives or future capital commitments.

The following Condensed Statement of Net Position has been presented to comply with the changes required by GASB 68. The unrestricted net position is a negative as a result of the adoption of GASB 68 and the recognition of the University's proportionate share of the net pension liabilities for the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). For additional information, see Impact of GASB 68 on page 8, as well as Note 10 in the accompanying notes to the financial statements.

CONDENSED STATEMENT OF NET POSITION

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
ASSETS			
Current Assets	\$ 26,650,483	\$ 26,050,532	\$ 599,951
Capital Assets, Net of Accumulated Depreciation	109,598,155	114,903,621	(5,305,466)
Other Noncurrent Assets	<u>17,971,167</u>	<u>13,878,131</u>	<u>4,093,036</u>
Total Assets	<u>154,219,805</u>	<u>154,832,284</u>	<u>(612,479)</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>13,825,444</u>	<u>7,385,935</u>	<u>6,439,509</u>
LIABILITIES			
Current Liabilities	26,381,416	24,377,469	2,003,947
Noncurrent Liabilities	55,142,968	59,109,234	(3,966,266)
Net Pension Liability	<u>84,238,224</u>	<u>77,734,202</u>	<u>6,504,022</u>
Total Liabilities	<u>165,762,608</u>	<u>161,220,905</u>	<u>4,541,703</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>6,070,569</u>	<u>6,766,012</u>	<u>(695,443)</u>
NET POSITION			
Net Investment in Capital Assets	55,734,198	56,314,874	(580,676)
Restricted for Nonexpendable	499,628	499,628	0
Restricted for Expendable	2,528,647	2,297,866	230,781
Unrestricted *	<u>(62,550,401)</u>	<u>(64,881,066)</u>	<u>2,330,665</u>
Total Net Position	<u>\$ (3,787,928)</u>	<u>\$ (5,768,698)</u>	<u>\$ 1,980,770</u>

*See Impact of GASB 68 on page 8. Exclusive of the GASB 68 changes, the Unrestricted Net Position increased by \$3,767,597 to a total of \$16,443,222.

- While Current Assets had only a slight increase overall, Cash and Cash Equivalents increased by \$3,647,328, while Accounts Receivable declined by 3,103,561. Cash and Cash Equivalents increased primarily as a result of an increase in revenues and a decline in expenses in current fund activity. A portion of the decline in Current Accounts Receivable is attributable to \$1,215,907 less in Grants and Contracts receivables at FY16 year end as compared to FY15. In addition, in FY16, \$1,820,470 of Student Accounts Receivable was reclassified to Noncurrent Assets since it is not expected to be collected within the next year.
- Capital Assets, Net of Accumulated Depreciation decreased by \$5,305,466, which was primarily a result of depreciation expense in the amount of \$5,678,153 offset by \$372,687, which was the value of assets placed into service net of assets removed from service during the fiscal year.
- Other Noncurrent Assets increased by \$4,093,036. As previously mentioned, \$1,820,470 of Student Accounts Receivable was reclassified from Current to Noncurrent Assets in FY16. In addition, \$2,000,000 in non-recurring funds appropriated for the Withers Roof project was on hand and not yet spent at year end.

- Deferred Outflows of Resources increased by \$6,439,509, resulting primarily from the change in the Net Pension Liability's investment experience. Under GASB 68, the investment and liability experience and contributions subsequent to the measurement date are reported in Deferred Outflows of Resources, and for the University, totaled \$11,303,817 as of June 30, 2016 as compared to \$6,764,344 at June 30, 2015. This amount in Outflows of Resources will be amortized in subsequent periods. In addition, an increase in deferred outflows of \$2,196,505 resulted from the 2016 bond refundings (General Obligation (\$1,759,850) and Higher Education Revenue Bonds (\$436,655)), where there were differences between the reacquisition prices and the net carrying values of the previous bonds. These differences, which are being recognized as a component of interest expense over the life of the new bonds, were reduced by the amount amortized for fiscal year 2016.
- Current Liabilities increased by \$2,003,947, of which \$2,000,000 of this increase was in unearned revenues related to non-recurring funds on hand not yet spent at year end for the Withers Roof project.
- Noncurrent Liabilities decreased by \$3,966,266, of which \$3,855,531 was in long-term debt. This decrease in debt resulted from the principal payments made net of the impact from the institutional and higher education bond refundings that occurred during the 2016 fiscal year.
- Net Pension Liability (NPL) increased by \$6,504,022. This liability is the University's proportionate share of the pension liability amount related to its defined benefit plans. The amount is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the requirements of GASB 68. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. In FY2016, the liability increased primarily as a result of investments earning less than projected during the plan year ended June 30, 2015. Therefore, net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2015, which in turn resulted in an increase in the University's NPL.
- The University's overall net position increased by \$1,980,770.
 - Net Investment in Capital Assets decreased by \$580,676. As mentioned earlier, the overall Capital Asset value declined by \$5,305,466 as a result of depreciation expense in excess of the value added for new assets less assets disposed. However, long-term debt also decreased by \$5,728,707 as a result of current year debt payments net of change in amortized premiums plus the increase in advanced refunding (Deferred Outflows of Resources). And finally, the value of debt proceeds on hand not yet spent as of June 30 decreased by \$1,003,917 as a result of project expenditures incurred throughout the year.
 - Restricted for Expendable increased by \$230,781 primarily as a result of an increase in the year-end balance in the debt service funds.
 - And finally, the Unrestricted Net Position increased by \$2,330,665. Exclusive of GASB 68 changes, the Unrestricted Net Position actually increased by \$3,767,597 in fiscal year 2016. (See additional explanation in Impact of GASB 68 that follows.) This increase was offset by a decrease of \$1,436,932 in the Unrestricted Net Position resulting from the increase in the Net Pension Liability.

Impact of GASB 68

The new GASB 68 standard creates an *accounting* liability rather than a legal liability. Although pursuant to accounting standards, the University must report its proportionate share of the pension liability for the state's defined benefit retirement plans, the University has no legal requirement to fund or pay out that share of the liability. The University is responsible only for making the contributions required by state law during any given year, and cannot pay down or pay off its proportionate share of the NPL because SCRS and PORS are multiple employer, cost-sharing defined benefit plans. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2016, when excluding the GASB 68 impact, the University's Unrestricted Net Position actually increased by \$3,767,597 to a total of \$16,443,222. The increase was primarily a result of recognized savings on vacant positions and utility costs, and recognized revenues in excess of projected budgets. The refunding (refinancing) of the Institutional Bonds also resulted in an increase in the University's Institutional Capital Project Fund (ICPF), which is reported in the Unrestricted Net Position.

Following is the University's net position with the GASB 68 impact reported discretely.

NET POSITION	2016	2015	Increase/ (Decrease)
Net Investment in Capital Assets	55,734,198	56,314,874	(580,676)
Restricted for Nonexpendable	499,628	499,628	0
Restricted for Expendable	2,528,647	2,297,866	230,781
Unrestricted (exclusive of GASB 68)	16,443,222	12,675,625	3,767,597
Unrestricted (GASB 68 portion)	<u>(78,993,623)</u>	<u>(77,556,691)</u>	<u>(1,436,932)</u>
Total Net Position	<u>\$ (3,787,928)</u>	<u>\$ (5,768,698)</u>	<u>\$ 1,980,770</u>

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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 Position 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 POSITION

YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
Operating Revenues	\$ 90,684,905	\$ 93,049,869	\$ (2,364,964)
Operating Expenses	<u>115,708,724</u>	<u>117,946,111</u>	<u>(2,237,387)</u>
Operating Loss	(25,023,819)	(24,896,242)	(127,577)
Nonoperating Revenues (Expenses)	<u>26,562,407</u>	<u>24,498,959</u>	<u>2,063,448</u>
Gain before Other Revenues, Expenses, Gains, or Losses	1,538,588	(397,283)	1,935,871
Other Revenues, Expenses, Gains, or Losses	442,182	543,760	(101,578)
Increase/(Decrease) in Net Position	<u>\$ 1,980,770</u>	<u>\$ 146,477</u>	<u>\$ 1,834,293</u>
Net Position – Beginning of Year	\$ (5,768,698)	\$ 70,738,229	\$ (76,506,927)
Cumulative Effect of Accounting and Reporting Entity Changes	0	(76,653,404)	76,653,404
Increase/(Decrease) in Net Position	<u>1,980,770</u>	<u>146,477</u>	<u>1,834,293</u>
Net Position – End of Year	<u>\$ (3,787,928)</u>	<u>\$ (5,768,698)</u>	<u>\$ 1,980,770</u>

