

# **WINTHROP UNIVERSITY**

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**Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2007**

*State of South Carolina*



*Office of the State Auditor*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

October 3, 2007

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 basic financial statements of Winthrop University and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ended June 30, 2007, 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/trb

# WINTHROP UNIVERSITY

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**FINANCIAL INFORMATION**

Independent Auditors' Report

Winthrop University  
Rock Hill, South Carolina

We have audited the accompanying financial statements of Winthrop University (the University) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc., is based on the report of the other auditors.

We conducted our 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. The financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2007, 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, 2007, and the results of its operations and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2007 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 and other matters. The purpose of that report is to describe the score of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in blue ink, appearing to read "C. Brantley & Co. PA". The signature is written in a cursive, flowing style.

August 31, 2007



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2007**

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, 2007. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35.

**Introduction**

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

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

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

Winthrop has obtained 100 percent national accreditation in all academic areas for which such accreditation is available. Winthrop University was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2008 edition. It is the 16th time this publication has chosen Winthrop for inclusion in its listings.

*The Princeton Review* named Winthrop University as one of the nation's **best value undergraduate institutions** in its 2007 edition of "America's Best Value Colleges." It is the third national publication to count Winthrop as a national "best value" university, joining *Barron's Best Buys*, which cites Winthrop as a university "where the dollar goes further."

### Statement of Net Assets

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

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

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

### CONDENSED STATEMENT OF NET ASSETS

	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>
<b>ASSETS</b>			
Current Assets	\$ 27,348,046	\$ 24,844,605	\$ 2,503,441
Capital Assets, Net of Accumulated Depreciation	101,653,010	82,099,845	19,553,165
Other Noncurrent Assets	<u>8,076,466</u>	<u>22,368,768</u>	<u>(14,292,302)</u>
Total Assets	<u>137,077,522</u>	<u>129,313,218</u>	<u>7,764,304</u>
<b>LIABILITIES</b>			
Current Liabilities	13,929,043	13,031,427	897,616
Noncurrent Liabilities	<u>46,993,533</u>	<u>49,583,542</u>	<u>(2,590,009)</u>
Total Liabilities	<u>60,922,576</u>	<u>62,614,969</u>	<u>(1,692,393)</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	55,432,811	47,145,856	8,286,955
Restricted for Nonexpendable	486,373	486,373	0
Restricted for Expendable	3,380,067	2,312,944	1,067,123
Unrestricted	<u>16,855,695</u>	<u>16,753,076</u>	<u>102,619</u>
Total Net Assets	<u>\$ 76,154,946</u>	<u>\$ 66,698,249</u>	<u>\$ 9,456,697</u>

- Capital Assets increased by \$19,553,165 in 2007. This increase was primarily in Construction in Progress as a result of ongoing construction on the Lois Rhame West Health, Physical Education and Wellness Center (West Center) and construction on the Owens Hall classroom building. In addition, the University's purchase of 17 acres of property adjacent to campus increased the value of land by \$2.4 million.
- Other Noncurrent Assets decreased by \$14,292,302 in 2007. This decrease was primarily a result of Institutional Bond proceeds on hand at year end in 2006 that were disbursed for the West Center and Owens Hall projects in 2007.
- Non-current liabilities decreased by \$2.6 million. This decrease resulted from the current year bond payments of \$3.1 million offset by an increase in notes payable of \$475,825 with the State of South Carolina Energy Office for the removal and replacement of an existing steam boiler.
- Total net assets increased by \$9,456,697 which was largely attributable to the increase in Invested in Capital Assets, Net of Related Debt resulting from the continued construction of the Lois Rhame West Health, Physical Education and Wellness Center and Owens Hall.

