WINTHROP UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules
For the Year Ended June 30, 2013

WINTHROP UNIVERSITY

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FINANCIAL INFORMATION

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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, 2013, 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 the 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 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.

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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 the discretely presented component unit (The Winthrop University Foundation) of Winthrop University as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, GASB Statement No. 61 as implemented by the State of South Carolina during fiscal year 2013, changed the manner in which the University is reported in the State of South Carolina's Comprehensive Annual Financial Report to a discretely presented component unit. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2013 the University adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 is 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 September 20, 2013, 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, South Carolina
September 20, 2013

WINTHROP UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2013. 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.

Introduction

Winthrop University provides personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. Nationally recognized for its quality and value, Winthrop is a learning community that embodies the characteristics essential to being one of the best universities of its kind: a carefully selected student body of high academic achievement and cultural diversity; a national caliber curriculum of the arts, sciences, and professions; a residential educational experience emphasizing personal identity and close relationships; and values that emphasize deep learning, quality teaching, and engaged public service. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited – part of the University's commitment to be among the very best institutions of its kind in the nation.

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

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

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

Winthrop has obtained 100 percent national accreditation in all academic areas for which such accreditation is available. Winthrop University was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2013 edition. It is the 21st time this publication has chosen Winthrop for inclusion in its listings.

The Princeton Review rated Winthrop among its **"Best Southeastern Colleges"** in its 2014 edition, based on academic excellence and what students report about their college experiences. Winthrop has been included in the regional guidebook since its initial publication in 2003.

The Corporation for National and Community Service (CNCS) named Winthrop University as a leader among institutions of higher education for their support of volunteering, service-learning, and civic engagement. The CNCS included Winthrop in its 2013 President's Higher Education Community Service Honor Roll, the eighth consecutive time Winthrop has made the list.

Statement of Net Position

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

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

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.

CONDENSED STATEMENT OF NET POSITION	**2013**	**2012**	**Increase/ (Decrease)**
ASSETS			
Current Assets	$ 26,214,753	$ 21,906,858	$ 4,307,895
Capital Assets, Net of Accumulated Depreciation	124,987,933	131,017,092	(6,029,159)
Other Noncurrent Assets	9,033,845	10,102,222	(1,068,377)
Total Assets	160,236,531	163,026,172	(2,789,641)
LIABILITIES			
Current Liabilities	23,271,357	20,128,001	3,143,356
Noncurrent Liabilities	67,591,524	72,616,430	(5,024,906)
Total Liabilities	90,862,881	92,744,431	(1,881,550)
NET POSITION			
Net Investment in Capital Assets	56,222,209	56,852,729	(630,520)
Restricted for Nonexpendable	497,918	497,918	0
Restricted for Expendable	2,012,000	1,999,244	12,756
Unrestricted	10,641,523	10,931,850	(290,327)
Total Net Position	$ 69,373,650	$ 70,281,741	(908,091)

- Current Assets increased by $4.3M. Of this increase, Cash and Cash equivalents increased by $1.3M, primarily because cash was on hand for the July 1 payroll. Last year because July 1 fell on a weekend, the July 1 payroll was paid out on June 29. In addition, Grants and Contracts receivables increased by $2.4M as there were end of year grant expenses that had been incurred but not yet received from the granting agencies on June 30. Finally, Student Accounts Receivables Less Allowance for Doubtful Accounts increased by $660,000.

- Capital Assets, Net of Accumulated Depreciation decreased by $6,029,159 which was depreciation expense of $6.2M less the net value of assets placed into service within the year.

- Other Noncurrent Assets declined by $1,068,377 in restricted cash. Again, this was a result of $2.4M for expenses incurred in Grants and Contracts funds not yet received from granting agencies. This decrease was offset by an increase in restricted cash in the Teaching Fellows and CERRA scholarship funds of nearly $1M and an increase in Unexpended Plant Funds of $500,000. The increase in Unexpended Plant Funds cash was recognized because at the end of June 2012, expenses had been incurred for equipment under the State of South Carolina's Master Lease program but the proceeds from the bank acquisition fund were received in the 2013 fiscal year.

- Current Liabilities increased by $3,143,356. $2M of this increase resulted from the July 1 accrued payroll and related liabilities as of June 30. The remaining $1M increase was in the funds held in trust for the Teaching Fellows and CERRA scholarship accounts.

- Noncurrent Liabilities decreased by $5 million in Long-Term Debt as a result of $6.8M in principal payments net of $1.8M in newly incurred debt under the State of South Carolina's Master Lease program. The proceeds from this Master Lease were used to purchase instructional equipment and software.

- Overall, the University's Net Position declined by $908,091. Net Investment in Capital Assets declined by $630K. This decline was the result of a decrease in capital asset values, net of total debt and debt proceeds on hand at year end. As mentioned earlier, the overall Capital Asset value declined by $6 million as a result of depreciation expense in excess of the value added for new assets. However, Long-Term Debt also decreased by just under $5M as a result of current year debt payments net of new debt incurred. The value of debt proceeds on hand for the 2013 Master Lease proceeds not yet spent as of June 30 increased by $400,000 as compared to proceeds on hand at the end of Fiscal Year 2012. And finally, the Unrestricted Net Position declined by $290,000, of which nearly $200,000 resulted from an increase in Compensated Absence expenses for employee accrued vacation leave.

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, 2013	**2013**	**2012**	**Increase/ (Decrease)**
Operating Revenues	$ 91,506,843	$ 83,229,687	$ 8,277,156
Operating Expenses	116,342,153	113,111,700	3,230,453
Operating Loss	(24,835,310)	(29,882,013)	5,046,703
Nonoperating Revenues and Expenses	21,946,804	20,588,256	1,358,548
Loss before Other Revenues, Expenses, Gains, or Losses	(2,888,506)	(9,293,757)	6,405,251
Other Revenues, Expenses, Gains, or Losses	1,980,415	1,174,145	806,270
Increase/(Decrease) in Net Position	$ (908,091)	$ (8,119,612)	$ 7,211,521
Net Position – Beginning of Year	$ 70,281,741	$ 78,401,353	$ (8,119,612)
Decrease/Increase in Net Position	(908,091)	(8,119,612)	7,211,521
Net Position – End of Year	$ 69,373,650	$ 70,281,741	$ (908,091)

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease 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 increased by $8,277,156. Of this increase, nearly $1M was recognized in student academic fee revenue and nearly $3M in Sales and Services of Auxiliary Enterprise Activities. This increase in fee revenue was a result of a slight increase in enrollment, as well as the fee increase approved by the University's Board of Trustees in June 2012. In addition, Phelps residence hall, with nearly 400 beds, reopened in the Fall 2012 after being closed two years for renovations. The opening of Phelps not only increased revenues in housing, but also in the cafeteria fund. And finally, operating revenue in Grants and Contracts funds increased by nearly $4M.