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

- Operating Revenues decreased overall by \$2,364,964. Grants and Contracts revenues declined by \$3,514,549 primarily as a result of work ending in FY 2015 on several US Department of Health and Human Services grants. Offsetting this decrease in operating revenues was an increase of \$1,093,352 in Auxiliary Fees resulting from an increase in residence hall occupancy and fee increases approved by the University's Board of Trustees in June 2015.
- Operating Expenses decreased overall by \$2,237,387. Personnel Costs decreased by \$2,125,261, again primarily related to the decline in Grants and Contracts activity. However, even though personnel costs declined, fringe benefit costs increased overall by \$265,363 as a result of increases in employer paid health premium costs. In addition, the University's proportionate share of the South Carolina's Retirement and Police Officers Retirement Systems' pension expenses as compared to the University's contribution expenses (made to the South Carolina Public Employee Benefit Authority on behalf of employees) increased by just over \$500,000. Other factors impacting operating expenses related to a decline in utility costs of nearly \$280,000. While Scholarships and Fellowships expenses increased by just over \$500,000, Services and Supplies expenses declined by a like amount.
- Nonoperating Revenues (Expenses) increased by \$2,063,448. This increase resulted from several factors including an increase in State Appropriations of \$512,533 for health insurance and one-time allocations for bonus pay and veterans tuition differential. In addition, revenues from Gifts increased by \$489,732 resulting from an increase in The Winthrop University Foundation and The Winthrop University Real Estate Foundation, Inc. contributions. Investment Income also realized an increase in earnings of just over \$463,000 and Federal Pell Grants increased by \$289,785. Interest Expenses decreased by \$719,284 primarily because of the current year activity related to the bond refunding, but this decrease was offset by just over \$160,000 in bond issue costs. And finally, Nonoperating expenses increased by just under \$50,000 because of an increase in indirect costs required to be remitted to the state related to the SBDC grant.
- As a result of the changes in revenues and expenses, the University's overall Net Position increased by \$1,980,770 in fiscal year 2016.

Capital Asset and Debt Activity

The University issued no new debt in fiscal year 2016, but did refund both institutional and higher education bonds during the year. Over the remaining life of the bonds, savings will be realized in the amount of approximately \$3.4 M as a result of the refunding of the outstanding institutional bonds debt and just over \$650,000 in savings will be realized as a result of the higher education bond refunding. The University currently has no plans to issue additional debt within the next fiscal year.

Economic Outlook

As a public institution, the University's economic outlook is directly affected by the State of South Carolina's economic position. In the fiscal year 2017 appropriations bill, the University received an additional \$700,000 in recurring appropriations and \$4,500,000 in non-recurring funds for upgrades to Byrnes Auditorium. The University also received \$444,731 in Pay Plan Allocations and an additional allocation of \$161,559 to help offset increases in retirement rates and health and dental insurance premiums.

The University will recognize increased costs in the new year for personnel and benefit costs resulting from the State of SC Pay Plan increase of 3.25% for all state employees, as well as increases in retirement and health and dental insurance premiums.

The University will continue the strategic plan initiatives to increase access, enrollment and degree attainment, and align budget to those priorities. And as always, the University's Board of Trustees and management will continue to monitor factors and make appropriate budget adjustments 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 Position
June 30, 2016

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 20,109,826
Accounts Receivable, Net	4,571,490
Inventories	378,810
Accrued Interest Receivable	34,161
Prepayments	1,556,196
Total Current Assets	26,650,483

NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	12,692,645
Endowment	1,143,423
Accounts Receivable, Net	1,820,470
Perkins Loans Receivable, Net	2,314,629
Capital Assets, Net	109,598,155
Total Noncurrent Assets	127,569,322
Total Assets	154,219,805

DEFERRED OUTFLOWS OF RESOURCES

13,825,444

Total Assets and Deferred Outflows of Resources

168,045,249

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	14,763,657
Unearned Revenue	3,935,514
Current Portion of Long Term Debt	5,472,598
Current Portion of Compensated Absences	2,209,647
Total Current Liabilities	26,381,416

NONCURRENT LIABILITIES

Compensated Absences	1,110,223
Perkins Loan Federal Liability	2,177,232
Bond Premium on Long Term Debt	6,409,337
Long Term Debt	45,446,176
Net Pension Liability	84,238,224
Total Noncurrent Liabilities	139,381,192
Total Liabilities	165,762,608

DEFERRED INFLOWS OF RESOURCES

6,070,569

Total Liabilities and Deferred Inflows of Resources

171,833,177

NET POSITION

Net Investment in Capital Assets	55,734,198
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	499,628
Expendable:	
Scholarships and Fellowships	418,074
Grants	695,312
Loans	278,666
Debt Service	1,136,595
Unrestricted	(62,550,401)
Total Net Position	\$ (3,787,928)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

REVENUES

OPERATING REVENUES

Student Tuition and Fees (of which \$229,519 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,225,406 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$35,875,087)	\$ 46,499,237
Grants and Contracts	20,699,261
Sales and Services of Educational Activities	2,723,044
Sales and Services of Athletic Activities	1,570,871
Sales and Services of Auxiliary Enterprise Activities (of which \$6,036,987 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	17,689,391
Other Fees	1,186,932
Other Operating Revenues	316,169
Total Operating Revenues	90,684,905

EXPENSES

Personnel Costs	55,176,416
Fringe Benefits	19,097,110
Service and Supplies	25,044,822
Utilities	3,462,915
Scholarships and Fellowships	7,249,308
Depreciation	5,678,153
Total Operating Expenses	115,708,724
Operating Loss	(25,023,819)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	15,065,045
Grants and Contracts	(4,415)
Federal Grants and Contracts	9,218,783
Gifts	2,576,384
Investment Income/(Loss)	476,222
Interest Expense	(1,527,129)
Other Nonoperating Revenues	757,517
Net Nonoperating Revenues	26,562,407
Gain Before Other Revenues, Expenses, Gains or Losses	1,538,588
Federal Capital Grants and Contracts	-
Capital Appropriations	442,182
Increase/(Decrease) in Net Position	1,980,770

NET POSITION

Net Position - Beginning of Year	(5,768,698)
Cumulative Effect of Accounting and Reporting Entity Changes	-
Net Position - End of Year	\$ (3,787,928)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 48,333,777
Grants and Contracts	21,905,883
Sales and Services of Educational Activities	2,727,968
Sales and Services of Athletic Activities	1,566,892
Sales and Services of Auxiliary Enterprise Activities	17,689,391
Other Fees	1,186,932
Collection of Loans	379,770
Receipts of Funds Held for Others	(155,832)
Inflows from Federal Direct Lending Loans to Students	39,723,293
Other Receipts	316,169

CASH PAID FOR

Personnel Costs	(55,035,776)
Fringe Benefits	(17,728,928)
Service and Supplies	(25,149,231)
Utilities	(3,462,915)
Students	(7,439,018)
Loans to Students	(396,000)
Payments of Funds Held for Others	92,162
Outflows from Federal Direct Lending Loans to Students	(39,728,864)

Net Cash Used by Operating Activities	(15,174,327)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	15,342,411
Gifts and Grants	2,570,129
Federal Grants and Contracts	9,228,067
Commissions	654,782
Other Sources	263,238
Principal Paid on Noncapital Debt and Lease	(36,740,000)
Proceeds from Debt	34,025,294
Net Cash Provided by Noncapital Financing Activities	25,343,921

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	(160,504)
Capital Appropriations	442,181
Purchases of Capital Assets	(364,436)
Principal Paid on Capital Debt and Lease	(1,023,278)
Interest and Fees	(3,605,225)
Net Cash Used by Capital and Related Financing Activities	(4,711,262)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	463,388
Net Cash Provided by Investing Activities	463,388
Net Change in Cash and Cash Equivalents	5,921,720
Cash and Cash Equivalents - Beginning of Year	28,024,174
Cash and Cash Equivalents - End of Year	\$ 33,945,894

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2016

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

Operating Loss	\$ (25,023,819)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	5,678,153
Change in Assets and Liabilities:	
Accounts Receivable, Net	978,218
Inventories	341
Prepayments	(43,691)
Deferred Outflows of Resources	(4,546,973)
Accounts Payable and Accrued Liabilities	(110,972)
Accrued Salaries and Related Expenses	(42,682)
Unearned Revenue	2,016,122
Net Pension Liability	6,504,022
Deferred Inflows of Resources	(699,858)
Compensated Absences	116,812
Net Cash Used by Operating Activities	\$ (15,174,327)

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

Cash and Cash Equivalents Classified as Current	\$ 20,109,826
Cash and Cash Equivalents Classified as Noncurrent Restricted	12,692,645
Cash and Cash Equivalents Classified as Noncurrent Endowment	1,143,423
	\$ 33,945,894

Non-Cash Transactions:

Disposal of Capital Assets	\$ 8,250
Acquisition of Capital Assets Through Donations	(51,357)
	\$ (43,107)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(With comparative information for December 31, 2014)