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

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

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

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

#### YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>2006</u>	<u>Increase/ Decrease</u>
Operating Revenue	\$ 71,438,779	\$ 65,527,031	\$ 5,911,748
Operating Expenses	<u>91,992,570</u>	<u>87,660,869</u>	<u>4,331,701</u>
Operating Loss	(20,553,791)	(22,133,838)	1,580,047
Nonoperating Revenues and Expenses	<u>28,387,453</u>	<u>23,489,009</u>	<u>4,898,444</u>
Gain before Other Revenues, Expenses, Gains, or Losses	7,833,662	1,355,171	6,478,491
Other Revenues, Expenses, Gains, or Losses	<u>1,623,035</u>	<u>1,542,667</u>	<u>80,368</u>
Increase in Net Assets	<u>\$ 9,456,697</u>	<u>\$ 2,897,838</u>	<u>\$ 6,558,859</u>
Net Assets – Beginning of Year	\$ 66,698,249	\$ 63,800,411	\$ 2,897,838
Increase in Net Assets	<u>9,456,697</u>	<u>2,897,838</u>	<u>6,558,859</u>
Net Assets at End of Year	<u>\$ 76,154,946</u>	<u>\$ 66,698,249</u>	<u>\$ 9,456,697</u>

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

- Operating Revenues increased by \$5.9 million. This increase is primarily attributable to an increase of over \$5.1 million in academic, room and board fee revenue resulting from the fee increase approved by the University's Board of Trustees in June 2006. This tuition and fee increase was approved 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 by \$4.3 million. Of this amount, faculty and staff salary and benefit expenses increased by nearly \$3.8 million resulting from the 2006 Salary Enhancement Plan and the State of South Carolina mandated pay plan increases.
- Non-operating Revenues increased by \$4,898,444. Of this amount, State appropriation revenue increased by \$1.9 million. In the 2006-2007 Appropriation Bill, the State of South Carolina General Assembly appropriated non-recurring funds to the non-research public institutions of higher learning to address funding inequities. Winthrop's portion of this special funding was just over \$1.1 million. In addition, the General Assembly also appropriated just over \$800,000 for the state mandated pay plan. Even though Winthrop received the \$800,000, the mandated pay plan costs totaled nearly \$1.5 million. In addition to appropriation revenues, private donations increased. An anonymous donor contributed to date in 2007 nearly \$1.7 million toward the construction of the Baseball Park Phase II, and Winthrop alumni and supporters raised more than \$187,000 to restore the D.B. Johnson Memorial Organ.

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

In June 2006, the State of South Carolina General Assembly appropriated \$6.7 million toward the project costs for renovations of Tillman Hall. Renovation is to include replacement of original 1894 roof, circa-1940s electrical system, mechanical system (HVAC,) plumbing, and original 1894 windows as well as repairs to leak-damaged fifth floor and conversion of that to habitable space via improved fire egress, etc. Work was begun in 2007 and is expected to be completed in 2009.

In August 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds with an average interest rate of 4.38 percent. The proceeds were used to construct the Lois Rhame West Health, Physical Education and Wellness Center. These general obligation (State Institution) bonds of \$17 million in conjunction with \$6.4 million in state capital improvement bonds appropriated by the South Carolina General Assembly and \$3.99 million from project interest earnings and Institutional Capital Project Funds will fund this project, which has an expected cost of \$27.39 million.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds with an average interest rate of 4.40 percent. The proceeds were used to construct Owens Hall, a three story classroom building adjacent to Bancroft Hall.

As of June 30, 2007, these two projects were not substantially complete and therefore the assets remained in construction in progress. Subsequent to year end, certificates of occupancy were issued in August 2007, and the buildings were open for their intended use beginning with the fall semester 2007.

## **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, 2007. The University's overall financial position is sound.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**

## Statement of Net Assets

June 30, 2007

**ASSETS**

## CURRENT ASSETS

Cash and Cash Equivalents	\$ 19,688,325
Accounts Receivable, Net	6,645,960
Inventories	373,012
Accrued Interest Receivable	177,277
Prepayments	463,472
	<hr/>
Total Current Assets	27,348,046

## NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	4,670,605
Endowment	869,822
Perkins Loans Receivable, Net	2,536,039
Capital Assets, Net	101,653,010
	<hr/>
Total Noncurrent Assets	109,729,476
	<hr/>
Total Assets	137,077,522

**LIABILITIES**

## CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	8,136,455
Deferred Revenue	989,481
Current Portion of Long Term Debt	3,212,600
Current Portion of Compensated Absences	1,590,507
	<hr/>
Total Current Liabilities	13,929,043

