

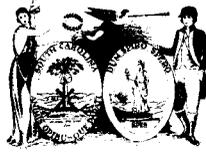
# **WINTHROP UNIVERSITY**

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**Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2003**

State of South Carolina



Office of the State Auditor

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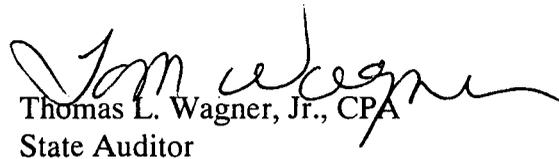
October 23, 2003

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

This report on the audit of the financial statements of Winthrop University for the fiscal year ended June 30, 2003, was issued by Cline Brandt Kochenower & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

# WINTHROP UNIVERSITY

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## **FINANCIAL INFORMATION**

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Independent Auditors' Report

Winthrop University  
Rock Hill, South Carolina

We have audited the accompanying basic financial statements of Winthrop University (the "University") of the State of South Carolina, as of and for the year ended June 30, 2003 as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University, as of June 30, 2003, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed in the table of contents as Other Financial Information are required by the Office of the Comptroller General, State of South Carolina, and are not a required part of the basic financial statements of Winthrop University. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2003 on our consideration of Winthrop University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis as listed in the table of Contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Clin Brantley & Co. PA". The signature is written in a cursive style with a long horizontal stroke extending to the right.

September 12, 2003



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2003**

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, 2003. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37 and 38 that were issued to amend Statements 34 and 35.

**Introduction**

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

Building on its origins as a women's college, the Winthrop University of the 21<sup>st</sup> century is achieving national recognition as a competitive and distinctive, co-educational, public, residential comprehensive teaching institution.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body of 6,500 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 a dynamic city within a major metropolitan area, 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. Through this talented group, Winthrop students acquire and develop knowledge, skills, and values that enrich their lives and prepare them to meet the needs and challenges of the contemporary world, including the ability to communicate effectively, appreciate diversity, work collaboratively, synthesize knowledge, and adapt to change. 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 University in 2002 was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2003 edition. It is the 11th time this publication has chosen Winthrop for inclusion in its listings.

The S.C. Commission on Higher Education's Performance-Based Funding System this year said Winthrop University 'substantially exceeds standards' overall performance, and leads all public institutions in its overall ratings record. Winthrop holds an 'exemplary' rating for our 100 percent national accreditation in all academic areas for which such accreditation is available.

Winthrop University leads the Big South Conference Presidential Honor Roll, with over 48 percent of its student-athletes receiving the honor.

### Statement of Net Assets

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

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

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

### CONDENSED STATEMENT OF NET ASSETS

	<u>2003</u>	<u>2002</u>	<u>Increase/ (Decrease)</u>
<b>ASSETS</b>			
Current Assets	\$16,653,765	\$15,266,056	\$1,387,709
Capital Assets, Net of Accumulated Depreciation	62,274,534	62,058,302	216,232
Other Noncurrent Assets	<u>5,411,521</u>	<u>7,020,802</u>	<u>(1,609,281)</u>
Total Assets	<u>84,339,820</u>	<u>84,345,160</u>	<u>(5,340)</u>
<b>LIABILITIES</b>			
Current Liabilities	8,902,915	7,957,245	945,670
Noncurrent Liabilities	<u>19,755,351</u>	<u>17,630,600</u>	<u>2,124,751</u>
Total Liabilities	<u>28,658,266</u>	<u>25,587,845</u>	<u>3,070,421</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	45,082,749	48,778,362	(3,695,613)
Restricted for Nonexpendable	477,946	474,856	3,090
Restricted for Expendable	1,586,880	1,316,338	270,542
Unrestricted	<u>8,533,979</u>	<u>8,187,759</u>	<u>346,220</u>
Total Net Assets	<u>\$55,681,554</u>	<u>\$58,757,315</u>	<u>\$(3,075,761)</u>

- Current Assets increased by \$1.3 million in 2003. Of this increase, \$360,000 was a result of an increase in student accounts receivable because of a change in disbursements of summer school federal financial aid. In previous years, this amount would have been disbursed before the end of the fiscal year. Capital Improvement Bonds Receivable also increased by \$185,000 resulting from capital project expenditures incurred but not yet drawn at year end. In addition, the Institutional Capital Projects Fund increased by just over \$450,000. In anticipation of future capital expenditures, these funds have been earmarked to fund capital projects that will commence in fiscal year 2003-2004.
- Noncurrent Assets decreased by \$1.6 million in 2003. This decrease is primarily due to Higher Education Revenue Bonds on hand at 2002 fiscal year end disbursed in FY2003 for renovations to student resident halls.
- Long term liabilities increased by just under \$2.5 million. This increase is a result of the issuance of \$3.2 million in State General Obligation bonds for various capital and renovations projects offset by current year bond payments.
- Total net assets decreased by \$3.1 million, which was largely attributable to the increase in long term bonds payable expended for non-capitalized building renovations.