Assets	Unrestricted Fund	Temporarily Restricted Funds	Permanently Restricted		Agency Funds	December 31	
		Endowment Funds	Split-Interest Agreements	2015 Total		2014 Total	
Cash and Equivalents	\$ 2,522,672	-	-	-	-	2,522,672	1,195,854
Accrued Interest and Dividends	-	-	-	-	-	-	-
Contributions Receivable, Net	38,739	345,752	1,011,165	-	-	1,395,656	1,491,357
Pooled Investments, at Fair Value	39,046,004	-	-	-	-	39,046,004	41,248,882
Investments, at Fair Value	-	-	-	3,480,392	-	3,480,392	4,055,787
Due From Other Funds	(41,482,191)	2,815,559	38,025,643	496,911	144,079	1 *	-
Prepaid Expenses	-	-	-	-	-	-	-
Beneficial Interest in Perpetual Trust	-	-	-	724,318	-	724,318	903,258
Cash Value of Life Insurance	-	-	-	75,598	-	75,598	75,074
Office Furniture & Equipment, at Cost	-	-	-	-	-	-	-
Net of Depreciation of \$164,448	80	-	-	-	-	80	1,444
Total Assets	\$ 125,304	3,161,311	39,036,808	4,777,219	144,079	47,244,721	48,971,656
Liabilities and Net Assets							
Liabilities:							
Accounts Payable	\$ 41,111	30,865	-	-	-	71,976	108,117
Reconciliation Clearing	5,681	-	-	-	-	5,681	-
Payroll Liabilities	323	-	-	-	-	323	6,867
Actuarial Liability of Annuities Payable	-	-	-	2,592,031	-	2,592,031	2,765,059
Due To Other Funds	-	-	-	-	-	-	-
Agency Funds	-	-	-	-	144,079	144,079	147,107
Total Liabilities	47,115	30,865	-	2,592,031	144,079	2,814,090	3,027,150
Net Assets:							
Unrestricted	78,189	-	-	-	-	78,189	(378,344)
Temporarily Restricted	-	3,130,446	-	-	-	3,130,446	4,182,926
Permanently Restricted	-	-	39,036,808	2,185,188	-	41,221,996	42,139,924
Total Net Assets	78,189	3,130,446	39,036,808	2,185,188	-	44,430,631	45,944,506
Total Liabilities and Net Assets	\$ 125,304	3,161,311	39,036,808	4,777,219	144,079	47,244,721	48,971,656

* Interfund accounts do not constitute assets or liabilities of the entity as a whole.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative information for the year ended December 31, 2014)

	Unrestricted Fund	Temporarily Restricted Funds	Permanently Restricted		December 31	
			Endowment Funds	Split- Interest Agreements	2015 Total	2014 Total
Revenues, Gains and Other Support:						
Contributions	\$ 433,363	1,054,875	2,848,097	-	4,336,335	4,665,748
Less: Provision for Doubtful Pledges	(12,676)	1,133	11,560	-	17	(27,617)
Provision for Pledge Discounts	593	1,976	17,434	-	20,003	4,614
Investment Earnings (Losses)	907	-	(1,346,240)	(136,058)	(1,481,391)	1,752,325
Management Fee Allocation	2,080,200	-	(2,080,200)	-	-	60,036
Increase (Decrease) in Cash Surrender Value	-	-	-	(381)	(381)	1,244
Change in Value of Split-Interest Trusts	-	-	-	(5,005)	(5,005)	148,647
	<u>\$ 2,502,387</u>	<u>1,057,984</u>	<u>(549,349)</u>	<u>(141,444)</u>	<u>2,869,578</u>	<u>6,604,997</u>
Net Assets Released From Restrictions -	<u>2,289,223</u>	<u>(1,975,391)</u>	<u>-</u>	<u>(310,804)</u>	<u>3,028</u>	<u>16,595</u>
EXPENSES						
Operating Expenses:						
Salaries and Benefits	463,669	-	-	-	463,669	558,645
Directors, Expenses	2,524	-	-	-	2,524	3,435
Rent	16,975	-	-	-	16,975	8,040
Telephone	1,855	-	-	-	1,855	4,245
Office Supplies, Postage and Printing	5,653	-	-	-	5,653	8,871
Insurance	7,924	-	-	-	7,924	5,784
Professional Fees	59,584	-	-	-	59,584	57,871
Software	27,546	-	-	-	27,546	51,892
Depreciation	1,364	-	-	-	1,364	3,997
Travel and Entertainment	2,365	-	-	-	2,365	5,307
Credit Card Fees	9,606	-	-	-	9,606	9,458
Professional Development	720	-	-	-	720	-
Professional Memberships	3,394	-	-	-	3,394	9,135
	<u>603,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,179</u>	<u>726,680</u>
Fund Raising:						
Development Salaries	678,534	-	-	-	678,534	613,800
Principal Gifts	34,471	-	-	-	34,471	22,551
Campaign Consultant	20,090	-	-	-	20,090	21,702
Annual Fund	80,505	-	-	-	80,505	94,111
Planned Giving	-	-	-	-	-	-
Donor Relations	23,804	-	-	-	23,804	17,910
Campaign Travel and Events	19,357	-	-	-	19,357	18,059
Outreach Travel and Events	16,105	-	-	-	16,105	4,268
Advancement Services	11,358	-	-	-	11,358	13,233
	<u>884,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>884,224</u>	<u>805,634</u>
Grants to Winthrop University:						
General Scholarships	256,000	-	-	-	256,000	421,000
Restricted Scholarships, Grants and Annuities	2,289,224	-	-	-	2,289,224	1,880,012
Alumni Association	141,129	-	-	-	141,129	134,132
Faculty Awards	6,497	-	-	-	6,497	9,000
Presidents Salary Supplement	97,640	-	-	-	97,640	154,927
Advancement	17,798	-	-	-	17,798	20,636
Presidential Search Support	60,000	-	-	-	60,000	-
University General Support	30,790	-	-	-	30,790	161,082
	<u>2,899,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,899,078</u>	<u>2,780,789</u>
Total Expenses	<u>4,386,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,386,481</u>	<u>4,313,103</u>
Net Increase (Decrease) in Net Assets Before Transfers	405,129	(917,407)	(549,349)	(452,248)	(1,513,875)	2,308,489
Net Transfers	51,404	(135,073)	257,641	(173,972)	-	-
	<u>456,533</u>	<u>(1,052,480)</u>	<u>(291,708)</u>	<u>(626,220)</u>	<u>(1,513,875)</u>	<u>2,308,489</u>
Net Assets, Beginning of Period	<u>(378,344)</u>	<u>4,182,926</u>	<u>39,328,516</u>	<u>2,811,408</u>	<u>45,944,506</u>	<u>43,636,017</u>
	<u>\$ 78,189</u>	<u>3,130,446</u>	<u>39,036,808</u>	<u>2,185,188</u>	<u>44,430,631</u>	<u>45,944,506</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	<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	\$ 711,657	38,872	750,529
Trustee cash reserved for operations	1,308,443	-	1,308,443
Accounts receivable	8,761	1,498	10,259
Mortgage note receivable	-	3,802	3,802
Prepaid expenses	16,179	-	16,179
Total current assets	<u>2,045,040</u>	<u>44,172</u>	<u>2,089,212</u>
Property and equipment, net	12,443,625	-	12,443,625
Other assets:			
Bond closing costs, net	132,394	-	132,394
Mortgage note receivable	-	104,155	104,155
Trustee cash reserved for debt service	1,000,399	-	1,000,399
Trustee cash reserved for repairs	777,755	-	777,755
Trustee cash reserved for operating contingencies	205,078	-	205,078
Real estate gifts	-	768,000	768,000
Total other assets	<u>2,115,626</u>	<u>872,155</u>	<u>2,987,781</u>
Total assets	<u>\$ 16,604,291</u>	<u>916,327</u>	<u>17,520,618</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 498,238	1,100	499,338
Current portion of long-term debt	525,000	-	525,000
Total current liabilities	<u>1,023,238</u>	<u>1,100</u>	<u>1,024,338</u>
Long-term debt :			
Bonds payable	15,465,000	-	15,465,000
Less: current portion of long-term debt	<u>(525,000)</u>	<u>-</u>	<u>(525,000)</u>
Total long-term debt	<u>14,940,000</u>	<u>-</u>	<u>14,940,000</u>
Total liabilities	<u>15,963,238</u>	<u>1,100</u>	<u>15,964,338</u>
Net Assets:			
Unrestricted	641,053	-	641,053
Temporarily restricted	-	915,227	915,227
Total net assets	<u>641,053</u>	<u>915,227</u>	<u>1,556,280</u>
Total liabilities and net assets	<u>\$ 16,604,291</u>	<u>916,327</u>	<u>17,520,618</u>

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

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Changes in Net Assets</u>			
Revenue			
Program revenues	\$ 3,101,951	-	3,101,951
Real estate gifts	-	60,000	60,000
Income from real estate gifts, net	-	3,980	3,980
Rental income	7,175	-	7,175
Interest on mortgage note receivable	-	5,512	5,512
Total revenue	<u>3,109,126</u>	<u>69,492</u>	<u>3,178,618</u>
Net assets released from restrictions	<u>3,300</u>	<u>(3,300)</u>	<u>-</u>
Total revenue	3,112,426	66,192	3,178,618
Expenses			
Program services	2,588,776	790	2,589,566
Management and general	32,069	-	32,069
Mission gifts to related parties	412,455	-	412,455
Total expenses	<u>3,033,300</u>	<u>790</u>	<u>3,034,090</u>
Changes in net assets	79,126	65,402	144,528
Net assets, December 31, 2014	<u>561,927</u>	<u>849,825</u>	<u>1,411,752</u>
Net assets, December 31, 2015	<u>\$ 641,053</u>	<u>915,227</u>	<u>1,556,280</u>

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

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2016

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: Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state’s higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the University is now reported as a discretely presented component unit on the State of South Carolina’s Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University’s financial information into the State’s financial information.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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 incorporated under the laws of South Carolina on November 8, 1973, and 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, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954. 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, 2015. 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, LLC’s charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reporting Entity: Continued

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.