## NONCURRENT LIABILITIES

Compensated Absences	1,193,208
Perkins Loan Federal Liability	2,411,780
Bond Premium on Long Term Debt	144,024
Long Term Debt	43,244,521
	<hr/>
Total Noncurrent Liabilities	46,993,533
	<hr/>
Total Liabilities	60,922,576

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	55,432,811
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	486,373
Expendable:	
Scholarships and Fellowships	160,581
Grants	568,947
Loans	323,227
Debt Service	2,327,312
Unrestricted	16,855,695
	<hr/>
Total Net Assets	\$ 76,154,946

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2007

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$496,494 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5) (Net of Scholarship Discounts and Allowances of \$19,787,304)	\$ 35,324,518
Grants and Contracts	20,129,202
Sales and Services of Educational Activities	1,940,246
Sales and Services of Athletic Activities	1,574,130
Sales and Services of Auxiliary Enterprise Activities (of which \$2,882,467 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	11,629,416
Other Fees	535,638
Other Operating Revenues	305,629
Total Operating Revenues	71,438,779

**EXPENSES**

Personnel Costs	45,843,156
Fringe Benefits	11,651,942
Service and Supplies	22,719,811
Utilities	2,825,920
Scholarships and Fellowships	5,198,389
Depreciation	3,753,352
Total Operating Expenses	91,992,570
Operating Loss	(20,553,791)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	23,941,590
Grants and Contracts	22,117
Gifts	3,311,938
Interest Income	1,807,427
Interest Expense	(1,622,606)
Other Nonoperating Revenues	926,987
Net Nonoperating Revenues	28,387,453
Gain Before Other Revenues, Expenses, Gains or Losses	7,833,662
Capital Appropriations	1,623,035
Increase in Net Assets	9,456,697

**NET ASSETS**

Net Assets - Beginning of Year	66,698,249
Net Assets - End of Year	\$ 76,154,946

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 35,100,150
Grants and Contracts	20,230,835
Sales and Services of Educational Activities	1,206,909
Sales and Services of Athletic Activities	1,578,565
Sales and Services of Auxiliary Enterprise Activities	11,613,142
Other Fees	535,638
Collection of Loans	528,896
Receipts of Funds Held for Others	3,883,336
Inflows from Federal Direct Lending Loans to Students	21,071,663
Other Receipts	305,630

CASH PAID FOR

Personnel Costs	(45,581,474)
Fringe Benefits	(11,368,120)
Service and Supplies	(22,985,092)
Utilities	(2,674,172)
Students	(4,877,787)
Loans to Students	(416,554)
Payments of Funds Held for Others	(3,645,754)
Outflows from Federal Direct Lending Loans to Students	(21,183,024)
Net Cash Used by Operating Activities	<u>(16,677,213)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	23,545,246
Gifts and Grants	2,794,180
Commissions	585,086
Other Sources	353,606
Proceeds from Debt	-
Net Cash Provided by Noncapital Financing Activities	<u>27,278,118</u>

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

Proceeds from Capital Debt	459,655
Capital Appropriations	1,694,143
Purchases of Capital Assets	(23,210,773)
Principal Paid on Capital Debt and Lease	(3,134,812)
Interest and Fees	(1,645,272)
Net Cash Used by Capital and Related Financing Activities	<u>(25,837,059)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	1,874,318
Net Cash Provided by Investing Activities	<u>1,874,318</u>
Net Change in Cash and Cash Equivalents	(13,361,836)
Cash and Cash Equivalents - Beginning of Year	<u>38,590,588</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 25,228,752</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2007

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

Operating Loss	\$ (20,553,791)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,753,352
Change in Assets and Liabilities:	
Accounts Receivable, Net	(689,328)
Inventories	(101,743)
Prepayments	(144,296)
Accounts Payable and Accrued Liabilities	546,477
Accrued Salaries and Related Expenses	325,714
Deferred Revenue	(33,388)
Compensated Absences	219,790
	219,790
Net Cash Used by Operating Activities	\$ (16,677,213)

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

Cash and Cash Equivalents Classified as Current	\$ 19,688,325
Cash and Cash Equivalents Classified as Noncurrent Restricted	4,670,605
Cash and Cash Equivalents Classified as Noncurrent Endowment	869,822
	869,822
	\$ 25,228,752