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

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

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

### CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2003

	2003	2002	Increase/ (Decrease)
Operating Revenues	\$48,881,824	\$ 42,194,953	\$6,686,871
Operating Expenses	<u>(78,570,465)</u>	<u>( 71,186,389)</u>	<u>7,384,076</u>
Operating Loss	(29,688,641)	( 28,991,436)	(697,205)
Nonoperating Revenues and Expenses	<u>25,986,743</u>	<u>26,719,036</u>	<u>(732,293)</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(3,701,898)	( 2,272,400)	(1,429,498)
Other Revenues, Expenses, Gains, or Losses	<u>626,137</u>	<u>1,167,100</u>	<u>(540,963)</u>
Decrease in Net Assets	<u>\$(3,075,761)</u>	<u>\$( 1,105,300)</u>	<u>\$(1,970,461)</u>
Net Assets - Beginning of Year, as Originally Reported		\$115,126,869	
Cumulative Effect of Changes in Accounting Principles and Correction of Errors		<u>( 55,264,254)</u>	
Net Assets - Beginning of Year, as Restated	58,757,315	59,862,615	(1,105,300)
Decrease in Net Assets	<u>(3,075,761)</u>	<u>( 1,105,300)</u>	<u>(1,970,461)</u>
Net Assets at End of Year	<u>\$55,681,554</u>	<u>\$ 58,757,315</u>	<u>\$(3,075,761)</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a decrease in the net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and

Changes in Net Assets are as follows:

- Operating Revenues increased in excess of \$6.6 million. This increase is primarily attributable to an increase of \$6.3 million in tuition and fee revenue resulting from increased enrollment and the tuition and fee increase approved by the University's Board of Trustees in June 2002. This tuition and fee increase was approved to help offset continued reductions in state funding and to support the Quality Initiative Plan passed by the Board of Trustees in February 2002. This plan required that dedicated revenue streams be identified for the enhancement of faculty salaries, facilities and technology.
- Operating Expenses increased in excess of \$7.3 million. Of this increase, \$3.3 million was in faculty and staff salary and benefit expenses, resulting from the 2002 Salary Enhancement Plan, which was a part of the board's 2002 Quality Initiative Plan. Also, an additional \$1.4 million was expended on facility renovations in 2003, again, a direct result of the board's action to enhance the quality of the University's facilities. Another increase in operating expenses was in the area of technology. The University received just under \$1.1 million from the State Lottery Funds for the support on campus information technology. Scholarship and Fellowship expenses also increased by \$1 million.
- Nonoperating Revenues declined by \$730,000. This decline results primarily from a decrease in State appropriation revenue of \$2.9 million and an increase in nonoperating grant revenue of just under \$1.9 million.
- Capital Appropriation revenue declined by \$540,963. Under GASB 35, Capital Improvement Bond proceeds revenue is only recognized to the extent of expenses incurred. For FY2003, expenses for those projects funded by Capital Improvement Bonds totaled \$626,137 as compared to \$1,167,100 in FY2002. As of June 30, 2003, Winthrop had Capital Improvement bonds of \$7,364,193 authorized but not expended.

### **Capital Asset and Debt Activity**

Significant renovations to Wofford, Richardson, and Lee Wicker residence halls were made during Fiscal Year 2003. These renovations were financed in part by the issuance of \$5 million in higher education bonds (2002). General obligation bonds in the amount of 3.2 million were issued for construction of a new tennis complex, for purchase of building and land at 520 Cherry Road and to provide waterproofing and seating for the coliseum.

The University currently has plans to construct the Lois Rhame West Health and Physical Education Complex at a cost of \$18,600,000. As of the year ending June 30, 2003, the University has been appropriated by the South Carolina General Assembly to receive \$6.4 million in state capital improvement bonds for this project. In June 2003, the University's Board of Trustees approved a student fee increase adequate to service the debt on the remaining construction costs. Plans are underway to commence construction in fiscal year 2004.

Also, in fiscal year 2004, the University has plans to issue \$5.5 million in bonds in order to fund improvements to the Coliseum and campus parking lots, the demolition of Breazeale Hall and the construction of a new Track and Field House.

## **Economic Outlook**

The University is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the University's economic outlook during the fiscal year that began July 1, 2003.