- Operating Expenses increased by $3,230,453. This increase was a primarily a result of a $3M increase in personnel costs, an increase of $2M in related benefit costs, and a decrease in Services and Supplies of $1.5M. Of the $3M increase in personnel costs, $2M resulted from new employee costs associated with the increase in Grant and Contract activity. In addition, in July 2012, the State of South Carolina mandated a 3% salary increase for all employees, which resulted in the remaining $1M increase in personnel costs. The related benefit costs increased by nearly $2M not only because of the increase in personnel costs, but also as a result of rate increases for both retirement and health benefits. Retirement benefit rates increased by over one percent for all retirement plan participants and health premiums increased by varying amounts depending on the plans and coverage. Again, this increase in personnel and fringe benefit costs was offset by a $1.5M decline in Service and Supplies expenses largely due to the completion of the non-capital project work on Phelps Residence Hall.

- Nonoperating revenues increased by just over $1,300,000, which resulted primarily from an increase in State Appropriations for student information technology and pay plan and benefit allocation funding.

Capital Asset and Debt Activity

As previously mentioned, during the 2013 fiscal year, work was completed on Phelps Residence Hall, and the hall reopened for Fall 2012 occupancy.

The only new debt incurred during the 2013 fiscal year was in the amount of $2M borrowed on February 28, 2013 from a financial institution through the State of South Carolina's Master Lease Program at an interest rate of 2.330 percent. The proceeds are being used for the purchase of certain instructional equipment and software. As of June 30, $1.5M was not yet spent and these proceeds remained on hand.

On February 15, 2013, the Winthrop Board of Trustees passed a resolution to approve the issuance of $3.5M in Capital Maintenance Bonds. As of June 30, these bonds had not been yet issued. When issued in the Fall 2013, the University plans to use the bond proceeds to up-fit the fire alarm systems in and repair roofs on various campus buildings, repurpose the Facilities Management Building to accommodate College of Visual and Performing Arts' Studios, and upgrade energy management system jace panels, repair bathrooms, upgrade handicap access, and address other minor facilities renewal needs in several campus buildings.

Economic Outlook

As a public institution, the University economic outlook is directly affected by the State of South Carolina economic position. In 2014, although the University lost the nearly $2.5M in 2013 non-recurring funding from the State of SC, the University did receive $350,000 in additional recurring appropriation funding, and an additional $1.3 million in non-recurring funding for deferred maintenance.

The University will also recognize some increased costs in the new year for benefit costs (retirement and health insurance) and utility rate increases. With these increased costs and a still-unstable state and national economy, the University's management will continue to monitor factors and adjust budget projections accordingly 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, 2013

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 14,148,852
Accounts Receivable, Net	10,418,648
Inventories	365,530
Accrued Interest Receivable	35,900
Prepayments	1,245,823
Total Current Assets	26,214,753
NONCURRENT ASSETS	
Cash and Cash Equivalents	
Restricted	5,611,485
Endowment	1,070,122
Perkins Loans Receivable, Net	2,352,238
Capital Assets, Net	124,987,933
Total Noncurrent Assets	134,021,778
Total Assets	160,236,531
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	13,409,211
Deferred Revenue	1,020,850
Current Portion of Long Term Debt	6,623,372
Current Portion of Compensated Absences	2,217,924
Total Current Liabilities	23,271,357
NONCURRENT LIABILITIES	
Compensated Absences	979,273
Perkins Loan Federal Liability	2,387,077
Bond Premium on Long Term Debt	2,622,576
Long Term Debt	61,602,598
Total Noncurrent Liabilities	67,591,524
Total Liabilities	90,862,881
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net Investment in Capital Assets	56,222,209
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	497,918
Expendable:	
Scholarships and Fellowships	327,376
Grants	744,497
Loans	301,983
Debt Service	638,144
Unrestricted	10,641,523
Total Net Position	$ 69,373,650

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

REVENUES		
OPERATING REVENUES		
Student Tuition and Fees (of which $481,502 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and $6,257,220 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of $28,763,435)	$	46,692,056
Grants and Contracts		24,739,795
Sales and Services of Educational Activities		2,150,909
Sales and Services of Athletic Activities		1,438,968
Sales and Services of Auxiliary Enterprise Activities (of which $4,022,793 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)		15,114,614
Other Fees		904,986
Other Operating Revenues		465,515
Total Operating Revenues		91,506,843
EXPENSES		
Personnel Costs		56,539,553
Fringe Benefits		16,636,445
Service and Supplies		27,402,411
Utilities		3,294,799
Scholarships and Fellowships		6,207,564
Depreciation		6,261,381
Total Operating Expenses		116,342,153
Operating Loss		(24,835,310)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		13,934,104
Grants and Contracts		-
Federal Grants and Contracts		8,636,555
Gifts		1,036,520
Investment Income/(Loss)		169,930
Interest Expense		(2,543,471)
Other Nonoperating Revenues		713,166
Net Nonoperating Revenues		21,946,804
Loss Before Other Revenues, Expenses, Gains or Losses		(2,888,506)
Federal Capital Grants and Contracts		-
Capital Appropriations		1,980,415
Increase/(Decrease) in Net Position		(908,091)
NET POSITION		
Net Position - Beginning of Year		70,281,741
Net Position - End of Year	$	69,373,650

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM	
Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	$ 45,862,219
Grants and Contracts	22,376,605
Sales and Services of Educational Activities	2,041,720
Sales and Services of Athletic Activities	1,477,588
Sales and Services of Auxiliary Enterprise Activities	15,114,614
Other Fees	904,986
Collection of Loans	362,443
Receipts of Funds Held for Others	1,953,332
Inflows from Federal Direct Lending Loans to Students	37,694,448
Other Receipts	465,515
CASH PAID FOR	
Personnel Costs	(55,019,439)
Fringe Benefits	(16,009,080)
Service and Supplies	(27,144,909)
Utilities	(3,294,799)
Students	(6,285,775)
Loans to Students	(418,750)
Payments of Funds Held for Others	(980,151)
Outflows from Federal Direct Lending Loans to Students	(37,720,519)
Net Cash Used by Operating Activities	(18,619,952)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	14,183,733
Gifts and Grants	935,903
Federal Grants and Contracts	8,624,310
Commissions	598,692
Other Sources	114,473
Principal Paid on Noncapital Debt and Lease	(363,083)
Proceeds from Debt	4,102,900
Net Cash Provided by Noncapital Financing Activities	28,196,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	(2,709,164)
Federal Capital Grants and Contracts	-
Capital Appropriations	1,980,416
Purchases of Capital Assets	(328,622)
Principal Paid on Capital Debt and Lease	(5,967,771)
Interest and Fees	(2,517,131)
Net Cash Used by Capital and Related Financing Activities	(9,542,272)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	197,766
Net Cash Provided by Investing Activities	197,766
Net Change in Cash and Cash Equivalents	232,470
Cash and Cash Equivalents - Beginning of Year	20,597,989
Cash and Cash Equivalents - End of Year	$ 20,830,459

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2013

Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating Loss	$ (24,835,310)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	6,261,381
Change in Assets and Liabilities:	
Accounts Receivable, Net	(2,992,773)
Inventories	(49,901)
Prepayments	(28,740)
Accounts Payable and Accrued Liabilities	1,048,282
Accrued Salaries and Related Expenses	1,976,354
Deferred Revenue	(170,371)
Compensated Absences	171,126
Net Cash Used by Operating Activities	$ (18,619,952)

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Cash Equivalents Classified as Current	$ 14,148,852
Cash and Cash Equivalents Classified as Noncurrent Restricted	5,611,485
Cash and Cash Equivalents Classified as Noncurrent Endowment	1,070,122
	$ 20,830,459