**Non-Cash Transactions:**

Acquisition of capital assets through donations	\$ 106,700
Disposal of capital assets	(10,955)
	(10,955)
	\$ 95,745

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**  
(With comparative information for December 31, 2005)

<b>Assets</b>	Unrestricted Fund	Restricted Funds	Endowment Funds	Split- Interest Trusts	Agency Funds	December 31, 2006 Total All Funds	December 31, 2005 Total All Funds
<b>Assets:</b>							
Cash and Equivalents	\$ 38,452	396,586	1,844,907	12,578	13,112	\$ 2,305,635	\$ 1,473,916
Accrued Interest and Dividends	1,888	19,631	91,323	16,581	649	130,072	65,045
Contributions Receivable	104,534	58,074	354,812	1,077,359	-	1,594,779	1,302,723
Other Receivables	-	-	-	-	-	-	68,592
Pooled Investments, at Fair Value	471,417	4,900,593	22,797,453	41,486	162,024	28,372,973	25,901,060
Investments, at Fair Value	-	-	-	1,459,185	-	1,459,185	1,266,321
Beneficial Interest in Perpetual Trust	-	-	-	480,084	-	480,084	456,586
Cash Value of Life Insurance	61,048	17,799	87,199	-	-	166,046	144,533
Office Furniture & Equipment, at Cost Net of Depreciation of \$82,881	37,616	-	-	-	-	37,616	13,581
<b>Total Assets</b>	<u>714,955</u>	<u>5,392,683</u>	<u>25,175,694</u>	<u>3,087,273</u>	<u>175,785</u>	<u>34,546,390</u>	<u>30,692,357</u>
<b>Liabilities and Net Assets</b>							
<b>Liabilities:</b>							
Accounts Payable	87,285	49,003	-	-	-	136,288	382,095
Actuarial Liability of Annuities Payable	-	-	-	525,814	-	525,814	436,423
Agency Funds	-	-	-	-	175,785	175,785	124,696
<b>Total Liabilities</b>	<u>87,285</u>	<u>49,003</u>	<u>-</u>	<u>525,814</u>	<u>175,785</u>	<u>837,887</u>	<u>943,214</u>
<b>Net Assets:</b>							
Unrestricted	627,670	-	-	-	-	627,670	115,192
Temporarily Restricted	-	5,343,680	3,714,913	-	-	9,058,593	7,392,444
Permanently Restricted	-	-	21,460,781	2,561,459	-	24,022,240	22,241,507
<b>Total Net Assets</b>	<u>627,670</u>	<u>5,343,680</u>	<u>25,175,694</u>	<u>2,561,459</u>	<u>-</u>	<u>33,708,503</u>	<u>29,749,143</u>
	<u>\$ 714,955</u>	<u>5,392,683</u>	<u>25,175,694</u>	<u>3,087,273</u>	<u>175,785</u>	<u>\$ 34,546,390</u>	<u>\$ 30,692,357</u>

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

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
(With comparative information for the year ended December 31, 2005)