The University's overall financial position is sound. Even though state funding has been reduced, enrollment has consistently increased over the past eight years, and the institution's level of operations has remained stable.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business/Controller

**WINTHROP UNIVERSITY**

## Statement of Net Assets

June 30, 2003

**ASSETS**

## CURRENT ASSETS

Cash and Cash Equivalents	\$ 11,094,918
Accounts Receivable, Net	4,706,827
Inventories	276,172
Accrued Interest Receivable	118,129
Prepayments	457,719

Total Current Assets 16,653,765

## NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	2,250,135
Endowment	833,370
Perkins Loans Receivable, Net	2,328,016
Capital Assets, Net	62,274,534

Total Noncurrent Assets 67,686,055

Total Assets 84,339,820

**LIABILITIES**

## CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	5,782,312
Deferred Revenue	653,518
Current Portion of Long Term Debt	1,312,466
Current Portion of Compensated Absences	1,154,619

Total Current Liabilities 8,902,915

## NONCURRENT LIABILITIES

Compensated Absences	897,719
Perkins Loan Federal Liability	2,433,217
Long Term Debt	16,424,415

Total Noncurrent Liabilities 19,755,351

Total Liabilities 28,658,266

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	45,082,749
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	477,946
Expendable:	
Scholarships and Fellowships	117,075
Grants	608,229
Loans	330,600
Debt Service	530,976
Unrestricted	8,533,979

Total Net Assets \$ 55,681,554

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2003

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$486,029 of revenues are pledged for Athletic Facility Revenue Bonds Series 2001 A5) (Net of Scholarship Discounts and Allowances of \$13,556,421)	\$ 18,964,752
Grants and Contracts	16,024,750
Sales and Services of Educational Activities	2,187,653
Sales and Services of Athletic Activities	789,162
Sales and Services of Auxiliary Enterprise Activities (of which \$280,137 of auxiliary bookstore revenues are pledged for Auxiliary Facility Revenue Bonds Series 1997 and of which \$602,982 of auxiliary housing revenues are pledged for Higher Education Revenue Bonds Series 2002 B5)	10,329,959
Other Fees	379,039
Other Operating Revenues	<u>206,509</u>
Total Operating Revenues	<u>48,881,824</u>

**EXPENSES**

**OPERATING EXPENSES**

Personnel Costs	36,035,554
Fringe Benefits	8,782,775
Service and Supplies	23,149,026
Utilities	2,817,558
Scholarships and Fellowships	4,754,136
Depreciation	<u>3,031,416</u>
Total Operating Expenses	<u>78,570,465</u>
Operating Loss	<u>(29,688,641)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	21,879,675
Grants and Contracts	2,020,141
Gifts	1,545,210
Interest Income	598,914
Interest Expense	(787,593)
Other Nonoperating Revenues (Expenses)	<u>730,396</u>
Net Nonoperating Revenues	<u>25,986,743</u>
Loss Before Other Revenues, Expenses, Gains or Losses	(3,701,898)
Capital Appropriations	<u>626,137</u>
Decrease in Net Assets	(3,075,761)

**NET ASSETS**

Net Assets - Beginning of Year	<u>58,757,315</u>
Net Assets - End of Year	<u>\$ 55,681,554</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2003

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 18,844,403
Grants and Contracts	15,839,717
Sales and Services of Educational Activities	2,319,804
Sales and Services of Athletic Activities	791,020
Sales and Services of Auxiliary Enterprise Activities	10,274,046
Other Fees	374,258
Collection of Loans	394,443
Inflows from Federal Direct Lending Loans to Students	15,372,473
Other Receipts	206,509

CASH PAID FOR

Personnel Costs	(35,735,636)
Fringe Benefits	(8,582,686)
Service and Supplies	(22,960,944)
Utilities	(2,781,135)
Students	(4,753,757)
Loans to Students	(336,529)
Outflows from Federal Direct Lending Loans to Students	<u>(15,372,473)</u>
Net Cash Used by Operating Activities	<u>(26,106,487)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	21,955,948
Gifts and Grants	3,419,727
Commissions	507,161
Other Sources	140,558
Proceeds from Debt	<u>1,000,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>27,023,394</u>

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

Proceeds from Capital Debt	2,200,000
Capital Appropriations	441,406
Purchases of Capital Assets	(3,284,691)
Principal Paid on Capital Debt and Lease	(1,364,573)
Interest and Fees	<u>(738,705)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,746,563)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	<u>709,533</u>
Net Cash Provided by Investing Activities	<u>709,533</u>

Net Change in Cash and Cash Equivalents	(1,120,123)
Cash and Cash Equivalents - Beginning of Year	<u>15,298,546</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 14,178,423</u></u>

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2003

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

Operating Loss	\$ (29,688,641)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	3,031,416
Change in Assets and Liabilities:	
Accounts Receivable, Net	(417,354)
Inventories	16,380
Prepayments	(151,977)
Accounts Payable and Accrued Liabilities	618,923
Deferred Revenue	247,149
Compensated Absences	<u>237,617</u>
Net Cash Used by Operating Activities	<u><u>\$ (26,106,487)</u></u>

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

Cash and Cash Equivalents Classified as Current	\$ 11,094,918
Cash and Cash Equivalents Classified as Noncurrent Restricted	2,250,135
Cash and Cash Equivalents Classified as Noncurrent Endowment	<u>833,370</u>
	<u><u>\$ 14,178,423</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2003

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

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

**Reporting Entity:** Winthrop University is part of the primary government of the State of South Carolina. The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, 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 it has no component units and the financial reporting entity includes only the University.