Non-Cash Transactions:	
Disposal of Capital Assets	$ -
Acquisition of Capital Assets Through Donations	(290,638)
	$ (290,638)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(With comparative information for December 31, 2011)

		Temporarily	Permanently Restricted			December 31	
Assets	Unrestricted Fund	Restricted Funds	Endowment Funds	Split-Interest Agreements	Agency Funds	2012 Total	2011 Total
Cash and Equivalents	$ 377	225,271	2,012,877	51,829	11,211	2,301,565	2,621,255
Accrued Interest and Dividends	-	-	-	-	-	-	-
Contributions Receivable	215,690	417,274	1,625,726	-	-	2,258,690	1,440,657
Less: Pledge Discounts	(3,200)	(5,289)	(56,348)	-	-	(64,837)	-
Pledge Allowance	(46,755)	(89,947)	(172,786)	-	-	(309,488)	-
Pooled Investments, at Fair Value	-	3,117,694	28,085,205	489,759	155,173	31,847,831	27,669,796
Investments, at Fair Value	1,197	-	-	4,009,987	-	4,011,184	1,239,865
Due From Other Funds	-	738,872	-	234,651	-	- *	-
Prepaid Expenses	33,287	-	-	-	-	33,287	11,896
Beneficial Interest in Perpetual Trust	-	-	-	1,119,065	-	1,119,065	5,382,143
Cash Value of Life Insurance	-	18,119	78,728	-	-	96,847	96,847
Office Furniture & Equipment, at Cost Net of Depreciation of $152,784	13,160	-	-	-	-	13,160	20,617
Total Assets	$ 213,756	4,421,994	31,573,402	5,905,291	166,384	41,307,304	38,483,076
Liabilities and Net Assets							
Liabilities:							
Accounts Payable	234,949	219,458	-	5,946	-	460,353	205,043
Payroll Liabilities	21,759	-	-	-	-	21,759	14,160
Actuarial Liability of Annuities Payable	-	-	-	3,229,909	-	3,229,909	3,235,719
Due To Other Funds	260,114	-	713,409	-	-	- *	-
Agency Funds	-	-	-	-	166,384	166,384	140,817
Total Liabilities	516,822	219,458	713,409	3,235,855	166,384	3,878,405	3,595,739
Net Assets:							
Unrestricted	(303,066)	-	-	-	-	(303,066)	(123,726)
Temporarily Restricted	-	4,202,536	-	-	-	4,202,536	4,734,675
Permanently Restricted	-	-	30,859,993	2,669,436	-	33,529,429	30,276,388
Total Net Assets	(303,066)	4,202,536	30,859,993	2,669,436	-	37,428,899	34,887,337
Total Liabilities and Net Assets	$ 213,756	4,421,994	31,573,402	5,905,291	166,384	41,307,304	38,483,076

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

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

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative information for the year ended December 31, 2011)

			Permanently Restricted		December 31	
	Unrestricted Fund	Temporarily Restricted Funds	Endowment Funds	Split-Interest Agreements	2012 Total	2011 Total
Revenues, Gains and Other Support:						
Contributions	$ 767,007	742,510	2,133,452	41,562	3,684,531	3,472,752
Less: Provision for Doubtful Pledges	(48,023)	-	(123,717)	-	(171,740)	(114,277)
Provision for Pledge Discounts	(2,518)	(5,289)	(56,348)	-	(64,155)	-
Investment Earnings (Losses)	1,601,051	-	1,204,218	480,613	3,285,882	(5,887)
Management Fee Income	-	-	-	-	-	-
Increase (Decrease) in Cash Surrender Value	-	-	-	-	-	(12,539)
Change in Value of Split-Interest Trusts	-	-	-	-	-	60,577
	$ 2,317,517	737,221	3,157,605	522,175	6,734,518	3,400,626
Net Assets Released From Restrictions	1,787,476	(1,288,607)	-	(498,869)	-	-
Expenses:						
Operating Expenses	556,210	-	-	-	556,210	431,456
Fund Raising	1,303,840	-	-	-	1,303,840	1,248,897
Grants to Winthrop University	2,332,907	-	-	-	2,332,907	2,339,221
Total Expenses	4,192,957	-	-	-	4,192,957	4,019,574
Net Increase (Decrease) in Net Asets Before Transfers	(87,964)	(551,386)	3,157,605	23,306	2,541,561	(618,948)
Net Transfers	(91,376)	19,247	902,968	(830,839)	-	(541,681)
	(179,340)	(532,139)	4,060,573	(807,533)	2,541,561	(1,160,629)
Net Assets, Beginning of Period	(123,726)	4,734,675	26,799,420	3,476,969	34,887,338	36,047,966
Net Assets, End of Period	$ (303,066)	4,202,536	30,859,993	2,669,436	37,428,899	34,887,337

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

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Assets			
Current Assets:			
Cash and cash equivalents	$ 3,450,587	$ 21,982	$ 3,472,569
Accounts receivable	28,383	990	29,373
Prepaid expenses	13,389	-	13,389
Total current assets	3,492,359	22,972	3,515,331
Property and equipment, net	13,417,771	-	13,417,771
Other assets:			
Bond closing costs, net	153,391	-	153,391
Real estate gifts	-	863,000	863,000
Other assets	5,000	-	5,000
Total other assets	158,391	863,000	1,021,391
Total assets	$ 17,068,521	$ 885,972	$ 17,954,493
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$ 147,243	$ 5,327	$ 152,570
Due to (from) subsidiary	576	$ (576)	-
Current portion of long-term debt	459,819	-	459,819
Total current liabilities	607,638	4,751	612,389
Long-term debt :			
Bonds payable	16,885,000	-	16,885,000
Notes payable	90,524	-	90,524
Less: current portion of long-term debt	(459,819)	-	(459,819)
Total long-term debt	16,515,705	-	16,515,705
Total liabilities	17,123,343	4,751	17,128,094
Net Assets:			
Unrestricted	(54,822)	-	(54,822)
Temporarily restricted	-	881,221	881,221
Total net assets	(54,822)	881,221	826,399
Total liabilities and net assets	$ 17,068,521	$ 885,972	$ 17,954,493

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

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets			
Revenue			
Program revenues	$ 2,572,481	$ -	$ 2,572,481
Real estate gifts	-	-	-
Income from real estate gifts, net	543	(748)	(205)
Rental income from Winthrop University	-	-	-
Rental income	6,600	-	6,600
Total revenue	2,579,624	(748)	2,578,876
Net assets released from restrictions	171,102	(171,102)	-
Total revenue	2,750,726	(171,850)	2,578,876
Expenses			
Program services	2,243,217	-	2,243,217
Management and general	40,259	-	40,259
Total expenses	2,283,476	-	2,283,476
Changes in net assets	467,250	(171,850)	295,400
Net assets, December 31, 2011	(442,892)	1,053,071	610,179
Prior Period Adjustment	(79,180)	-	(79,180)
Net assets, December 31, 2012	$ (54,822)	$ 881,221	$ 826,399

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

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 will now be 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 May 17, 1983, 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, 2012. 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 and to build revenue for future housing development.

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, 2012. 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 the 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/fund balance.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Prepayments: Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over $500 for which payment had been made prior to June 30, 2013 but for which the goods or services would not be received until after July 1, 2013.