	Temporarily Restricted Net Assets				Permanently Restricted Net Assets			Year Ended December 31, 2006	Year Ended December 31, 2005
	Unrestricted Net Assets	Restricted Funds	Endowment Funds	Total	Endowment Funds	Split- Interest Trusts	Total	Total All Funds	Total All Funds
Revenues, Gains and Other Support:									
Contributions	\$ 629,263	843,006	-	843,006	1,481,219	113,950	1,595,169	\$ 3,067,438	\$ 3,577,615
Investment Earnings	798,419	332,179	-	332,179	2,273,378	23,498	2,296,876	3,427,474	1,136,746
Increase (Decrease) in Cash Surrender Value	2,610	3,427	-	3,427	19,895	-	19,895	25,932	357
Provision for Uncollectible Pledges	(134,032)	(15,654)	-	(15,654)	14,501	-	14,501	(135,185)	23,863
Change in Value of Split-Interest Trusts	-	-	-	-	-	143,020	143,020	143,020	(5,515)
	<u>1,296,260</u>	<u>1,162,958</u>	<u>-</u>	<u>1,162,958</u>	<u>3,788,993</u>	<u>280,468</u>	<u>4,069,461</u>	<u>6,528,679</u>	<u>4,733,066</u>
Net Assets Released From Restriction -	<u>1,286,969</u>	<u>(1,286,969)</u>	<u>-</u>	<u>(1,286,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Scholarships and Grants Expenses:									
Operating Expenses	359,747	-	-	-	-	-	-	359,747	262,560
Fundraising Expenses	424,933	-	-	-	-	-	-	424,933	389,036
Scholarships and Grants to Winthrop University	1,784,639	-	-	-	-	-	-	1,784,639	1,780,585
	<u>2,569,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,569,319</u>	<u>2,432,181</u>
Net Expenses	<u>498,568</u>	<u>689,425</u>	<u>1,100,735</u>	<u>1,790,160</u>	<u>(2,288,728)</u>	<u>-</u>	<u>(2,288,728)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	512,478	565,414	1,100,735	1,666,149	1,500,265	280,468	1,780,733	3,959,360	2,300,885
Net Assets, Beginning of Period	115,192	4,778,266	2,614,178	7,392,444	19,960,516	2,280,991	22,241,507	29,749,143	27,448,258
Net Assets, End of Period	<u>\$ 627,670</u>	<u>5,343,680</u>	<u>3,714,913</u>	<u>9,058,593</u>	<u>21,460,781</u>	<u>2,561,459</u>	<u>24,022,240</u>	<u>\$ 33,708,503</u>	<u>\$ 29,749,143</u>

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

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	
Unrestricted	\$ 71,573
Reserved	1,875,422
Total Cash	1,946,995
Accounts Receivable	79,870
Prepaid Expenses	3,750
Total Current Assets	2,030,615
Property and Equipment:	
Property and Equipment, Net of Accumulated Depreciation	15,738,569
Other Assets:	
Bond Closing Costs, Net of Amortization	415,722
Total Assets	\$ 18,184,906
<b>Liabilities and Net Assets</b>	
Current Liabilities:	
Accounts Payable	\$ 370,645
Short-Term Borrowings	236,968
Current Portion of Long-Term Debt	295,000
Total Current Liabilities	902,613
Long-Term Debt :	
Bonds Payable	18,190,000
Notes Payable	4
Less Current Portion of Long Term Debt	(295,000)
Total Long-Term Debt	17,895,004
Total Liabilities	18,797,617
Net Assets	
Unrestricted	(612,711)
Total Net Assets	(612,711)
Total Liabilities and Net Assets	\$ 18,184,906

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

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Operating Revenues and Other Support:	
Room Charges and Occupancy Fees	\$ 1,874,735
Cafeteria Fees and Vending Commissions	175,606
Revenue from Contributions of Land	220,000
Rental Income from Winthrop University	29,400
Other Operating Revenues	<u>35,954</u>
Total Operating Revenues and Other Support	2,335,695
Operating Expenses	<u>1,536,969</u>
Net Operating Revenues and Support Over Expenses	<u>798,726</u>
Nonoperating (Revenues) and Expenses	
Interest Income	(81,204)
Letter of Credit Fees	236,242
Remarketing Fees	22,737
Interest Rate Swap Fees	79,644
Trustee Fees	8,081
Amortization Expense	16,303
Interest Expense	<u>644,037</u>
Net Nonoperating (Revenues) and Expenses	<u>925,840</u>
Net Increase (Decrease) in Net Assets	(127,114)
Net Assets, December 31, 2005	<u>(485,597)</u>
Net Assets, December 31, 2006	<u><u>\$ (612,711)</u></u>

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

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2007

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

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

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

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

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2006. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

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

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

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

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

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

**Reporting Entity:** Continued

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2006. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 16) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

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

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

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

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

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

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

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2007 but for which the goods or services would not be received until after July 1, 2007.