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

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

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

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

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

**Inventories:** Inventories are carried at cost determined by using the first in first out method.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

**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, 2003 but for which the goods or services would not be received until after July 1, 2003.

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

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

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period. During the year ended June 30, 2003, there were no material capitalized interest costs incurred.

**Deferred Charges:** Deferred charges are typically associated with the issue of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2003, the University had no material deferred charges.

**Deferred Revenues:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related 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 residence hall room deposits, security deposits for possible room damage and key loss, admissions deposits 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 accrued vacation payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Assets.

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

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

**Net Assets:** Continued

*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.

*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.

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

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

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

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

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

**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.

**NOTE 2 - CASH AND CASH EQUIVALENTS: OTHER DEPOSITS**

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	\$ 11,094,918
Cash and Cash Equivalents - Restricted	
Debt Service	1,064,908
Capital Project	975,329
Student Loan	75,592
Grants and Contracts	109,306
Other	25,000
Cash and Cash Equivalents - Endowment	<u>833,370</u>
Total	<u>\$ 14,178,423</u>
DEPOSITS:	
Cash on Hand	\$ 388,786
Deposits Held by State Treasurer	13,764,637
Other Deposits	<u>25,000</u>
Total	<u>\$ 14,178,423</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

Cash on Hand

At June 30, 2003, Winthrop University had approximately \$312,000 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$212,000 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2003, Winthrop University had \$13,764,637 in Deposits Held by State Treasurer and all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

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.

Other Deposits

Other deposits include \$25,000 held by the Federal Government for Perkins Loan Program participation.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2003, are summarized as follows:

State Appropriations	\$ 2,197,800
Student Accounts	1,058,573
Less Allowance for Doubtful Accounts	(62,117)
Student Loans Receivable - Federal Perkins	2,328,015
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	405,930
State Grants and Contracts	374,798
Local Grants and Contracts	12,037
Foundation	316,097
Capital Improvement Bond Funds	252,343
Other	<u>151,366</u>
Total Accounts Receivable, Net of Allowance	7,034,842
Less: Noncurrent Perkins Loan Receivable (See Note 4)	<u>2,328,015</u>
Accounts Receivable, Net - Current	<u><u>\$ 4,706,827</u></u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2003-2004 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, 2003, the allowance for uncollectible student accounts is valued at \$62,117.

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

**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, 2003. 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, 2003, 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 \$2,433,217, representing the Federal portion of the loan program at June 30, 2003. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2003. 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, 2004 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, 2003 is summarized as follows:

	Beginning Balance <u>July 1, 2002</u>	Increases	Decreases	Ending Balance <u>June 30, 2003</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,287,420	944,994	-	2,232,414
Construction in Progress	351,449	2,642,663	(1,044,994)	1,949,118
Collections	44,500	-	-	44,500
Total Capital Assets Not Being Depreciated	<u>1,683,369</u>	<u>3,587,657</u>	<u>(1,044,994)</u>	<u>4,226,032</u>
Other Capital Assets:				
Buildings and Improvements	91,404,071	133,213	-	91,537,284
Machinery, Equipment and Other	4,780,404	583,316	(129,503)	5,234,217
Vehicles	742,836	25,500	(28,893)	739,443
Total Other Capital Assets at Historical Cost	<u>96,927,311</u>	<u>742,029</u>	<u>(158,396)</u>	<u>97,510,944</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(33,246,743)	(2,563,442)	-	(35,810,185)
Machinery, Equipment and Other	(2,770,545)	(431,481)	109,379	(3,092,647)
Vehicles	(535,090)	(36,493)	11,973	(559,610)
Total Accumulated Depreciation	<u>(36,552,378)</u>	<u>(3,031,416)</u>	<u>121,352</u>	<u>(39,462,442)</u>
Capital Assets, Net	<u>\$ 62,058,302</u>	<u>1,298,270</u>	<u>(1,082,038)</u>	<u>62,274,534</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

Accounts Payable and Accrued Liabilities as of June 30, 2003, are summarized as follows:

CURRENT

Accrued Payroll and Related Liabilities	\$ 3,642,111
Trade Payables	1,464,888
Accrued Interest Payable	297,398
Student Deposits and Prepayments	896,299
Construction Contract Retainage	95,327
Other Accrued Liabilities	<u>39,807</u>
Total Accounts Payable	<u><u>\$ 6,435,830</u></u>