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.

Deferred Charges: Deferred charges are typically associated with the issuance of bonds. When material, these charges are amortized over the life of the bond.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

Component Units: See Note 18.

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

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

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

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	$ 14,148,852
Cash and Cash Equivalents - Restricted	
Debt Service	1,895,592
Capital Project	1,508,862
Student Loan	5,520,446
Grants and Contracts	(3,313,525)
Other	110
Cash and Cash Equivalents - Endowment	1,070,122
Total	$ 20,830,459
DEPOSITS:	
Cash on Hand	$ 240,171
Deposits Held by State Treasurer	20,590,288
Other Deposits	-
Total	$ 20,830,459

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

Perkins Loan Program Cash

At June 30, 2013, Winthrop University had approximately $130,772 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, 2013, Winthrop University had $20,590,288 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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

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

The Winthrop University Foundation

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by $340,881 at December 31, 2012. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Units

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, 2012 was $3,340,446.

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 Unites States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. This provision will not be extended to 2013 and the Foundation is exploring other investments options for collateralization of operating funds.

As of December 31, 2012, the Foundation had a $2,301,564 bank balance which is 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, 2012, the Foundation had $340,881 on deposit in excess of the insured limits and collateralized amounts. This balance was higher than normal, in anticipation of pending scholarship billing from Winthrop University. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Cash and cash equivalents at December 31, 2012 were as follows:

Unrestricted	$	3,450,587
Restricted		21,982
	$	3,472,569

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

Included in unrestricted cash are monies on deposit within WUREF, LLC. These funds relate to the issuance of bonds for the purposes of The Courtyard. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The reserve accounts at December 31, 2012 are as follows:

Debt service reserve eligible funds	$	1,000,098
Operating contingency reserve		1,205,924
Operating contingency restricted reserve		200,018
Repair and replacement reserve fund		934,406
Bond revenue fund		-
Other miscellaneous reserve funds		4,982
	$	3,345,428

Investments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Investments at December 31, 2012 are summarized as follows:

		Market Value
Equities	$	12,743,177
Fixed Income		18,883,412
Hedge Fund		221,241
	$	31,847,830

Investment earnings for the year ended December 31, 2012 consisted of:

Dividends and Interest	$	931,953
Unrealized Gains (Losses)		1,094,084
Realized Gains (Losses)		778,181
	$	2,804,218

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

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

The Foundation's assets and liabilities are reported at fair value in the accompanying consolidated statements of financial position using fair value measurements as follows:

Principal Cash / Cash Equivalents		
Money Market Account Used to Pay Fees / Hold Cash	$	133,253
Diversified Portfolio		
Cash Equivalents		1,251,101
Equities:		
U.S. Large Cap		8,715,953
U.S. Mid Cap		406,313
International Developed		402,318
Emerging Markets		468,043
Fixed Income:		
Investment Grade Taxable		14,109,922
Strategic Reserves		3,452,210
High Yield Bonds		1,321,280
Hedge Fund of Funds		221,241
Exchange Traded Products		2,750,550
Total Portfolio Funds		33,098,931
Total of Pooled Investments	$	33,232,184

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013, are summarized as follows:

State Appropriations	$ 2,246,663
Student Accounts	2,974,295
Less Allowance for Doubtful Accounts	(241,855)
Student Loans Receivable - Federal Perkins	2,352,238
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	3,831,219
State Grants and Contracts	930,396
Local Grants and Contracts	2,500
Foundations	235,799
Capital Improvement Bond Funds	129
Other	439,502
Total Accounts Receivable, Net of Allowance	12,770,886
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(2,352,238)
Accounts Receivable, Net - Current	$ 10,418,648

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 2013-2014 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, 2013, the allowance for uncollectible student accounts is valued at $241,855.

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, 2012:

Less than One Year	$ 622,054
One to Five Years	1,316,136
Over Five Years	320,500
	2,258,690
Less Unamortized Discount	64,836
	2,193,854
Less Allowance for Uncollectible Promises	309,487
Net Unconditional Promises to Give	$ 1,884,367

Discount rates ranged from .24% to .95%.

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, 2013. 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, 2013, 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 $2,387,077, representing the Federal portion of the loan program at June 30, 2013. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance July 1, 2012	Increases	Decreases	Transfers	Ending Balance June 30, 2013
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	5,738,484	-	-	-	5,738,484
Other Capital Assets:					
Buildings and Improvements	185,857,256	-	(939,278)	-	184,917,978
Machinery, Equipment and Other	16,908,198	619,260	(39,808)	-	17,487,650
Vehicles	514,479	-	(115,287)	-	399,192
Total Other Capital Assets at Historical Cost	203,279,933	619,260	(1,094,373)	-	202,804,820
Less Accumulated Depreciation For:					
Buildings and Improvements	(69,138,363)	(4,954,170)	582,352	-	(73,510,181)
Machinery, Equipment and Other	(8,411,447)	(1,291,781)	34,523	-	(9,668,705)
Vehicles	(451,515)	(15,430)	90,460	-	(376,485)
Total Accumulated Depreciation	(78,001,325)	(6,261,381)	707,335	-	(83,555,371)
Capital Assets, Net	$ 131,017,092	(5,642,121)	(387,038)	-	124,987,933

NOTE 5 - CAPITAL ASSETS, Continued

Net Investment in capital assets of $56,222,209 as of June 30, 2013 is determined as follows:

Capital Assets, Net	$	124,987,933
Less Debt:		
Current Portion of Long Term Debt		(6,623,372)
Long Term Debt		(61,602,598)
Bond Premium of Long Term Debt		(2,622,576)
Plus Note Payable/Non Capital		1,531,768
Plus Unspent Bond Proceeds		551,054
Total Invested in Capital Assets, Net of Related Debt	$	56,222,209

Equipment - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

A summary of equipment at December 31, 2012 follows:

Equipment	$	165,944
Less Accumulated Depreciation		(152,784)
Total	$	13,160

Depreciation expense for the year ended December 31, 2012 was $9,090.

Property and Equipment - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Account balances as of December 31, 2012 are as follows:

Land	$	537,106
Buildings		16,079,908
Furniture and fixtures		680,414
Machinery and equipment		14,526
		17,311,954
Less: accumulated depreciation		(3,894,183)
	$	13,417,771

Depreciation charged to expense during 2012 was $320,436. This is a non-cash expense.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities as of June 30, 2013, are summarized as follows:

CURRENT		
Accrued Payroll and Related Liabilities	$	5,504,636
Trade Payables		1,535,924
Accrued Interest Payable		759,909
Student Deposits and Prepayments		5,608,742
Construction Contract Retainage		-
Other Accrued Liabilities		-
Total Accounts Payable	$	13,409,211

Accounts Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

At December 31, 2012, accounts payable primarily consisted of $104,153 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