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

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

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

**Deferred Charges:** Deferred charges are typically associated with the issue of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2007, 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 compensated absences in the Statement of Net Assets, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Assets.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

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

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

*Restricted net assets - 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, 2007

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

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

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

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

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

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

**Component Units:** See Note 16.

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

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

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

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 19,688,325
Cash and Cash Equivalents - Restricted	
Debt Service	1,987,916
Capital Project	1,932,717
Student Loan	648,028
Grants and Contracts	76,944
Other	25,000
Cash and Cash Equivalents - Endowment	869,822
Total	<u>\$ 25,228,752</u>
DEPOSITS:	
Cash on Hand	\$ 180,379
Deposits Held by State Treasurer	25,048,373
Other Deposits	-
Total	<u>\$ 25,228,752</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Cash on Hand

At June 30, 2007, Winthrop University had approximately \$79,147 in an account with a Financial Institution for exclusive use by the Perkins Loan Program.

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, 2007, Winthrop University had \$25,048,373 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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

Concentrations of Credit Risk - Non Governmental Discretely Presented Component Units

***The Winthrop University Foundation***

The Foundation's concentration of potential credit risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies adopted by its Board of Directors. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$345,022 at December 31, 2006. These deposits were all in a high credit quality institution.

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

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$100,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount in excess of the federally insured limit at December 31, 2006 was \$1,815,510.

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

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

The reserved cash represents monies on deposit within WUREF, LLC. These funds are provided by and/or are in connection with the issuance of bonds for the purposes of The Courtyard at Winthrop. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in connection with the bond issuance. The reserve accounts at December 31, 2006 are as follows:

Debt service reserve fund	\$ 1,367,305
Operating contingency restricted reserve	41,147
Bond reserve fund	77
Repair and replacement reserve fund	407,469
Other miscellaneous reserve funds	<u>59,424</u>
	<u>\$ 1,875,422</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Investments at December 31, 2006 are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Government Bonds	\$ 2,294,919	2,305,406
Asset Backed Securities	1,878,546	1,925,924
Corporate Bonds	1,548,193	1,574,250
Foreign Bonds	89,112	91,125
Municipal Bonds	693,609	697,399
Domestic Common Stocks	11,860,560	12,833,408
Foreign Common Stocks	4,046,473	4,603,978
Fixed Income Mutual Funds	3,286,483	3,461,111
Equity Mutual Funds	318,083	463,111
Hedge Fund	1,800,000	1,876,446
	<u>\$ 27,815,978</u>	<u>29,832,158</u>

Investment earnings for the year ended December 31, 2006 consisted of:

Dividends and Interest	\$ 851,991
Realized Gains (Losses) Net	(139,875)
Unrealized Gains (Losses) Net	2,748,813
	<u>\$ 3,460,929</u>

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2007, are summarized as follows:

State Appropriations	\$ 3,019,657
Student Accounts	1,419,679
Less Allowance for Doubtful Accounts	(97,168)
Student Loans Receivable - Federal Perkins	2,536,039
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	409,462
State Grants and Contracts	276,995
Local Grants and Contracts	21,374
Foundations	693,623
Capital Improvement Bond Funds	62,565
Other	839,773
	<u>9,181,999</u>
Total Accounts Receivable, Net of Allowance	9,181,999
Less: Noncurrent Perkins Loan Receivable (See Note 4)	<u>(2,536,039)</u>
Accounts Receivable, Net - Current	<u>\$ 6,645,960</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 3 - ACCOUNTS RECEIVABLE**, Continued

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2007-2008 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, 2007, the allowance for uncollectible student accounts is valued at \$97,168.

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

Contributions Receivable - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2006:

Unconditional promises expected to be collected in:

Less than One Year	\$	146,825
One to Five Years		765,481
Over Five Years		<u>891,281</u>
		1,803,587
Less Unamortized Discount		<u>(86,050)</u>
		1,717,537
Less Allowance for Uncollectible Promises		<u>(122,758)</u>
Net Unconditional Promises to Give	\$	<u><u>1,594,779</u></u>

Discount rates ranged from 3.0% to 6.6%.