**NOTE 7 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2003 is as follows:

	June 30, <u>2002</u>	<u>Addition</u>	<u>Reductions</u>	June 30, <u>2003</u>	<u>Due Within One Year</u>
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 6,295,000	3,200,000	(370,000)	9,125,000	440,000
Athletic Facilities	2,280,000	-	(120,000)	2,160,000	120,000
Auxiliary Facilities	524,656	-	(70,443)	454,213	59,941
Higher Education Facilities	5,000,000	-	(340,000)	4,660,000	335,000
Notes Payable	824,158	-	(71,454)	752,704	75,805
Master Lease Program Notes Payable	923,249	-	(350,524)	572,725	274,520
Capital Lease Obligations (See Note 8)	<u>54,391</u>	<u>-</u>	<u>(42,152)</u>	<u>12,239</u>	<u>7,200</u>
Total Bonds, Notes and Capital Leases	<u>15,901,454</u>	<u>3,200,000</u>	<u>(1,364,573)</u>	<u>17,736,881</u>	<u>1,312,466</u>
Other Liabilities					
Accrued Compensated Absences	1,814,721	1,392,236	(1,154,619)	2,052,338	1,154,619
Perkins Loan Federal Liability	<u>2,360,641</u>	<u>72,576</u>	<u>-</u>	<u>2,433,217</u>	<u>-</u>
Total Other Liabilities	<u>4,175,362</u>	<u>1,464,812</u>	<u>(1,154,619)</u>	<u>4,485,555</u>	<u>1,154,619</u>
Total Long-Term Liabilities	<u><u>\$ 20,076,816</u></u>	<u><u>4,664,812</u></u>	<u><u>(2,519,192)</u></u>	<u><u>22,222,436</u></u>	<u><u>2,467,085</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

**Bonds Payable**

Bonds payable consisted of the following at June 30, 2003:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 1993A	4.1% to 5.2%	03/01/08	\$ 1,195,000
Series 2001A2	4.3% to 4.9%	10/01/20	3,530,000
Series 2001B5	4.5% to 5.5%	10/01/21	1,200,000
Series 2003C	3.5% to 4.75%	04/01/22	<u>3,200,000</u>
Total General Obligation Bonds			9,125,000
Athletic Facilities			
Revenue Bonds Series 2001A	4.59%	10/01/20	2,160,000
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11/01/09	454,213
Higher Education Facilities			
Revenue Bonds Series 2002B	4.58%	01/01/14	<u>4,660,000</u>
Total Bonds Payable			<u><u>\$ 16,399,213</u></u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year 2002 were \$1,189,824, which results in a legal annual debt service at June 30, 2003 of \$1,070,842.

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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds			
1993A 2004	\$ 210,000	60,820	270,820
2005	225,000	50,530	275,530
2006	240,000	39,280	279,280
2007	255,000	27,040	282,040
2008	<u>265,000</u>	<u>13,780</u>	<u>278,780</u>
Total Series 1993A Bonds	<u><u>\$ 1,195,000</u></u>	<u><u>191,450</u></u>	<u><u>1,386,450</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued			
2001A2 2004	\$ 120,000	158,029	278,029
2005	125,000	152,823	277,823
2006	135,000	147,298	282,298
2007	145,000	141,348	286,348
2008	150,000	135,078	285,078
2009-2013	870,000	570,934	1,440,934
2014-2018	1,135,000	347,697	1,482,697
2019-2021	850,000	63,911	913,911
Total Series 2001A2 Bonds	<u>\$ 3,530,000</u>	<u>1,717,118</u>	<u>5,247,118</u>
2001B5 2004	\$ 40,000	58,598	98,598
2005	40,000	56,398	96,398
2006	45,000	54,060	99,060
2007	45,000	51,585	96,585
2008	50,000	49,222	99,222
2009-2013	280,000	209,400	489,400
2014-2018	350,000	134,000	484,000
2019-2022	350,000	36,558	386,558
Total Series 2001B5 Bonds	<u>\$ 1,200,000</u>	<u>649,821</u>	<u>1,849,821</u>
2003C 2004	\$ 70,000	163,047	233,047
2005	110,000	127,987	237,987
2006	115,000	124,137	239,137
2007	125,000	120,113	245,113
2008	130,000	115,737	245,737
2009-2013	745,000	506,103	1,251,103
2014-2018	955,000	346,838	1,301,838
2019-2022	950,000	114,055	1,064,055
Total Series 2003C Bonds	<u>\$ 3,200,000</u>	<u>1,618,017</u>	<u>4,818,017</u>
Athletic Facilities Revenue Bonds			
2001A5 2004	\$ 120,000	99,144	219,144
2005	120,000	93,636	213,636
2006	120,000	88,128	208,128
2007	120,000	82,620	202,620
2008	120,000	77,112	197,112
2009-2013	600,000	302,940	902,940
2014-2018	600,000	165,240	765,240
2019-2021	360,000	33,048	393,048
Total Series 2001A5 Bonds	<u>\$ 2,160,000</u>	<u>941,868</u>	<u>3,101,868</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Auxiliary Facilities Revenue Bonds			
1997 2004	\$ 59,941	24,037	83,978
2005	63,264	20,713	83,977
2006	66,772	17,205	83,977
2007	70,475	13,503	83,978
2008	74,383	9,595	83,978
2009-2010	<u>119,378</u>	<u>6,589</u>	<u>125,967</u>
Total Series 1997 Bonds	<u>\$ 454,213</u>	<u>91,642</u>	<u>545,855</u>
Higher Education Facilities Revenue Bonds			
2002B5 2004	\$ 335,000	213,428	548,428
2005	350,000	198,085	548,085
2006	365,000	182,055	547,055
2007	385,000	165,338	550,338
2008	400,000	147,705	547,705
2009-2013	2,300,000	445,405	2,745,405
2014	<u>525,000</u>	<u>24,045</u>	<u>549,045</u>
Total Series 2002 B5	<u>\$ 4,660,000</u>	<u>1,376,061</u>	<u>6,036,061</u>