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, 2015. 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.

For 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the University's 2013 financial statements; however, there was no effect on beginning net position.

Effective for the fiscal year ending June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 identifies deferred outflows of resources and deferred inflows of resources for certain items previously reported as assets and liabilities. Adoption of this statement resulted in no material impact to the University.

Effective for the fiscal year ending June 30, 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. The University reports its proportionate share of the State of South Carolina's net pension liability (See Note 10).

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 3).

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 \$1,000 for which payment had been made prior to June 30, 2016 but for which the goods or services would not be received until after July 1, 2016.

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. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Outflows of Resources and Deferred Inflows of Resources: Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined these elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Deferred outflows of resources includes the deferred amount on a bond refunding which is being recognized as a component of interest expense in a systematic manner over the life of the debt. Deferred inflows of resources represents resources received on voluntary nonexchange transactions relating to a future period.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See Note 10 for further details.

Unearned Revenues: Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of unearned 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 Position, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Position.

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

Net investment in capital assets: 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 net investment in capital assets.

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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Position.

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 Position. 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.

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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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

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

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

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 20,109,826
Cash and Cash Equivalents - Restricted	
Debt Service	2,064,969
Capital Project	3,020,755
Student Loan	7,125,031
Grants and Contracts	481,780
Other	110
Cash and Cash Equivalents - Endowment	1,143,423
Total	<u>\$ 33,945,894</u>
DEPOSITS:	
Cash on Hand	\$ 208,491
Deposits Held by State Treasurer	33,737,403
Other Deposits	-
Total	<u>\$ 33,945,894</u>

Perkins Loan Program Cash

At June 30, 2016, Winthrop University had approximately \$104,369 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$0 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, 2016, Winthrop University had \$33,737,403 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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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

Concentrations of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Unit

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 exceeds FDIC insurance limits by \$129,025 at December 31, 2015. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Unit

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, 2015 was \$3,712,819.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

The Foundation considers all interest bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides coverage for certain qualifying and participating non-interest bearing transaction accounts up to an aggregate of \$250,000 per bank per taxpayer.

As of December 31, 2015, the Foundation had \$2,301,127 bank balances which are collateralized with U.S. Government or U.S. Government Agency securities placed with the Federal Reserve. These securities are held in the name of the financial institution but assigned to the Foundation. During the year ended December 31, 2015, the Foundation had deposits of \$129,025 in excess of the insured limits and collateralized amounts.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Cash and cash equivalents at December 31, 2015 were as follows:

Unrestricted	\$	711,657
Restricted		<u>38,872</u>
	\$	<u><u>750,529</u></u>

The restricted cash must be transferred to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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

Trustee Cash - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Trustee cash is 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 trustee cash accounts at December 31, 2015 are as follows:

Trustee cash reserved for operations	\$ 1,308,443
Trustee cash reserved for debt service	1,000,399
Trustee cash reserved for repairs	777,755
Trustee cash reserved for operating contingencies	<u>205,078</u>
	<u><u>\$ 3,291,675</u></u>

Investments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

During the year, the Foundation invested its portfolio with two separate advisors; Brown Brothers Harriman, a privately held financial institution, and Carroll Financial Associates, an investment management firm. A residual amount from a liquidating hedge fund is also invested with Bank of America/Merrill Lynch. The investment portfolio includes all Foundation funds except split-interest trusts and unrestricted funds. Pooling these assets serves to maximize the earnings potential of the funds.

There were no investments in an unrealized loss position as of December 31, 2015.

Investments at December 31, 2015 are summarized as follows:

	Brown Brothers Harriman	Carroll Financial Associates	Bank of America	Combined Portfolio Assets
Cash	\$ 1,345,274	7,359	-	1,352,633
Money Market Funds	356,783	212,684	-	569,467
Fixed Income (Bonds/ABS) Funds	4,441,090	-	-	4,441,090
US Large Cap Equity	8,419,843	815,599	-	9,235,442
US Small/Mid Cap Equity	1,461,758	-	-	1,461,758
Preferred Stock	-	605,348	-	605,348
International Equity	2,051,794	-	-	2,051,794
Emerging Market Equity	858,530	-	-	858,530
Mutual Funds	-	15,079,115	-	15,079,115
Hedge Funds	-	-	11,304	11,304
Exchange-Traded Products	-	3,984,067	-	3,984,067
REITs	-	320,991	-	320,991
Public Real Estate	996,567	-	-	996,567
Total Investments	<u><u>\$ 19,931,639</u></u>	<u><u>21,025,163</u></u>	<u><u>11,304</u></u>	<u><u>40,968,106</u></u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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

Investments - Non Governmental Discretely Presented Component Unit, Continued

The Winthrop University Foundation

Investment earnings for the year ended December 31, 2015 consisted of:

Dividends and Interest	\$	1,052,896
Unrealized Gains (Losses)		(2,727,906)
Realized Gains (Losses)		499,441
		(1,175,569)
Less: Investment Management Fee		(179,056)
Allocation to Charitable Gift Annuities		8,385
		(179,056)
Net Earnings Available to Endowments	\$	(1,346,240)

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

The Foundation is required to present its financial instruments using a framework that measures fair value under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement requires fair value measurements to be classified and disclosed in one of the following three categories (Fair Value Hierarchy):

- Level 1 Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2015:

Money Market Fund: Valued at NAV. The Foundation invests in this fund to provide daily liquidity. Fair value is based on the NAV that can be validated with a sufficient level of observable activity (i.e. purchases and sales at NAV) and was therefore classified within Level 2 of the fair value hierarchy.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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

Fair Value Measurements - Non Governmental Discretely Presented Component Unit, Continued

The Winthrop University Foundation

Equities: Valued at the closing price reported on the active market on which the individual Securities are traded.

Fixed Income Funds, Mutual Funds, International Equity Funds, Emerging Markets Equity Funds and Exchange-Traded Products:

Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Preferred Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Hedge Funds: The Foundation held ownership in three separate hedge funds at year end, including an event-driven fund and a long/short equity fund. Fair values are estimated and reflected as Level 3.

Public Real Estate: These holdings are traded under the name BBH Wealth Strategies, LLC REMS and are reflected on the December 31, 2015 statement with an estimated value.

REITs: Shares in real estate investment trusts are actively traded and are reflected at the daily closing price.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value at December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash/Money Market	\$ -	1,922,100	-	1,922,100
Fixed Income Funds	4,441,090	-	-	4,441,090
US Large Cap Equity	9,235,442	-	-	9,235,442
US Small/Mid Cap Equity	1,461,758	-	-	1,461,758
Preferred Stock	605,348	-	-	605,348
International Equity	2,051,794	-	-	2,051,794
Emerging Markets Equity	858,530	-	-	858,530
Mutual Funds	15,079,115	-	-	15,079,115
Hedge Funds	-	-	11,304	11,304
Exchange-Traded Products	3,984,067	-	-	3,984,067
REITs	320,991	-	-	320,991
Public Real Estate	-	-	996,567	996,567
Total	<u>\$ 38,038,135</u>	<u>1,922,100</u>	<u>1,007,871</u>	<u>40,968,106</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, are summarized as follows:

State Appropriations	\$ 1,386,829
Student Accounts	4,376,968
Less Allowance for Doubtful Accounts	(1,034,626)
Student Loans Receivable - Federal Perkins	2,314,629
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	853,334
State Grants and Contracts	78,960
Local Grants and Contracts	-
Foundations	529,448
Capital Improvement Bond Funds	130
Other	<u>200,917</u>
Total Accounts Receivable, Net of Allowance	8,706,589
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(2,314,629)
Less: Noncurrent Student Accounts Receivable	<u>(1,820,470)</u>
Accounts Receivable, Net - Current	<u><u>\$ 4,571,490</u></u>

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 2016-2017 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, 2016, the allowance for uncollectible student accounts is valued at \$1,034,626.