**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, 2007. 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, 2007, the allowance for uncollectible student loans is valued at \$-0- because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,411,780, representing the Federal portion of the loan program at June 30, 2007. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 is summarized as follows:

	Beginning Balance July 1, 2006	Increases	Decreases	Ending Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	\$ 2,232,414	2,381,422	-	4,613,836
Construction in Progress	18,439,148	22,658,337	(2,959,875)	38,137,610
Collections	44,500	154,131	-	198,631
Total Capital Assets Not Being Depreciated	<u>20,716,062</u>	<u>25,193,890</u>	<u>(2,959,875)</u>	<u>42,950,077</u>
Other Capital Assets:				
Buildings and Improvements	102,180,758	593,843	-	102,774,601
Machinery, Equipment and Other	7,181,841	464,434	(167,008)	7,479,267
Vehicles	782,676	25,180	(146,626)	661,230
Total Other Capital Assets at Historical Cost	<u>110,145,275</u>	<u>1,083,457</u>	<u>(313,634)</u>	<u>110,915,098</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(44,214,576)	(3,159,636)	-	(47,374,212)
Machinery, Equipment and Other	(4,010,532)	(547,029)	156,053	(4,401,508)
Vehicles	(536,384)	(46,687)	146,626	(436,445)
Total Accumulated Depreciation	<u>(48,761,492)</u>	<u>(3,753,352)</u>	<u>302,679</u>	<u>(52,212,165)</u>
Capital Assets, Net	<u>\$ 82,099,845</u>	<u>22,523,995</u>	<u>(2,970,830)</u>	<u>101,653,010</u>

Invested in capital assets, net of related debt, of \$55,432,811 as of June 30, 2007 is determined as follows:

Capital Assets, Net	\$ 101,653,010
Less Debt:	
Current Portion of Long Term Debt	(3,212,600)
Long Term Debt	(43,244,521)
Bond Premium of Long Term Debt	(144,024)
Plus Unspent Bond Proceeds	<u>380,946</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 55,432,811</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 5 - CAPITAL ASSETS**, Continued

Property and Equipment - Non Governmental Discretely Presented Component Unit

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

Account balances as of December 31, 2006 are as follows:

Land	\$ 683,869
Buildings	16,048,200
Furniture and Fixtures	680,414
Machinery and Equipment	<u>14,526</u>
	17,427,009
Less Accumulated Depreciation	<u>(1,688,440)</u>
	<u>\$ 15,738,569</u>

Depreciation charged to expense was \$423,008. This is a non-cash expense.

Property and equipment is recorded at cost when purchased and fair value when donated. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is calculated based upon the straight-line method over the assets useful life of each asset. The estimated useful lives utilized are 50 years for buildings and improvements, 7 years for furniture and fixtures, and 3 years for computer equipment.

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

Accounts Payable and Accrued Liabilities as of June 30, 2007, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 3,053,395
Trade Payables	2,588,362
Accrued Interest Payable	458,878
Student Deposits and Prepayments	824,734
Construction Contract Retainage	1,152,135
Other Accrued Liabilities	<u>58,951</u>
Total Accounts Payable	<u>\$ 8,136,455</u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

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

At December 31, 2006, accounts payable consisted of \$67,123 in funds owed to The Winthrop University Foundation, a separate but related organization. Accounts payable also includes \$301,839 in funds owed to Winthrop University in connection with amounts due to them for management of The Courtyard. The remaining vendor accounts payable is \$1,683.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Short-Term Borrowings - Non Governmental Discretely Presented Component Unit

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

On November 20, 2003, Winthrop Real Estate LLC obtained a commercial loan of \$95,123 for the purpose of purchasing land and a building on Stewart Street in Rock Hill, adjacent to the campus. The loan is structured as an interest only loan, which matures on June 21, 2008. The loan bears interest at the bank variable prime rate, which is currently 8.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. As discussed later, effective January 1, 2004, WRE LLC entered into a lease agreement with Winthrop University for Winthrop's use of the facilities.

In addition, on April 19, 2005, Winthrop Real Estate LLC obtained an additional commercial loan of \$141,845 for the purpose of purchasing land on Culp and Ivey Streets in Rock Hill adjacent to the Winthrop Farm property. The loan is structured as an interest only loan, which matures on June 21, 2008. The loan bears interest at the bank variable prime rate, which is currently 8.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. Again, as discussed later, effective May 1, 2005, WRE LLC entered into a lease agreement with Winthrop University for Winthrop's use of the property.