On January 28, 2003, Winthrop University issued \$3,200,000 in General Obligation Bonds Series 2003C with an average interest rate of 3.95 percent. The proceeds were used to purchase land, construct a tennis complex and renovate athletic facilities.

**Notes Payable**

Notes payable consisted of the following at June 30, 2003:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina Note (Athletic Facilities) Series 1981	6.0%	06/30/11	\$ <u>752,704</u>
Total Notes Payable			\$ <u>752,704</u>

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

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

The athletic facilities note is payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2003, are as follows:

***Athletic Facilities Notes Payable***

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 75,805	44,042	119,847
2005	80,421	39,425	119,846
2006	85,319	34,528	119,847
2007	90,515	29,332	119,847
2008	96,027	23,820	119,847
2009-2011	<u>324,617</u>	<u>34,924</u>	<u>359,541</u>
	<u>\$ 752,704</u>	<u>206,071</u>	<u>958,775</u>

***Master Lease Program Notes Payable***

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2003, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated June 1, 1998	5.11%	06/01/05	\$ 289,830
Note Dated June 1, 1998	5.11%	06/01/05	228,547
Note Dated December 13, 2000	4.23%	04/01/03	-
Note Dated December 13, 2000	4.79%	04/01/06	<u>54,348</u>
Total			<u>\$ 572,725</u>

The University financed capital acquisitions through two separate borrowings from the State Treasurer's Master Lease Program. The University originally borrowed \$226,134 to finance the purchase of 200 desktop computers (net carrying value is zero since the computers did not meet the University's capitalization criteria for equipment) and \$109,103 (net carrying value of \$59,154) to purchase of 5 campus police cars. The outstanding balances at June 30, 2003 were \$0 and \$54,348, respectively. The notes are collateralized by the desktop computers and police cars. The notes require the University to pay all insurance, property taxes, if any, and to maintain the equipment in good working order.

Proceeds from the original master lease notes of \$899,750 and \$709,500, with outstanding balances at June 30, 2003 of \$289,830 and \$228,547, respectively, were used to acquire campus-wide telephone equipment and voice and data cabling equipment, respectively. The notes are collateralized by the respective equipment.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

The notes are payable in annual installments plus interest. Amounts, including those required to complete payment of the bank note obligations as of June 30, 2003 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 274,520	29,124	303,644
2005	288,280	15,364	303,644
2006	9,925	912	10,837
2007	-	-	-
2008	-	-	-
Thereafter	-	-	-
Total Obligations	<u>\$ 572,725</u>	<u>45,400</u>	<u>618,125</u>

**NOTE 8 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2003 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2004	\$ 7,200	26,605
2005	7,200	15,486
2006	-	13,260
2007	-	-
2008	-	-
Thereafter	-	-
Total Lease Payments	14,400	55,351
Less: Interest	<u>(2,161)</u>	-
Total Present Value of Lease Payments	<u>\$ 12,239</u>	<u>55,351</u>

Capital Leases

Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The original cost of assets held under capital leases was \$193,109; accumulated depreciation is \$61,086, with a net carrying value of \$132,023 as of June 30, 2003.

Operating Leases

The University has various operating leases with external parties which include copier equipment, four vehicles and one parcel of land to provide overflow parking for students. 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 \$196,971 for fiscal year 2003. For the year ending June 30, the University's lease expense for the vehicles and parcel of land were \$17,982 and \$8,400, respectively.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

**NOTE 9 - PENSION PLANS**

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

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

**South Carolina Retirement System**

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

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2002, the employer contribution rate became 10.85 percent which included a 3.15 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2003, 2002 and 2001 were \$1,392,285, \$1,315,260 and \$1,492,191, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$27,661 in the current fiscal year at the rate of .15 percent of compensation.

SOURCE: Winthrop University's Statement of Retirement Expense - Fiscal Year 2003 filed in the Payroll Office.