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, 2015:

Less than One Year	\$ 734,548
One to Five Years	877,422
Over Five Years	<u>105,000</u>
	1,716,970
Less Unamortized Discount	<u>(55,704)</u>
	1,661,266
Less Allowance for Doubtful Pledges	<u>(265,610)</u>
Net Unconditional Promises to Give	<u><u>\$ 1,395,656</u></u>

Discount rates ranged from 0.56% to 1.68%.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE, Continued

Mortgage Note Receivable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

On December 20, 2013, WUREF, Inc. entered into a mortgage note agreement of \$115,000 with a real estate company with an average interest rate of 5.00 percent. The note resulted from the sale of a gift of real estate and is being held for The Winthrop University Foundation. The note is due in quarterly installments plus interest. On December 1, 2018, there is a final balloon payment due of all outstanding principal and interest. Maturity on the mortgage note receivable is scheduled as follows for years ending December 31:

2016	\$	3,802	
2017		3,996	
2018		100,159	
2019		-	
		-	
	\$	107,957	

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, 2016. 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, 2016, 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 \$2,177,232, representing the Federal portion of the loan program at June 30, 2016. 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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is summarized as follows:

	Beginning			Ending
	Balance			Balance
	July 1, 2015	Increases	Decreases	June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 5,539,853	-	-	5,539,853
Construction in Progress	-	-	-	-
Collections	198,631	-	-	198,631
Total Capital Assets Not Being Depreciated	<u>5,738,484</u>	<u>-</u>	<u>-</u>	<u>5,738,484</u>
Other Capital Assets:				
Buildings and Improvements	184,917,978	-	-	184,917,978
Machinery, Equipment and Other	18,510,736	424,044	(645,502)	18,289,278
Vehicles	441,817	-	(14,715)	427,102
Total Other Capital Assets at Historical Cost	<u>203,870,531</u>	<u>424,044</u>	<u>(660,217)</u>	<u>203,634,358</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(82,755,398)	(4,538,285)	-	(87,293,683)
Machinery, Equipment and Other	(11,552,485)	(1,134,441)	594,145	(12,092,781)
Vehicles	(397,511)	(5,427)	14,715	(388,223)
Total Accumulated Depreciation	<u>(94,705,394)</u>	<u>(5,678,153)</u>	<u>608,860</u>	<u>(99,774,687)</u>
Capital Assets, Net	<u>\$ 114,903,621</u>	<u>(5,254,109)</u>	<u>(51,357)</u>	<u>109,598,155</u>

Net Investment in capital assets of \$55,734,198 as of June 30, 2016 is determined as follows:

Capital Assets, Net	\$ 109,598,155
Less Debt:	
Current Portion of Long Term Debt	(5,472,598)
Long Term Debt	(45,446,176)
Bond Premium of Long Term Debt	(6,409,337)
Advanced Refunding	2,514,126
Plus Note Payable/Non Capital	-
Plus Unspent Bond Proceeds	<u>950,028</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 55,734,198</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 5 - CAPITAL ASSETS, Continued

Equipment - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

A summary of equipment at December 31, 2015 follows:

Equipment	\$	164,528
Less Accumulated Depreciation		(164,448)
		80
Net Fixed Assets	\$	80

Depreciation expense for the year ended December 31, 2015 was \$1,364.

Property and Equipment - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Account balances as of December 31, 2015 are as follows:

Land	\$	535,823
Buildings		15,989,063
Furniture and Fixtures		680,414
Machinery and Equipment		93,439
		17,298,739
Less: Accumulated Depreciation		(4,855,114)
		\$ 12,443,625

Depreciation charged to expense during 2015 was \$326,019. This is a non-cash expense.

NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES

On May 1, 2012, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). These current refundings and advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. As of June 30, 2016, the University has \$517,992 remaining on this deferred amount on bond refundings which is being recognized as a component of interest expense on an annual basis over the life of the new bond.

On March 1, 2016, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). This advanced refunding resulted in a net deferred advance refunding of \$1,759,850. As of June 30, 2016, the University has \$1,614,060 remaining on this which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

On June 1, 2016, the University issued Higher Education Facility Revenue Bonds Series 2016A and 2016B to refund outstanding Higher Education Facility Revenue Bonds (see Note 8). These advanced refundings resulted in a net deferred advance refunding of \$436,655. As of June 30, 2016, the University has \$382,074 remaining on these which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities as of June 30, 2016, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 5,671,561
Trade Payables	1,189,031
Accrued Interest Payable	588,497
Student Deposits and Prepayments	7,313,668
Construction Contract Retainage	-
Other Accrued Liabilities	900
Total Accounts Payable	<u>\$ 14,763,657</u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

At December 31, 2015, accounts payable primarily consisted of \$445,297 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

NOTE 8 - LONG-TERM DEBT

Long-term debt for the year ended June 30, 2016 is as follows:

	June 30, 2015	Additions	Reductions	June 30, 2016	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 44,695,000	20,290,000	(27,015,000)	37,970,000	3,135,000
Unamortized Premium	1,872,232	5,363,399	(826,294)	6,409,337	-
Athletic Facilities	720,000	-	(120,000)	600,000	120,000
Higher Education Facilities	9,905,000	9,100,000	(9,605,000)	9,400,000	1,200,000
Notes Payable	1,385,685	-	(475,685)	910,000	455,000
Master Lease Program					
Notes Payable	2,586,367	-	(547,593)	2,038,774	562,598
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	<u>61,164,284</u>	<u>34,753,399</u>	<u>(38,589,572)</u>	<u>57,328,111</u>	<u>5,472,598</u>
Other Liabilities					
Accrued Compensated Absences	3,203,057	2,256,907	(2,140,094)	3,319,870	2,209,647
Perkins Loan Federal Liability	2,195,669	-	(18,437)	2,177,232	-
Total Other Liabilities	<u>5,398,726</u>	<u>2,256,907</u>	<u>(2,158,531)</u>	<u>5,497,102</u>	<u>2,209,647</u>
Total Long-Term Liabilities	<u>\$ 66,563,010</u>	<u>37,010,306</u>	<u>(40,748,103)</u>	<u>62,825,213</u>	<u>7,682,245</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2016:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2005B	3.5% to 5.5%	04/01/25	\$ -
Series 2006A	4.12% to 5.75%	04/01/26	-
Series 2008B	3.25% to 5.0%	04/01/28	1,265,000
Series 2009A	2.5% to 4.12%	06/30/29	1,865,000
Series 2012D	4.0% to 5.0%	04/01/22	10,285,000
Series 2012E	2.5% to 5.0%	04/01/24	1,630,000
Series 2013A	3.0% to 5.0%	10/01/25	2,635,000
Series 2016B	5.00%	04/01/29	<u>20,290,000</u>
Total General Obligation Bonds			<u>37,970,000</u>
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	<u>600,000</u>
Higher Education Facilities			
Revenue Bonds Series 2005A3	3.40%	04/01/17	300,000
Revenue Bonds Series 2009A	4.07%	04/01/24	-
Revenue Bonds Series 2009B	6.35%	04/01/24	-
Revenue Bonds Series 2011	5.20%	04/01/23	-
Revenue Bonds Series 2016A	1.92%	04/01/24	7,735,000
Revenue Bonds Series 2016B	2.92%	04/01/24	<u>1,365,000</u>
Total Higher Education Facilities			<u>9,400,000</u>
Total Bonds Payable			<u><u>\$ 47,970,000</u></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 tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2015 were \$6,129,158, which results in a legal annual debt service at June 30, 2016 of \$5,516,242.

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, 2016

NOTE 8 - 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			
2005B 2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
Total Series 2005B Bonds	<u>\$ -</u>	<u>-</u>	<u>-</u>
2006A			
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
Total Series 2006A Bonds	<u>\$ -</u>	<u>-</u>	<u>-</u>
2008B			
2017	620,000	63,250	683,250
2018	645,000	32,250	677,250
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
Total Series 2008B Bonds	<u>\$ 1,265,000</u>	<u>95,500</u>	<u>1,360,500</u>
2009A			
2017	605,000	62,350	667,350
2018	620,000	44,200	664,200
2019	640,000	25,600	665,600
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
Total Series 2009A Bonds	<u>\$ 1,865,000</u>	<u>132,150</u>	<u>1,997,150</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued				
2012D	2017	1,525,000	514,250	2,039,250
	2018	1,610,000	438,000	2,048,000
	2019	1,715,000	357,500	2,072,500
	2020	1,795,000	271,750	2,066,750
	2021	1,905,000	182,000	2,087,000
	2022-2026	1,735,000	86,750	1,821,750
	2027-2031	-	-	-
	2032-2036	-	-	-
Total Series 2012D Bonds		<u>\$ 10,285,000</u>	<u>1,850,250</u>	<u>12,135,250</u>
2012E	2017	170,000	71,025	241,025
	2018	180,000	62,525	242,525
	2019	190,000	53,525	243,525
	2020	200,000	44,025	244,025
	2021	205,000	34,025	239,025
	2022-2026	685,000	42,425	727,425
	2027-2031	-	-	-
	2032-2036	-	-	-
Total Series 2012E Bonds		<u>\$ 1,630,000</u>	<u>307,550</u>	<u>1,937,550</u>
2013A	2017	215,000	106,350	321,350
	2018	225,000	97,550	322,550
	2019	235,000	88,350	323,350
	2020	245,000	78,750	323,750
	2021	255,000	68,750	323,750
	2022-2026	1,460,000	149,725	1,609,725
	2027-2031	-	-	-
	2032-2036	-	-	-
Total Series 2013A Bonds		<u>\$ 2,635,000</u>	<u>589,475</u>	<u>3,224,475</u>
2016B	2017	-	1,099,042	1,099,042
	2018	65,000	1,014,500	1,079,500
	2019	745,000	1,011,250	1,756,250
	2020	1,445,000	974,000	2,419,000
	2021	1,520,000	901,750	2,421,750
	2022-2026	12,440,000	2,940,750	15,380,750
	2027-2031	4,075,000	363,500	4,438,500
	2032-2036	-	-	-
Total Series 2016B Bonds		<u>\$ 20,290,000</u>	<u>8,304,792</u>	<u>28,594,792</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Athletic Facilities Revenue Bond			
2001A5 2017	120,000	27,540	147,540
2018	120,000	22,032	142,032
2019	120,000	16,524	136,524
2020	120,000	11,016	131,016
2021	120,000	5,508	125,508
2022-2026	-	-	-
2027-2031	-	-	-
Total Series 2001A5 Bonds	<u>\$ 600,000</u>	<u>82,620</u>	<u>682,620</u>
Higher Education Facilities Revenue Bonds			
2005A3 2017	300,000	10,200	310,200
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
Total Series 2005A3 Bonds	<u>\$ 300,000</u>	<u>10,200</u>	<u>310,200</u>
2009A			
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
Total Series 2009A Bonds	<u>\$ -</u>	<u>-</u>	<u>-</u>
2009B			
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
Total Series 2009B Bonds	<u>\$ -</u>	<u>-</u>	<u>-</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Higher Education Facilities Revenue Bonds			
2011 2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
Total Series 2011 Bonds	<u>\$ -</u>	<u>-</u>	<u>-</u>
2016A			
2017	740,000	123,734	863,734
2018	1,065,000	134,276	1,199,276
2019	1,080,000	113,832	1,193,832
2020	1,100,000	93,101	1,193,101
2021	1,110,000	71,985	1,181,985
2022-2026	2,640,000	86,766	2,726,766
2027-2031	-	-	-
Total Series 2016A Bonds	<u>\$ 7,735,000</u>	<u>623,694</u>	<u>8,358,694</u>
2016B			
2017	160,000	33,215	193,215
2018	155,000	35,186	190,186
2019	160,000	30,660	190,660
2020	170,000	25,988	195,988
2021	170,000	21,024	191,024
2022-2026	550,000	32,558	582,558
2027-2031	-	-	-
Total Series 2016B Bonds	<u>\$ 1,365,000</u>	<u>178,631</u>	<u>1,543,631</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