NOTE 7 - LONG-TERM DEBT

Long-term debt for the year ended June 30, 2013 is as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	$ 50,680,000	-	(2,880,000)	47,800,000	2,935,000
Deferred Amount on Refunding	(932,386)	-	103,598	(828,788)	-
Unamortized Premium	3,221,724	(7,116)	(592,032)	2,622,576	-
Athletic Facilities	1,080,000	-	(120,000)	960,000	120,000
Higher Education Facilities	13,190,000	-	(1,140,000)	12,050,000	1,195,000
Notes Payable	2,942,155	-	(605,102)	2,337,053	475,684
Master Lease Program Notes Payable	5,604,172	1,896,506	(1,592,973)	5,907,705	1,897,688
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	75,785,665	1,889,390	(6,826,509)	70,848,546	6,623,372
Other Liabilities					
Accrued Compensated Absences	3,026,071	2,389,050	(2,217,924)	3,197,197	2,217,924
Perkins Loan Federal Liability	2,386,288	789	-	2,387,077	-
Total Other Liabilities	5,412,359	2,389,839	(2,217,924)	5,584,274	2,217,924
Total Long-Term Liabilities	$ 81,198,024	4,279,229	(9,044,433)	76,432,820	8,841,296

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2013:

	Rates	Dates	Balance
General Obligation Bonds			
Series 2001A2	4.3% to 4.9%	10/01/20	$ -
Series 2001B5	4.5% to 5.5%	10/01/21	-
Series 2003C	3.5% to 4.75%	04/01/22	-
Series 2004A1	3.0% to 5.0%	12/01/21	280,000
Series 2005B	3.5% to 5.5%	04/01/25	4,980,000
Series 2006A	4.12% to 5.75%	04/01/26	4,765,000
Series 2008B	3.25% to 5.0%	04/01/28	11,320,000
Series 2009A	2.5% to 4.12%	06/30/29	11,595,000
Series 2012D	4.0% to 5.0%	04/01/22	12,765,000
Series 2012E	2.5% to 5.0%	04/01/24	2,095,000
Total General Obligation Bonds			47,800,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	960,000
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	525,000
Revenue Bonds Series 2005A3	3.40%	04/01/17	1,140,000
Revenue Bonds Series 2009A	4.07%	04/01/24	3,525,000
Revenue Bonds Series 2009B	6.35%	04/01/24	1,690,000
Revenue Bonds Series 2011	5.20%	04/01/23	5,170,000
Total Higher Education Facilities			12,050,000
Total Bonds Payable			$ 60,810,000

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 2012 were $6,188,923, which results in a legal annual debt service at June 30, 2013 of $5,570,031.

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.

NOTE 7 - LONG-TERM DEBT, Continued

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

		Principal	Interest	Payments
General Obligation Bonds				
2004A1	2014	280,000	4,200	284,200
	2015	-	-	-
	2016	-	-	-
	2017	-	-	-
	2018	-	-	-
	2019-2023	-	-	-
	2024-2028	-	-	-
	2029-2033	-	-	-
Total Series 2004A1 Bonds		$ 280,000	4,200	284,200
2005B	2014	725,000	209,949	934,949
	2015	755,000	182,761	937,761
	2016	-	145,011	145,011
	2017	-	145,011	145,011
	2018	-	145,011	145,011
	2019-2023	1,115,000	725,056	1,840,056
	2024-2028	2,385,000	150,537	2,535,537
	2029-2033	-	-	-
Total Series 2005B Bonds		$ 4,980,000	1,703,336	6,683,336
2006A	2014	280,000	208,394	488,394
	2015	295,000	194,394	489,394
	2016	305,000	182,594	487,594
	2017	320,000	170,012	490,012
	2018	330,000	156,813	486,813
	2019-2023	1,885,000	557,943	2,442,943
	2024-2028	1,350,000	123,300	1,473,300
	2029-2033	-	-	-
Total Series 2006A Bonds		$ 4,765,000	1,593,450	6,358,450
2008B	2014	560,000	468,562	1,028,562
	2015	580,000	448,962	1,028,962
	2016	600,000	428,663	1,028,663
	2017	620,000	407,662	1,027,662
	2018	645,000	376,663	1,021,663
	2019-2023	3,680,000	1,440,662	5,120,662
	2024-2028	4,635,000	615,413	5,250,413
	2029-2033	-	-	-
Total Series 2008B Bonds		$ 11,320,000	4,186,587	15,506,587

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
General Obligation Bonds, Continued				
2009A	2014	565,000	435,861	1,000,861
	2015	575,000	421,736	996,736
	2016	590,000	407,361	997,361
	2017	605,000	392,611	997,611
	2018	620,000	374,461	994,461
	2019-2023	3,455,000	1,502,832	4,957,832
	2024-2028	4,220,000	729,302	4,949,302
	2029-2033	965,000	39,806	1,004,806
Total Series 2009A Bonds		$ 11,595,000	4,303,970	15,898,970
2012D	2014	375,000	634,500	1,009,500
	2015	655,000	619,500	1,274,500
	2016	1,450,000	586,750	2,036,750
	2017	1,525,000	514,250	2,039,250
	2018	1,610,000	438,000	2,048,000
	2019-2023	7,150,000	898,000	8,048,000
	2024-2028	-	-	-
	2029-2033	-	-	-
Total Series 2012D Bonds		$ 12,765,000	3,691,000	16,456,000
2012E	2014	150,000	92,775	242,775
	2015	155,000	86,775	241,775
	2016	160,000	79,025	239,025
	2017	170,000	71,025	241,025
	2018	180,000	62,525	242,525
	2019-2023	1,045,000	168,125	1,213,125
	2024-2028	235,000	5,875	240,875
	2029-2033	-	-	-
Total Series 2012E Bonds		$ 2,095,000	566,125	2,661,125

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
Athletic Facilities Revenue Bonds				
2001A5	2014	120,000	44,064	164,064
	2015	120,000	38,556	158,556
	2016	120,000	33,048	153,048
	2017	120,000	27,540	147,540
	2018	120,000	22,032	142,032
	2019-2023	360,000	33,048	393,048
	2024-2028	-	-	-
Total Series 2001A5 Bonds		$ 960,000	198,288	1,158,288
Higher Education Facilities Revenue Bonds				
2002B5	2014	525,000	24,045	549,045
	2015	-	-	-
	2016	-	-	-
	2017	-	-	-
	2017	-	-	-
	2019-2023	-	-	-
	2024-2028	-	-	-
Total Series 2002B5 Bonds		$ 525,000	24,045	549,045
Higher Education Facilities Revenue Bonds				
2005A3	2014	270,000	38,760	308,760
	2015	280,000	29,580	309,580
	2016	290,000	20,060	310,060
	2017	300,000	10,200	310,200
	2018	-	-	-
	2019-2023	-	-	-
	2024-2028	-	-	-
Total Series 2005A3 Bonds		$ 1,140,000	98,600	1,238,600
Higher Education Facilities Revenue Bonds				
2009A	2014	260,000	143,467	403,467
	2015	270,000	132,886	402,886
	2016	280,000	121,896	401,896
	2017	295,000	110,501	405,501
	2018	305,000	98,494	403,494
	2019-2023	1,725,000	295,279	2,020,279
	2024-2028	390,000	15,873	405,873
Total Series 2009A Bonds		$ 3,525,000	918,396	4,443,396

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
Higher Education Facilities Revenue Bonds				
2009B	2014	110,000	107,315	217,315
	2015	120,000	100,330	220,330
	2016	125,000	92,710	217,710
	2017	135,000	84,773	219,773
	2018	140,000	76,200	216,200
	2019-2023	855,000	234,950	1,089,950
	2024-2028	205,000	13,017	218,017
Total Series 2009B Bonds		$ 1,690,000	709,295	2,399,295
Higher Education Facilities Revenue Bonds				
2011	2014	30,000	268,840	298,840
	2015	280,000	267,280	547,280
	2016	300,000	252,720	552,720
	2017	305,000	237,120	542,120
	2018	635,000	221,260	856,260
	2019-2023	3,620,000	581,360	4,201,360
	2024-2028	-	-	-
Total Series 2011 Bonds		$ 5,170,000	1,828,580	6,998,580

On January 29, 2004, Winthrop University issued $5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building.