**Police Officers Retirement System**

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2002, the employer contribution rate became 13.85 percent which, as for the SCRS, included the 3.15 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2003, 2002 and 2001 were \$43,667, \$42,735 and \$40,086, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$848 and accidental death insurance contributions of \$848 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

**NOTE 9 - PENSION PLANS**, Continued

*Optional Retirement Program*

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.15 percent from the employer in fiscal year 2003.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$788,397 (excluding the surcharge) from University as employer and \$626,541 from its employees as plan members.

*Deferred Compensation Plans*

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

*Teacher and Employee Retention Incentive*

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

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

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

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

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

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,546,447 for the year ended June 30, 2003. As discussed in Note 9, the University paid \$1,004,283 applicable to the 3.15 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

**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 \$3,591,031 at June 30, 2003 of which \$2,070,922 was attributable to capital projects and the remaining \$1,520,109 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 \$7,364,193 of authorized state capital improvement bond proceeds available to draw at June 30, 2003.

**NOTE 12 - RELATED PARTIES**

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Winthrop University Foundation, the Alumni Association of Winthrop University, the Winthrop University Real Estate Foundation and the Winthrop University Eagle Club. The activities of these entities are not included in the University's financial statements. However, the University's statements include transactions between the University and these related parties.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

**NOTE 12 - RELATED PARTIES**, Continued

In conjunction with its implementation of GASB Statement No. 14, management reviewed its relationships with the entities described in this note. The University excluded these entities from the reporting entity because it is not financially accountable for them. However, under GASB Statement No. 39, some or all of these entities may become as a component units of the University and/or part of the financial reporting entity.

Following is a more detailed discussion of each of these entities and a summary of significant transactions between these entities and the University for the year ended June 30, 2003.

***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 \$1,434,782 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2003. 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.

Related party receivables as of June 30, 2003 are \$316,097 due from the Foundation.

***Alumni Association of Winthrop University***

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.

***Winthrop University Real Estate Foundation***

In January 2003, Winthrop University Real Estate Foundation (WUREF) 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 January 1, 2003 thru June 30, 2003, the fee for management services amounted to approximately \$49,000.

***Winthrop University Eagle Club***

The Winthrop University Eagle club exists to assist the University in raising funds to support athletics, scholarships and operations.

**NOTE 13 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2003 the University held \$477,946 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized appreciation at June 30, 2003 was \$35,182. This amount is included in the restricted expendable scholarships and fellowships amount in the Statements of Net Assets. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2003, the income available to be spent is \$73,734, of which \$50,596 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.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2003

**NOTE 14 - RISK MANAGEMENT**, Continued

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, 2003 are summarized as follows:

Instruction	\$ 25,037,731
Research	466,609
Public Service	4,094,065
Academic Support	6,094,355
Student Services	7,339,233
Institutional Support	5,821,974
Operation and Maintenance of Plant	9,822,909
Scholarships & Fellowships	4,754,136
Auxiliary Enterprises	12,108,037
Depreciation	<u>3,031,416</u>
Total Operating Expenses	<u>\$ 78,570,465</u>

**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, 2003

	Year Ended June 30,	
	2003	2002
Charges for Services	\$ 48,881,824	\$ 42,194,953
Operating Grants and Contributions	4,894,661	2,447,874
Less Expenses	<u>(79,358,058)</u>	<u>(71,765,469)</u>
Net Program Revenue (Expense)	<u>(25,581,573)</u>	<u>(27,122,642)</u>
<b>TRANSFERS</b>		
State Appropriations	21,879,675	24,850,242
Capital Improvement Bond Transfer In	<u>626,137</u>	<u>1,167,100</u>
Total Transfers	<u>22,505,812</u>	<u>26,017,342</u>
Decrease in Net Assets	(3,075,761)	(1,105,300)
Net Assets - Beginning of Year	<u>58,757,315</u>	<u>59,862,615</u>
Net Assets - End of Year	<u><u>\$ 55,681,554</u></u>	<u><u>\$ 58,757,315</u></u>

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2003

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 2002-2003 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, 2003:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2002-2003 Appropriations Act \$ 23,871,228

**State Budget and Control Board Allocations:**

Annualization of FY2001-02 Employer Contributions 77,473

State Budget and Control Board Approved 4.5% Mid Year  
Appropriation Reduction (1,077,692)

State Budget and Control Board Approved .5% Mid Year  
Appropriation Reduction (120,949)

State Budget and Control Board Approved 3.73% Mid Year  
Appropriation Reduction (849,556)

State Academic Endowment Incentive Match 55,444

Revised Non-Capital Appropriations - Legal Basis 21,955,948

Accrued Funding for Net Payroll Adjustments (76,273)

Total Non-Capital Appropriations Revenue - Accrual Basis \$ 21,879,675

**Capital Appropriations**

Capital Improvement Bond Proceeds Drawn 2002-2003 \$ 441,406

Plus Capital Improvement Bond Proceeds Receivable  
Expended 2002-2003 Not Drawn 252,343

Less Capital Improvement Bonds Drawn in 2002-2003  
Expended 2001-2002 (67,612)