Bonds Payable, Continued

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.

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, 2016, the University has unamortized premium of \$0 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 were used for the construction of a new campus center and a new auditorium for the College of Business. As of June 30, 2016, the University has unamortized premium of \$15,625 which is being amortized over the life of the bond.

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 were used for the construction of a new campus center.

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 were used for the construction of a new campus center.

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 were used for the construction of a new campus center. As of June 30, 2016, the University has unamortized premium of \$34,749 which is being amortized over the life of the bond.

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.

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

Bonds Payable, Continued

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2016, the University has unamortized premium of \$879,272 which is being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds are being used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2016, the University has unamortized premium of \$159,149 which is being amortized over the life of the bond.

On December 10, 2013, Winthrop University issued \$3,045,000 in General Obligation Bonds Series 2013A with an average coupon rate of 4.152352 percent. The proceeds are being used for renovations, repurposing, and other maintenance projects on campus. As of June 30, 2016, the University has unamortized premium of \$208,865 which is being amortized over the life of the bond.

On March 1, 2016, the University issued at par \$20,290,000 with a premium of \$5,505,632 in General Obligation Bonds for the purpose of refunding \$23,700,000 of outstanding General Obligation Bonds (Series 2005B, 2006A, 2008B, and 2009A). The 2016B bonds bear an average coupon rate of 5.00 percent with the final payment due April 1, 2029. The refunded bonds carried an average coupon rate of 4.182093 percent with the final payment due April 1, 2029.

The net proceeds of \$25,555,607 (after payment of \$235,537 in underwriting fees and other issuance costs), combined with \$2,432 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,500,000 on Series 2005B with a call date of March 31, 2016, \$3,885,000 on Series 2006A with a call date of April 1, 2016, \$8,315,000 on Series 2008B with a call date of April 1, 2018 and \$8,000,000 on Series 2009A with a call date of April 1, 2019. There was \$4,488 of additional proceeds remaining from the issuance. Unamortized bond premiums on series 2005B, 2006A, 2008B and 2009A were \$98,189 at the date of advance refunding. As a result, Series 2005B, 2006A, 2008B and 2009A bonds are considered to be defeased and the refunded portion of the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,759,850. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2028. The University completed the refunding to reduce its total debt service payments over the next 13 years by \$3,425,502 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,130,107. As of June 30, 2016, the University has unamortized premium of \$5,111,677 which is being amortized over the life of the bond.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

Bonds Payable, Continued

On June 1, 2016, the University issued \$7,735,000 in Tax Exempt Higher Education Facilities Revenue Bonds for the purpose of refunding \$7,275,000 of outstanding General Obligation Bonds (Series 2009A and 2011). The 2016A bonds bear an average coupon rate of 1.9196 percent with the final payment due April 1, 2024.

The net proceeds of \$7,566,541 (after payment of \$65,500 in issuance costs), combined with \$128,866 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$2,715,000 on Series 2009A and \$4,560,000 on Series 2011 with applicable interest. There was \$102,959 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016A bonds. As a result, Series 2009A and 2011 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$420,407. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$476,192 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$420,497.

On June 1, 2016, the University also issued \$1,365,000 in Taxable Higher Education Facilities Taxable Revenue Bonds for the purpose of refunding \$1,335,000 of outstanding Higher Education Facilities Taxable Revenue Bonds Series 2009B). The 2016B bonds bear an average coupon rate of 2.920 percent with the final payment due April 1, 2024.

The net proceeds of \$1,328,000 (after payment of \$15,871 in issuance costs), combined with \$23,248 held in the University's debt service fund, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$1,335,000 on Series 2009B with applicable interest. There was \$21,129 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016B bonds. As a result, the Series 2009B bonds is considered to be defeased and the liability has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$16,248. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$200,309 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$202,067.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Bonds payable consists of the following at December 31, 2015:

South Carolina Jobs - Economic Development Authority variable rate demand Economic Development Revenue Bonds. Issued December 1, 2011 with an effective variable interest rate currently at 3.69% net of the effects of a fixed interest swap agreement. Interest is payable monthly, and principal is payable in varying annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	<u>\$ 15,465,000</u>
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On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$481,983 for the year ended December 31, 2015. Under the swap agreement, WUREF, LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.69%.

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

2016	\$	525,000
2017		550,000
2018		580,000
2019		615,000
2020		645,000
Thereafter		<u>12,550,000</u>
	<u>\$</u>	<u>15,465,000</u>

Certain bond issuance costs, including underwriter's fees and attorney fees in the amount of \$160,973 for the Series 2011 issuance, have been classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity date. Amortization expense for the bond closing cost was \$6,999 for the period ended December 31, 2015.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - LONG-TERM DEBT, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2016:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note Dated 6/12/09	0.0%	05/30/18	\$ 910,000
Note Dated 10/23/09	0.0%	11/01/15	-
Total Notes Payable			<u>\$ 910,000</u>

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.

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. As of June 30, 2012, the food service vendor expended the entire amount of this commitment. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years.

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 were 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 University paid the final installment of this note payable in November 2015.

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, 2016, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 455,000	-	455,000
2018	455,000	-	455,000
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
Total Obligations	<u>\$ 910,000</u>	<u>-</u>	<u>910,000</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 8 - 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, 2016, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated July 12, 2011	3.1805%	07/12/18	858,234
Note Dated February 28, 2013	2.330%	03/01/20	<u>1,180,540</u>
Total			<u>\$ 2,038,774</u>

On July 12, 2011, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 3.1805 percent. The proceeds are being used for the purchase of certain biology and chemistry scientific equipment. The note is payable in annual installments plus interest.

On February 28, 2013, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 2.330 percent. The proceeds were used for the purchase of instructional equipment 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, 2016 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 562,598	54,842	617,440
2018	578,064	39,377	617,441
2019	593,966	23,475	617,441
2020	304,146	7,126	311,272
2021	-	-	-
2022-2026	-	-	-
Total Obligations	<u>\$ 2,038,774</u>	<u>124,820</u>	<u>2,163,594</u>

NOTE 9 - LEASE OBLIGATIONS

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2016 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2017	-	20,452
2018	-	10,307
2019	-	2,375
2020	-	2,375
2021	-	1,385
Total Lease Payments	-	<u>36,894</u>
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>36,894</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 9 - LEASE OBLIGATIONS, Continued

Capital Leases

As of June 30, 2016, 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 \$233,734 for fiscal year 2016. For the year ending June 30, the University's lease expense for the vehicles and building were \$35,728 and \$0, respectively.