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, 2013, the University has unamortized premium of $21,153 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, 2013, the University has unamortized premium of $78,827 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.

NOTE 7 - LONG-TERM DEBT, Continued

On June 5, 2009, Winthrop University also issued $2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B with an interest rate of 6.35 percent. The proceeds 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, 2013, the University has unamortized premium of $127,173 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 assets.

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 deduction from bonds payable, is being charged to operations 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, 2013, the University has unamortized premium of $2,110,016 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, 2013, the University has unamortized premium of $285,407 which is being amortized over the life of the bond.

NOTE 7 - 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, 2012:

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%. Interest is payable monthly, and principal is payable in varying annual installments, maturing July 1, 2033.	
Direct Purchase of Series 2011	$ 16,885,000

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 $527,862 for the year ended December 31, 2012. 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:

2013	$ 455,000
2014	470,000
2015	495,000
2016	525,000
2017	550,000
Thereafter	14,390,000
	$ 16,885,000

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, 2012.

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2013:

	Interest Rate	Maturity Date	Balance
State of South Carolina			
Note (Energy Office) 4-204-04	1.0%	12/01/12	$ -
Note (Energy Office) 4-205-04	1.0%	12/01/12	-
Note Dated 6/12/09	0.0%	05/30/18	2,275,000
Note Dated 10/23/09	0.0%	11/01/15	62,053
Total Notes Payable			$ 2,337,053

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

On December 1, 2004, Winthrop University borrowed $970,162 from the State Energy Office with an average interest rate of 1.00 percent. An additional $29,838 was borrowed in July 2005 bringing the total to $1,000,000. The proceeds were used to renovate facilities to enhance Energy Performance. In December 2012, the University paid the final installment of these notes payable.

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 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, 2013, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 475,684	-	475,684
2015	475,685	-	475,685
2016	475,684	-	475,684
2017	455,000	-	455,000
2018	455,000	-	455,000
2019-2023	-	-	-
Total Obligations	$ 2,337,053	-	2,337,053

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

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

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

2013	$ 4,819
2014	5,118
2015	80,587
2016	-
2017	-
	$ 90,524

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, 2013, the University had bank notes payable outstanding as follows:

	Interest Rates	Maturity Dates	Balance
Note Dated June 16, 2004	3.56%	06/16/14	524,099
Note Dated June 16, 2008	3.665%	06/16/15	1,746,690
Note Dated July 12, 2011	3.1805%	07/12/18	1,636,916
Note Dated February 28, 2013	2.330%	03/01/20	2,000,000
Total			$ 5,907,705

On June 16, 2004, Winthrop University borrowed $4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance. The note is payable in annual installments plus interest. In June 2011, there was a balloon payment due of $1,990,711; however, the University refinanced the note to extend the maturity date to June 16, 2014.

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

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 are being used for the purchase of instructional equipment and software. The note is payable in annual installments plus interest.

NOTE 7 - LONG-TERM DEBT, Continued

Master Lease Program Notes Payable, Continued

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2013 are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 1,897,688	184,163	2,081,851
2015	1,421,985	117,101	1,539,086
2016	547,555	69,885	617,440
2017	562,598	54,843	617,441
2018	578,064	39,377	617,441
2019-2023	899,815	30,601	930,416
Total Obligations	$ 5,907,705	495,970	6,403,675

NOTE 8 - LEASE OBLIGATIONS

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2013 were as follows:

Year Ended June 30	Capital Leases/ Equipment	Operating Leases/ Equipment
2014	$ -	29,371
2015	-	22,316
2016	-	7,932
2017	-	-
2018	-	-
Total Lease Payments	-	59,619
Less: Interest	-	-
Total Present Value of Lease Payments	$ -	59,619

Capital Leases

As of June 30, 2013, 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 $223,634 for fiscal year 2013. For the year ending June 30, the University's lease expense for the vehicles and building were $34,996 and $27,000, respectively.

NOTE 9 - PENSION PLANS

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits 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 II 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 III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

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.

NOTE 9 - PENSION PLANS, Continued

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, 0.15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and 0.15% incidental death program. The University's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were:

	Retirement		Incidental Death	
Fiscal Year Ended	Rate	Contribution	Rate	Contribution
2013	10.450%	$ 2,400,454	0.15%	$ 34,456
2012	9.385%	$ 2,251,859	0.15%	$ 35,991
2011	9.240%	$ 2,115,860	0.15%	$ 34,348

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

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II 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 III 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 does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

NOTE 9 - PENSION PLANS, Continued

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, 0.20% for the incidental death program, 0.20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were:

Fiscal Year	Retirement		Incidental Death		Accidental Death	
Ended	Rate	Contribution	Rate	Contribution	Rate	Contribution
2013	10.450%	$ 74,331	0.20%	$ 1,249	0.20%	$ 1,249
2012	9.385%	$ 76,994	0.20%	$ 1,355	0.20%	$ 1,355
2011	9.240%	$ 73,975	0.20%	$ 1,329	0.20%	$ 1,329

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and 0.15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2013, total contributions requirements to the ORP were approximately $2,100,098 (excluding the surcharge) from the University as employer and approximately $1,406,612 from its employees as plan members.

The amounts paid by the University for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

NOTE 10 – 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), a part 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.

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 Retiree Medical Plan (RMP) are mandated by State statue to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately $2,186,764 and $2,118,414 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, 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, 2013 and 2012. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately $4,338,398 and $4,016,525 for the years ended June 30, 2013 and 2012, 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 complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

NOTE 11 - 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 $79,217 at June 30, 2013 of which $76,089 was attributable to capital projects and the remaining $3,128 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, 2013.

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, 2013.

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 for 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 and Litigation - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

In connection with the Bonds issued and outstanding (See Note 7), WUREF, LLC had obtained an unconditional, irrevocable letter of credit from a certain bank to secure the Bonds in the event of non-payment and for use as a conduit for annual principal payments. This letter of credit was cancelled as a result of the repurchase of the Series 2002A bond issuance.

NOTE 12 - 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 13 - DONOR RESTRICTED ENDOWMENTS

At June 30, 2013, the University held $497,918 in permanent endowed and $238,733 in quasi endowed funds. Net unrealized gain at June 30, 2013 was $320,150. 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, 2013, the income available to be spent is $268,621 of which $155,804 is restricted to specific purposes.