Total Capital Appropriations Revenue - Accrual Basis \$ 626,137

**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2003

<u>FEDERAL GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT OR CONTRACT NUMBER</u>	<u>June 30, 2003</u>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Office of Student Financial Assistance			
SEOG	84.007	P007A023816	\$ 261,884
Federal Work-Study	84.033	P033A023816	198,370
Pell Grants	84.063	P063P01155	20,871
Pell Grants	84.063	P063P020379	3,800,490
Federal Direct Loan	84.268		<u>15,372,473</u>
			<u>19,654,088</u>
Eisenhower Professional Development			
Implementing the SC Science Standards	84.281		42,896
Math and Science Coach	84.281		<u>2,663</u>
			<u>45,559</u>
<b>Pass-Through the University</b>			
<b>of South Carolina</b>			
Clinical Experience Partnerships	84.336	P336B990061	187,602
<b>Pass-Through South Carolina</b>			
<b>Department of Education</b>			
Governor's School for Excellence	84.336	00F1309	34,791
Mentoring Workshops for Alternative	84.336	02F130905	13,301
Certified and International Teachers			
NBC Video Project	84.336	03FI309	11,000
Standards and Assessments	84.336	02F1309-01	3,585
Professional Development Schools			
Standards Assessment	84.336	01F130902	<u>1,164</u>
			<u>251,443</u>
Other Programs			
Solving Math Problems	84.367		20,644
Leadership Academy	84.367		2,936
Technology Learning Center	84.342	P342A990394	46,989
Transition to Teaching	84.350		1,381
Winthrop Writing Project	84.928	92SC04	<u>35,163</u>
			<u>107,113</u>
<b>Total U.S. Department of Education</b>			<u>20,058,203</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Cooperative State Research, Education			
and Extension Services	10.206	2001-35311	27,622
State Administrative Matching Grants			
for Food Stamp Programs	10.561	618-7558-2	<u>1,721</u>
<b>Total U.S. Department of Agriculture</b>			<u>\$ 29,343</u>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2003

<u>FEDERAL GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT OR CONTRACT NUMBER</u>	<u>June 30, 2003</u>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b><u>U.S. DEPARTMENT OF INTERIOR</u></b>			
Cooperative Endangered Species Conservation Funds	15.615	1448-40181	\$ 2,500
<b>Total U.S. Department of Interior</b>			<u>2,500</u>
<b><u>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</u></b>			
Promotion of the Humanities Division of Preservation and Access	45.149	PA2402001	1,440
<b>Total National Foundation on the Arts and the Humanities</b>			<u>1,440</u>
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>			
<b>Pass-Through the Rock Hill School District</b>			
National Science Foundation, State Systemic Initiative Polymer Structures	47.076 47.076	03GA091 EPS029616S	17,972 2,615
<b>Total National Science Foundation</b>			<u>20,587</u>
<b><u>SMALL BUSINESS ADMINISTRATION</u></b>			
Small Business Development Center - 2002 Small Business Development Center - 2003	59.037 59.037	26030014322 3603001004	45,447 198,781
<b>Total Small Business Administration</b>			<u>244,228</u>
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Cancer Research Manpower	93.398		42,871
<b>Total Department of Health and Human Services</b>			<u>42,871</u>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
AmeriCorps	94.006	01FT309	186,466
<b>Total Corporation for National and Community Services</b>			<u>186,466</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 20,585,638</u>

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Winthrop University  
Rock Hill, South Carolina

Compliance

We have audited the compliance of Winthrop University (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winthrop University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winthrop University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Winthrop University as of and for the year ended June 30, 2003, and have issued our report thereon dated September 12, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Office of the State Auditor, State of South Carolina, the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

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

September 12, 2003

Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Winthrop University  
Rock Hill, South Carolina

We have audited the general purpose financial statements of Winthrop University (the University) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 12, 2003. We conducted our audit in accordance with auditing standards generally accepted by 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Office of the State Auditor, State of South Carolina, the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.



September 12, 2003

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2003

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 2(b) of the University's financial statements.

3. LOAN PROGRAMS

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

Federal Direct Loans	<u>\$ 15,372,473</u>
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**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2003

**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 prior year findings or questioned costs relating to Federal Awards.

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2003

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Winthrop University's financial statements dated September 12, 2003. No instances of material noncompliance were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Winthrop University dated September 12, 2003. Our audit disclosed no findings that are required to be reported under OMB Circular A-133.

The major program at Winthrop University is the Student Financial Aid Cluster from the U.S. Department of Education. Type A or major programs are defined as those that expended \$300,000 or 3% of total Federal Awards expended at the University. Winthrop University's total federal awards expended for the year ended June 30, 2003 were between \$10 million and \$100 million.

Winthrop University is considered to be a low risk auditee by the criteria listed 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 prior year findings or questioned costs relating to Federal Awards.