NOTE 10 - PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment provides for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Membership, Continued

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Benefits, Continued

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

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, a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Effective July 1, 2015, employees participating in the SCRS were required to contribute 8.16% of all earnable compensation. The employer contribution rate for SCRS was 16.39%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.91%, 0.15% for the incidental death benefit program and a 5.33% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement and incidental death benefit program contributions for participating employees and TERI participants to the SCRS for the years ended June 30, 2016, 2015, and 2014 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2016	10.910%	\$ 2,872,362	0.15%	\$ 39,492
2015	10.750%	\$ 3,123,114	0.15%	\$ 43,578
2014	10.450%	\$ 3,065,852	0.15%	\$ 44,007

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Contributions, Continued

Effective July 1, 2015, employees participating in the PORS were required to contribute 8.74% of all earnable compensation. The employer contribution rate for PORS was 19.07%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.34%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 5.33% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2016	13.340%	\$ 93,426	0.20%	\$ 1,401	0.20%	\$ 1,401
2015	13.010%	\$ 89,873	0.20%	\$ 1,381	0.20%	\$ 1,381
2014	12.440%	\$ 82,043	0.20%	\$ 1,319	0.20%	\$ 1,319

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 8.16% of all earnable compensation. In fiscal year 2016, the employer contribution rate for the State ORP was 11.06% plus the retiree surcharge of 5.33% that will fund retiree health and dental insurance coverage. Of the 11.06% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.91% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2016, total contributions requirements to the ORP were approximately \$2,487,326 (excluding the surcharge) from the University as employer and approximately \$1,835,268 from its employees as plan members.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Actuarial Assumptions and Methods, Continued

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by PEBA's consulting actuary Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

		<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method		Entry age normal	Entry age normal
Investment Rate of Return	1	7.5%	7.5%
Projected Salary Increases	1	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments		Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

¹ Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular System's total pension liability determined by PEBA in accordance with GASB No. 67 less that System's fiduciary net position.

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements at <http://www.peba.sc.gov/assets/financialsretirement.pdf>. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

A plan's Net Pension Liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by the Governmental Accounting Standards Board (GASB) as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL.

Investments earned 1.60% during the plan year ended June 30, 2015 and thus the market value of the South Carolina Retirement System (SCRS) and Police Officers' Retirement System's (PORS) investments increased slightly. However, this resulted in negative cash flows because net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2015. This change, coupled with the annual increase in the total pension liability, led to a \$1.75 billion and \$265 million increase in the NPL for SCRS and PORS, respectively, for the measurement period ended June 30, 2015.

As previously communicated by PEBA, the financial reporting changes required by GASB 68 are likely to result in increased volatility in an employers' reported proportionate share of the NPL from one year to the next. Regardless of the NPL reported on the employer's financial statements, the employer is responsible only for making the contributions required by state law during any given year. Employers cannot pay down or pay off their proportionate share of the NPL because SCRS and PORS are multiple employer, cost-sharing defined benefit plans.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary.

At June 30, 2016, the University reported liabilities of \$83,022,915 and \$1,215,309 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2015. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the University's SCRS and PORS proportion was 0.437758% and 0.05576%, respectively.

For the year ended June 30, 2016, the University recognized net pension expenses of \$5,698,810 and \$109,939 for SCRS and PORS, respectively.

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Liability Experience	1,475,034	24,088
Investment Experience	5,321,231	105,936
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	-	6,591
University Contributions Subsequent to the Measurement Date	4,274,710	96,227
TOTAL	\$ 11,070,975	232,842
Deferred Inflows of Resources		
Liability Experience	148,471	-
Investment Experience	4,765,517	92,639
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	1,050,350	-
TOTAL	\$ 5,964,338	92,639

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The \$4,274,710 and \$96,227 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2017	\$ 23,469	5,515
2018	23,469	5,515
2019	(483,181)	4,452
2020	1,268,170	28,494
2021	-	-
Thereafter	-	-

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Long-term Expected Rate of Return, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	<u>100.0%</u>		<u>6.00%</u>
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			<u>8.75%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 10 - PENSION PLANS, Continued

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.50 percent, as well as what the University's respective net pension liability would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 104,668,173	83,022,915	64,881,437
PORS	1,655,535	1,215,309	821,771

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2015 located at <http://www.peba.sc.gov/assets/financialsretirement.pdf> (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2015 located at http://www.peba.sc.gov/assets/06.30.2015-gasb-68_report_final-protected.pdf.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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 South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

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 beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, 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, 5.00% of annual covered payroll for 2016 and 5.00% of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$2,475,876 and \$2,592,325 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 and 2015. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$4,928,371 and \$4,967,657 for the years ended June 30, 2016 and 2015, respectively.

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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

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

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

The University had outstanding commitments under construction contracts of \$877,147 at June 30, 2016 of which \$0 was attributable to capital projects and the remaining \$877,147 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, 2016.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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

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, 2016.

Contingencies / Commitments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result in litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

Contingencies - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

In connection with the Bonds issued and outstanding (See Note 8), WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate.

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, 2016, the University held \$499,628 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2016 was \$473,197. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Position. 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, 2016, the income available to be spent is \$340,240 of which \$200,611 is restricted to specific purposes.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

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.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2016 are summarized as follows:

Instruction	\$ 40,375,677
Research	1,616,089
Public Service	4,392,655
Academic Support	8,290,048
Student Services	13,854,864
Institutional Support	10,222,775
Operation and Maintenance of Plant	11,623,310
Scholarships and Fellowships	7,249,308
Auxiliary Enterprises	12,405,845
Depreciation	5,678,153
Total Operating Expenses	<u>\$ 115,708,724</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 17 – NONOPERATING FEDERAL GRANTS AND CONTRACTS

Nonoperating Federal grants and contracts for the year ended June 30, 2016 are summarized as follows:

State Fiscal Stabilization Funds	\$	-
Federal Pell Grant Program - 2014		185
Federal Pell Grant Program - 2015		28,079
Federal Pell Grant Program - 2016		9,190,519
Total	\$	9,218,783

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 Position. Prior to June 30, 2011, 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.

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. The receipts, earnings and expenditures related to the agency funds are not included in the Foundation’s Statement of Activities.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 18 - COMPONENT UNITS, Continued

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are 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 \$2,083,132 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2016. 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, 2016 are \$166,610 due from the Foundation.

Purpose of Restricted Net Assets

All temporarily restricted net assets in the amount of \$3,130,446 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2015 were \$1,975,391, for expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets in the form of split-interest agreements are available in the amount of \$2,185,188 for use by Winthrop University to support student scholarships and physical facilities. Net assets released in 2015 for these purposes totaled \$310,804.

Restricted Net Assets Available	\$ 3,130,446
Estimated Current Value of Trusts Which Upon the Deaths of the Beneficiaries Will Provide Endowments	<u>2,185,188</u>
	<u>\$ 5,315,634</u>

The Foundation's net assets classification has not been significantly affected by the new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies 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
Notes to the Financial Statements, Continued
June 30, 2016

NOTE 18 - COMPONENT UNITS, Continued

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, 2015 thru June 30, 2016, the fee for management services amounted to \$229,559. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

In addition, the University recorded Non Governmental gifts receipts of \$272,296 from WUREF Development, LLC in nonoperating revenues for the fiscal year ending June 30, 2016. These funds were primarily used to support the University in special marketing and enrollment initiatives.

Component unit receivables as of June 30, 2016 are \$362,838 due from WUREF, Inc.

OTHER FINANCIAL INFORMATION

WINTHROP UNIVERSITY
Schedule Reconciling State Appropriation Per the Financial Statements
To State Appropriation Recorded in State Accounting Records
For the Year Ended June 30, 2016

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

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2015-2016 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2016:

Non-Capital Appropriations

Non-Capital Appropriations per 2015-2016 Appropriations Act \$ 14,424,851

State Budget and Control Board Allocations:

State Budget and Control Board Approved	
Allocation for Health Insurance	142,841
Allocation for Bonus Plan	321,870
Proviso 3.1 AUP State Supported Scholarships and Grants	4,500
Proviso 3.1 Veterans Tuition Differential	45,528
From SC Education Lottery Fund - Technology Program	394,131
From Commission on Higher Education - Academic Endowment Incentive Match	8,687
Revised Non-Capital Appropriations - Legal Basis	15,342,408
Accrued Funding for Net Payroll Adjustments	(277,363)
Appropriations drawn but not expended during the current fiscal year	-
Total Non-Capital Appropriations Recorded	
As Current Year Revenue	\$ 15,065,045

Capital Appropriations

Proceeds drawn during the current fiscal year	\$ 2,705,584
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	(2,263,402)
Total Capital Appropriations Recorded as Current Year Revenue	\$ 442,182

Research Infrastructure Bond Proceeds

Proceeds drawn during the current fiscal year	\$ -
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	-
Total Research Infrastructure Bond Proceeds Recorded	
As Current Year Revenue	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

WINTHROP UNIVERSITY
Schedule of Winthrop University's Proportionate Share of the
SCRS and PORS Net Pension Liabilities

	<u>FY 2015</u>	<u>FY 2014</u>
SCRS - South Carolina Retirement System		
Winthrop's Proportion of the Net Pension Liability	0.437758%	0.44535%
Winthrop's Proportionate Share of the Net Pension Liability	\$83,022,915	\$76,674,505
Winthrop's Covered-Employee Payroll	\$26,327,792	\$29,338,296
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	315.34%	261.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.00%	59.90%
PORS - South Carolina Police Officers Retirement System		
Winthrop's Proportion of the Net Pension Liability	0.05576%	0.05535%
Winthrop's Proportionate Share of the Net Pension Liability	\$1,215,309	\$1,059,697
Winthrop's Covered-Employee Payroll	\$700,344	\$659,511
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	173.53%	160.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.60%	67.50%