NOTE 14 - 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 15 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2013 are summarized as follows:

Instruction	$	36,287,793
Research		9,513,480
Public Service		3,076,185
Academic Support		7,391,420
Student Services		13,813,095
Institutional Support		9,216,571
Operation and Maintenance of Plant		12,872,311
Scholarships and Fellowships		6,207,564
Auxiliary Enterprises		11,702,353
Depreciation		6,261,381
Total Operating Expenses	$	116,342,153

NOTE 16 – NONOPERATING FEDERAL GRANTS AND CONTRACTS

Nonoperating Federal grants and contracts for the year ended June 30, 2013 are summarized as follows:

State Fiscal Stabilization Funds	$	-
Federal Pell Grant Program - 2011		10
Federal Pell Grant Program - 2012		46,783
Federal Pell Grant Program - 2013		8,589,762
Total	$	8,636,555

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 17 – PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustments - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

During December 2012, WUREF Development, LLC made a payment of $79,180 to a certain financial institution for letter of credit fees for the period July 1, 2011 to September 30, 2011. These fees were not properly accrued and expensed during 2011. Consequently, an adjustment of $79,180 was made during 2012 to reduce the beginning net assets of WUREF Development, LLC.

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 fund 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.

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 $896,741 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2013. 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, 2013 are $120,650 due from the Foundation.

NOTE 18 - COMPONENT UNITS, Continued

Purpose of Restricted Net Assets

All temporarily restricted net assets in the amount of $4,202,536 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2012 were $1,288,607, 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 $2,669,436 for use by Winthrop University to support student scholarships and physical facilities. Net assets released in 2012 for these purposes totaled $498,869.

Restricted Net Assets Available	$	4,202,536
Estimated Current Value of Trusts Which Upon the Deaths of the Beneficiaries Will Provide Endowments		2,669,436
	$	6,871,972

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

Winthrop University Real Estate Foundation, Inc.

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately $19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2012 thru June 30, 2013, the fee for management services amounted to $123,207 WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2013 are $115,149 due from WUREF, Inc.

OTHER FINANCIAL INFORMATION

WINTHROP UNIVERSITY
Schedule of Information on Business-Type Activities
Required for the Government-Wide
Statement of Activities in the State CAFR
For the Year Ended June 30, 2013

	Year Ended June 30,	
	2013	2012
Charges for Services	$ 91,041,328	82,903,370
Operating Grants and Contributions	11,021,686	11,263,407
Capital Grants and Contributions	-	-
Less Expenses	(118,885,624)	(115,889,702)
Net Program Revenue (Expense)	(16,822,610)	(21,722,925)
TRANSFERS		
State Appropriations	13,934,104	12,429,168
Capital Improvement Bond Transfer In	1,980,415	1,174,145
Total Transfers	15,914,519	13,603,313
Increase/(Decrease) in Net Assets	(908,091)	(8,119,612)
Net Assets - Beginning of Year	70,281,741	78,401,353
Net Assets - End of Year	$ 69,373,650	70,281,741

WINTHROP UNIVERSITY
Schedule Reconciling State Appropriation Per the Financial Statements
To State Appropriation Recorded in State Accounting Records
For the Year Ended June 30, 2013

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 2012-2013 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, 2013:

Non-Capital Appropriations	
Non-Capital Appropriations per 2012-2013 Appropriations Act	$ 12,456,146
State Budget and Control Board Allocations:	
State Budget and Control Board Approved	
Allocation for Pay Plan	370,131
Allocation for Health Insurance	158,114
Allocation for Retirement Contribution Rate Increase	121,638
Allocation for Health Insurance	24,257
From SC Education Lottery Fund - Student Information Technology	500,000
From SC Education Lottery Fund - Technology Program	544,302
From Commission on Higher Education - Academic Endowment Incentive Match	9,146
Revised Non-Capital Appropriations - Legal Basis	14,183,734
Accrued Funding for Net Payroll Adjustments	(249,630)
Total Non-Capital Appropriations Recorded As Current Year Revenue	$ 13,934,104
Capital Appropriations	
Current Year's Appropriations	$ 1,980,415
Supplemental Appropriations (Act. #73.14)	-
Total Capital Appropriations Recorded as Current Year Revenue	$ 1,980,415
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	$ -

SINGLE AUDIT SECTION

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2013

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2013
US Department of Agriculture				
Passed through the SC Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #3	R&D	300,357
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #10	R&D	80,462
TOTAL US DEPARTMENT OF AGRICULTURE				$ 380,819
US Department of Justice				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525	2010-WA-AX-0016		87,478
TOTAL US DEPARTMENT OF JUSTICE				$ 87,478
US State Department				
Academic Exchange Programs - Teachers	19.408	S-ECAAS-AA-CA-016(JJ)		175,687
TOTAL US STATE DEPARTMENT				$ 175,687
National Science Foundation				
Mathematical and Physical Sciences	47.049	CHE-0848824	R&D	25,362
Mathematical and Physical Sciences	47.049	H98230-13-0270	R&D	16,780
Subtotal 47.049				$ 42,142
Biological Sciences	47.074	MCB-1038669		24,265
Subtotal 47.074				$ 24,265
Education and Human Resources	47.076	DUE-1035322	R&D	255,759
Education and Human Resources	47.076	DUE-1154152	SFA	45,000
Subtototal 17.046				$ 300,759
Office of Experimental Programs to Stimulate Competitive Research	47.081	13-2275 USC 22410-Z108	R&D	6,931
Office of Experimental Programs to Stimulate Competitive Research	47.081	13-2276 USC22410-Z107	R&D	7,492
Office of Experimental Programs to Stimulate Competitive Research	47.081	13-2369 USC2241-Z122		966
Office of Experimental Programs to Stimulate Competitive Research	47.081		R&D	1,212
Subtotal 47.081				$ 16,601
TOTAL NATIONAL SCIENCE FOUNDATION				$ 383,767
Small Business Administration				
Pass-Through the University of South Carolina				
Small Business Development Centers	59.037	1-60300-Z-0149		42,087
Small Business Development Centers	59.037	2-603001-Z-0043-30		200,010
TOTAL SMALL BUSINESS ADMINISTRATION				$ 242,097

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2013

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2013
US Department of Education				
Office of Postsecondary Education				
Student Financial Aid Cluster				
Supplemental Education Opportunities Grant	84.007	PO07A123816	SFA	137,605
Subtotal 84.007				$ 137,605
Federal Work Study Program	84.033	P033A113816	SFA	4,311
Federal Work Study Program	84.033	P033A123816	SFA	187,824
Subtotal 84.033				$ 192,135
Federal Perkins Loan Program	84.038	P038A063816	SFA	2,774,848
Subtotal 84.038				$ 2,774,848
Federal PELL Grant Program	84.063	PO063P100379	SFA	10
Federal PELL Grant Program	84.063	PO063P110379	SFA	46,783
Federal PELL Grant Program	84.063	PO063P120379	SFA	8,589,762
Subtotal 84.063				$ 8,636,555
Federal Direct Student Loan Program FY12	84.268	P268K110379	SFA	147,205
Federal Direct Student Loan Program FY13	84.268	P268K120379	SFA	37,573,314
Subtotal 84.268				$ 37,720,519
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T130379	SFA	634,030
Subtotal 84.379				$ 634,030
Subtotal - Student Financial Aid Cluster				$ 50,095,692
TRIO Cluster				
TRIO - Student Support Services	84.042	PO42A100308-11		42,856
TRIO - Student Support Services	84.042	PO42A100308-12		185,266
Subtotal 84.042				$ 228,122
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A090009-11		85,834
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A090009-12		168,299
Subtotal 84.217				$ 254,133
Subtotal - TRIO Cluster				$ 482,255

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2013

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2013
US Department of Education				
Teacher quality Partnership Grants	84.336	U336S090144	R&D	1,142,368
Subtota 84.336				$ 1,142,368
School Leadership	84.363	U363A100071	R&D	807,540
Subtota 84.363				$ 807,540
US Department of Education Pass-Through the South Carolina Department of Education				
Special Education Grants to States	84.027	13CO309-01		8,537
Subtotal - South Carolina Department of Education				$ 8,537
US Department of Education Pass-Through the York School District One				
Mathematics and Science Partnerships	84.366	11MS089-01		49,992
Subtotal - York School District One				$ 49,992
TOTAL US DEPARTMENT OF EDUCATION				$ 52,586,384
US Department of Health and Human Services **National Institute of Health**				
ARRA - Cancer Biology Research	93.396	1R15CA137521-01	R&D	17,845
Subtotal 93.396				$ 17,845
Cardiovascular Diseases Research	93.837	1R15HL104587-01	R&D	107,079
Subtotal				$ 107,079
US Department of Health and Human Services **National Institute of Health** Pass-Through the University of South Carolina				
National Center for Research Resource	93.389	2P20RR016461-10	R&D	468,749
Subtotal 93.389				$ 468,749

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2013

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2013
US Department of Health and Human Services				
National Institute of Health				
Pass-Through the SC Department of Health and Human Services				
Medical Assistance Program	93.778	A21532A	R&D	(293)
Medical Assistance Program	93.778	A20151532A	R&D	290,273
Subtotal 93.778				$ 289,980
Pass-Through the South Carolina Department of Social Services (SCDSS)				
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 2		(1,764)
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 4	R&D	397,508
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 9	R&D	298,650
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 10	R&D	80,462
Subtotal 93.558				$ 774,856
Child Support Enforcement	93.563	Task Order #6	R&D	1,223,104
Subtotal 93.563				$ 1,223,104
Title IV-E Foster Care Maintenance	93.658	Task Order #1		165,605
Title IV-E Foster Care Maintenance	93.658	Task Order #2		(756)
Title IV-E Foster Care Maintenance	93.658	Task Order #7	R&D	432,681
Title IV-E Foster Care Maintenance	93.658	Task Order #8		226,604
Title IV-E Foster Care Maintenance	93.658	Task Order #10	R&D	160,923
Subtotal 93.658				$ 985,057
Social Services Block Grant	93.667	Task Order #5	R&D	787,672
Subtotal 93.667				$ 787,672
Medical Assistance Program	93.778	Task Order #10	R&D	53,616
Subtotal 93.778				53,616
Subtotal - Pass through the SCDSS				$ 3,824,305
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				$ 4,707,958
Corporation for National and Community Service				
Program Development and Innovation Grants	94.007			1,250
Volunteers in Service to America	94.013	10VSSSC001		18,002
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				$ 19,252
TOTAL ALL FEDERAL FUNDS				**$ 58,583,442**

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

To the Honorable Nikki R. Haley,
Governor of the State of South Carolina
And to the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

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) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2013. 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 requirements of laws, regulations, contracts and grants 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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Post Office Box 848, 1225 West Floyd Baker Boulevard, Gaffney, SC 29342-0848, (864) 489-7121 Fax (864) 489-7123
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Internet Address: www.cbkpa.com

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, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated September 20, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gaffney, SC
September 20, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprised Winthrop University's basic financial statements, and have issued our report thereon dated September 20, 2013. Our report includes a reference to other auditors who audited the financial statements of Winthrop University Real Estate Foundation, 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's financial statements were not audited in accordance with Government Auditing Standards.

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.

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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
September 20, 2013

WINTHROP UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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	$ 37,720,519

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 $2,352,238 as of June 30, 2013. The expenditures for June 30, 2013 are calculated as follows:

June 30, 2012 Loan Balance	$ 2,314,902
Current Year Loans Made	418,750
Current Year Administrative Cost Allowance	41,196
Total	$ 2,774,848

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

SD 12-01 Research and Development Cluster-

U.S. Department of Agriculture and U.S. Department of Health and Human Services

Allowable and Unallowable Costs

Condition: One of the provisions of a contract reimbursable under a federal grant related to allowable travel expense reimbursement was not complied with.

WINTHROP
UNIVERSITY

Office of the President

FY 2012 Findings and Questioned Costs Relating to Federal Awards

SD 12-01 Research and Development Cluster

U.S. Department of Agriculture and U.S. Department of Health and Human Services

Condition: One of the provisions of a contract reimbursable under a federal grant related to allowable travel expense reimbursements was not complied with.

FY 2013 Corrective Action Taken

As part of Winthrop University's ongoing review of transactions, it was determined that travel reimbursements paid to one contractor related to this grant were inconsistent with State guidelines.

The University's internal auditor reviewed 100 percent of all travel related documents submitted for reimbursement and determined that reimbursement requests totaling $18,733.91 were either in excess of allowable state rates or improperly documented. The vendor subsequently provided the necessary documentation that met State guidelines to support $17,563.21 of these questioned costs. Ultimately, the University withheld the remaining unsupported balance of $1,170.70 from the vendor and the matter has been closed.

To prevent recurrence, the University is requiring all contractors to submit travel reimbursement requests using University developed travel forms. In addition, procedures for vendor reimbursement requests were reviewed and emphasized with all departments involved with initiating, approving, and processing these requests. This will insure that only those travel expenses that are supported with proper documentation and meet State guidelines will be processed for reimbursement.

Jayne Marie Comstock, Ph.D.
President

9/13/2013
September 13, 2013

114 Tillman Hall • Rock Hill, South Carolina 29733 • 803/323-2225 • 803/323-3001 (FAX)

Winthrop University
Schedule of Findings and Questioned Costs
June 30, 2013

Summary of Auditors' Results:

GAGAS

An unmodified opinion was issued on Winthrop University's basic financial statements dated September 20, 2013.

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

A-133

An unmodified opinion was also issued on compliance of major programs at Winthrop University dated September 20, 2013. There were no significant deficiencies or material weaknesses in the internal control over major programs were found. Our audit disclosed no audit findings that are required to be reported under OMB Circular A-133.

The major programs at Winthrop University are the Student Financial Aid Cluster and TRIO Cluster from the U.S. Department of Education and Research and Development Cluster. Type A programs are defined as those that expended $300,000 or more and Type B programs are those that expended less than $300,000. Winthrop University's total federal awards expended for the year ended June 30, 2013 were between $10 million and $100 million.

Winthrop University is not a low risk auditee according to the criteria in OMB Circular A-133.

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

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

Financial Aid Cluster	Federal CFDA Number
U.S. Department of Education	
FSEOG	84.007
Federal Work-Study	84.033
Federal Perkins Loan Program	84.038
PELL	84.063
Federal Direct Student Loans	84.268
Federal TEACH Grants	84.379

Trio Cluster	
U.S. Department of Education	
Student Support Services	84.042
McNair Post-Baccalaureate Achievement	84.217

Research and Development Cluster	
U.S. Department of Agriculture	
Supplemental Nutrition Assistance Program	10.561
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Family (TANF)	93.558
Child Support Enforcement	93.563
Title IV-E Foster Care Maintenance	93.658
Social Services Block Grant	93.667
Medical Assistance Program	93.778