WINTHROP UNIVERSITY
Schedule of Winthrop University's SCRS and PORS Contributions

	<u>FY 2015</u>	<u>FY 2014</u>
SCRS - South Carolina Retirement System		
Contractually Required Contribution	\$4,473,914	\$4,287,820
Contribution in Relation to the Contractually Required Contribution	<u>(\$4,473,914)</u>	<u>(\$4,287,820)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>
State Covered-Employee Payroll	\$26,327,792	\$29,338,296
Contributions as a Percentage of Covered-Employee Payroll	16.99%	14.62%
PORS - South Carolina Police Officers Retirement System		
Contractually Required Contribution	\$92,636	\$86,133
Contribution in Relation to the Contractually Required Contribution	<u>(\$92,636)</u>	<u>(\$86,133)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>
State Covered-Employee Payroll	\$700,344	\$659,511
Contributions as a Percentage of Covered-Employee Payroll	13.23%	13.06%

SINGLE AUDIT SECTION

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2016

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2016
US State Department			
Academic Exchange Programs - Teachers	19.408	FY16-TEA-WINTHROP-01	188,708
TOTAL US STATE DEPARTMENT			\$ 188,708
US National Endowment for the Arts			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	15-4292-7103	20,641
Promotion of the Arts_Grants to Organizations and Individuals	45.024	FS-231100-15	22,077
National Endowment for the Arts			\$ 42,718
National Science Foundation			
Mathematical and Physical Sciences	47.049	DMS1346976	R&D 1,795
Mathematical and Physical Sciences	47.049	DMS1358534	R&D 82,567
Mathematical and Physical Sciences	47.049	3-8-710-949	R&D 531
Subtotal 47.049			\$ 84,893
Biological Sciences	47.074	MCB-1038669	R&D (171)
Subtotal 47.074			\$ (171)
Social, Behavioral and Economic Sciences	47.075	SES-1527762	R&D 25,113
Subtotal 47.075			\$ 25,113
Education and Human Resources	47.076	DUE-1035322	R&D 124,150
Education and Human Resources	47.076		R&D 25,290
Education and Human Resources	47.076	DUE-1154152	SFA 155,154
Subtotal 47.046			\$ 304,594
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 414,429
Small Business Administration			
Pass-Through the University of South Carolina			
Small Business Development Centers	59.037	SBAHQ-16-B-0032	323,274
Small Business Development Centers	59.037	SBAHQ-15-B-0042 - 0002	20,132
Small Business Development Centers	59.037	SBAHQ-15-B-0042	26,870
TOTAL SMALL BUSINESS ADMINISTRATION			\$ 370,276

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2016

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	SFA	Total Expenditures FY2016
US Department of Education				
Office of Postsecondary Education				
Student Financial Aid Cluster				
Supplemental Education Opportunities Grant	84.007	PO07A153816	SFA	135,243
Subtotal 84.007				<u>\$ 135,243</u>
Federal Work Study Program	84.033	P033A113816	SFA	480
Federal Work Study Program	84.033	P033A133816	SFA	6,454
Federal Work Study Program	84.033	P033A143816	SFA	346
Federal Work Study Program	84.033	P033A163816	SFA	137,181
Subtotal 84.033				<u>\$ 144,461</u>
Federal Perkins Loan Program	84.038	P038A063816	SFA	2,749,455
Subtotal 84.038				<u>\$ 2,749,455</u>
Federal PELL Grant Program	84.063	PO063P130379	SFA	185
Federal PELL Grant Program	84.063	PO063P140379	SFA	28,079
Federal PELL Grant Program	84.063	PO063P150379	SFA	9,190,519
Subtotal 84.063				<u>\$ 9,218,783</u>
Federal Direct Student Loan Program FY15	84.268	P268K100379	SFA	156,921
Federal Direct Student Loan Program FY16	84.268	P268K110379	SFA	39,571,943
Subtotal 84.268				<u>\$ 39,728,864</u>
Mathematics and Science Partnerships	84.366B	H63010008216		13,099
Subtotal 84.366B				<u>\$ 13,099</u>
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T160379	SFA	461,956
Subtotal 84.379				<u>\$ 461,956</u>
Subtotal - Student Financial Aid Cluster				<u>\$ 52,451,861</u>
TRIO Cluster				
TRIO - Student Support Services	84.042	PO42AO 51274		(18,902)
TRIO - Student Support Services	84.042	84-042A2015-1		179,557
TRIO - Student Support Services	84.042	PO42A100308		46,817
Subtotal 84.042				<u>\$ 207,472</u>
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A130111		217,180
Subtotal 84.217				<u>\$ 217,180</u>
Subtotal - TRIO Cluster				<u>\$ 424,652</u>

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2016

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2016
Office of Innovation and Improvement				
Teacher quality Partnership Grants	84.336	U336S090144	R&D	(320)
Subtotal 84.336				\$ (320)
School Leadership	84.363	U363A100071	R&D	\$ 321,247
Subtotal 84.363				\$ 321,247
Office of Elementary and Secondary Education				
Pass-Through the York School District One				
Mathematics and Science Partnerships	84.366	14MS089.01		32,390
Mathematics and Science Partnerships	84.366	14MS029.01		
Subtotal - York School District One				\$ 32,390
TOTAL US DEPARTMENT OF EDUCATION				\$ 53,229,830
US Department of Health and Human Services				
National Institute of Health				
Vision Research	93.867	R15EY024453	R&D	109,767
Subtotal				\$ 109,767
US Department of Health and Human Services				
National Institute of Health				
Pass-Through the University of South Carolina				
National Center for Research Resource	93.859	2P20GM103499-15	R&D	270,681
Subtotal 93.389				\$ 270,681
US Department of Health and Human Services				
National Institute of Health				
Pass Through SC Substance Abuse & Mental Health Services Administration (SAMSHA)				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243			\$ 2,195
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243			1,184
Subtotal - 93.243				\$ 3,379
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$ 383,827
Corporation for National and Community Service				
Program Development and Innovation Grants	94.007			2,000
Subtotal 94.007				\$ 2,000
Volunteers in Service to America	94.013	10VSSSC001		15,548
Subtotal 94.013				\$ 15,548
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				\$ 17,548
TOTAL ALL FEDERAL FUNDS				\$ 54,647,336

Independent Auditors' Report On Compliance
For Each Major Program And On Internal Control Over
Compliance Required By The Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Winthrop University's compliance with the types of compliance requirements described in the *OMB 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, 2016. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Winthrop University's compliance.

Opinion on Each Major Federal Program

In our opinion Winthrop University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

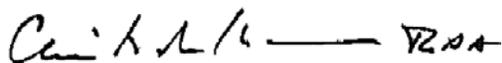
Report on Internal Control Over Compliance

Management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Winthrop University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gaffney, SC
October 6, 2016

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, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit (The Winthrop University Foundation) of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprised Winthrop University's basic financial statements, and have issued our report thereon dated October 6, 2016. Our report includes a reference to other auditors who audited the financial statements of 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 Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards. The Winthrop University Foundation's financial statements were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Winthrop University Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winthrop University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winthrop University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit by those charged with governance.

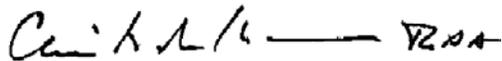
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gaffney, SC
October 6, 2016

WINTHROP UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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>\$ 39,728,864</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 \$2,314,629 as of June 30, 2016. The expenditures for June 30, 2016 are calculated as follows:

June 30, 2015 Loan Balance	\$ 2,316,455
Current Year Loans Made	396,000
Current Year Administrative Cost Allowance	<u>37,000</u>
Total	<u>\$ 2,749,455</u>

WINTHROP UNIVERSITY
Summary Schedule of Prior Audit Findings
June 30, 2016

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.

Winthrop University
Schedule of Findings and Questioned Costs
June 30, 2016

Summary of Auditors' Results:

- An unmodified opinion was issued on Winthrop University's basic financial statements dated October 6, 2016.
- There were no material weaknesses or significant deficiencies relating to the financial statements reported in the 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*
- There were no instances of noncompliance material to the financial statements of Winthrop University disclosed during the audit.
- The auditor's report on compliance for the major federal award programs for Winthrop University expresses an unmodified opinion.
- There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- There were no audit findings reported relative to the major federal award programs for Winthrop University as depicted below in this schedule.
- Major federal programs:

Student Financial Aid Cluster from the U.S. Department of Education	
Federal Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study	CFDA #84.033
Federal Perkins Loan Program	CFDA #84.038
PELL	CFDA #84.063
Federal Direct Student Loans	CFDA #84.268
Federal TEACH Grants	CFDA #84.379
- The threshold for distinguishing between Type A and Type B Programs was \$750,000.

Winthrop University is a low risk auditee according to the criteria in the Uniform Guidance.

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.