**NOTE 7 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2007 is as follows:

	June 30, 2006	Addition	Reductions	June 30, 2007	Due Within One Year
<b>Bonds, Notes and Capital Leases</b>					
General Obligation Bonds	\$ 35,535,000	-	(1,645,000)	33,890,000	1,675,000
Unamortized Premium	160,194	-	(16,170)	144,024	-
Athletic Facilities	1,800,000	-	(120,000)	1,680,000	120,000
Auxiliary Facilities	264,235	-	(70,475)	193,760	74,382
Higher Education Facilities	6,405,000	-	(600,000)	5,805,000	620,000
Notes Payable	1,390,490	475,825	(289,109)	1,577,206	298,380
Master Lease Program					
Notes Payable	3,721,383	-	(410,228)	3,311,155	424,838
Capital Lease Obligations (See Note 8)	-	-	-	-	-
<b>Total Bonds, Notes and Capital Leases</b>	<b>49,276,302</b>	<b>475,825</b>	<b>(3,150,982)</b>	<b>46,601,145</b>	<b>3,212,600</b>
<b>Other Liabilities</b>					
Accrued Compensated Absences	2,563,925	1,810,297	(1,590,507)	2,783,715	1,590,507
Perkins Loan Federal Liability	2,414,473	-	(2,693)	2,411,780	-
<b>Total Other Liabilities</b>	<b>4,978,398</b>	<b>1,810,297</b>	<b>(1,593,200)</b>	<b>5,195,495</b>	<b>1,590,507</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 54,254,700</b>	<b>2,286,122</b>	<b>(4,744,182)</b>	<b>51,796,640</b>	<b>4,803,107</b>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Bonds Payable

Bonds payable consisted of the following at June 30, 2007:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 1993A	4.1% to 5.2%	03/01/08	\$ 265,000
Series 2001A2	4.3% to 4.9%	10/01/20	3,005,000
Series 2001B5	4.5% to 5.5%	10/01/21	1,030,000
Series 2003C	3.5% to 4.75%	04/01/22	2,780,000
Series 2004A1	3.0% to 5.0%	12/01/21	4,865,000
Series 2005B	3.5% to 5.5%	04/01/25	15,690,000
Series 2006A	4.12% to 5.75%	04/01/26	<u>6,255,000</u>
Total General Obligation Bonds			33,890,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	<u>1,680,000</u>
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11/01/09	<u>193,760</u>
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	3,225,000
Revenue Bonds Series 2005A3	3.40%	04/01/17	<u>2,580,000</u>
Total Higher Education Facilities			<u>5,805,000</u>
Total Bonds Payable			<u>\$ 41,568,760</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 2006 were \$5,638,090, which results in a legal annual debt service at June 30, 2007 of \$5,074,281.

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 2008	265,000	13,780	278,780
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
Total Series 1993A Bonds	<u>\$ 265,000</u>	<u>13,780</u>	<u>278,780</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued			
2001A2 2008	150,000	135,079	285,079
2009	155,000	128,598	283,598
2010	165,000	121,797	286,797
2011	175,000	114,572	289,572
2012	180,000	107,029	287,029
2013-2017	1,080,000	399,053	1,479,053
2018-2022	1,100,000	111,494	1,211,494
2023-2027	-	-	-
Total Series 2001A2 Bonds	<u>\$ 3,005,000</u>	<u>1,117,622</u>	<u>4,122,622</u>
2001B5 2008	50,000	49,222	99,222
2009	50,000	46,972	96,972
2010	55,000	44,576	99,576
2011	55,000	42,032	97,032
2012	60,000	39,335	99,335
2013-2017	335,000	150,800	485,800
2018-2022	425,000	56,244	481,244
2023-2027	-	-	-
Total Series 2001B5 Bonds	<u>\$ 1,030,000</u>	<u>429,181</u>	<u>1,459,181</u>
2003C 2008	130,000	115,738	245,738
2009	135,000	111,188	246,188
2010	140,000	106,462	246,462
2011	150,000	101,563	251,563
2012	155,000	96,312	251,312
2013-2017	910,000	384,068	1,294,068
2018-2022	1,160,000	167,402	1,327,402
2023-2027	-	-	-
Total Series 2003C Bonds	<u>\$ 2,780,000</u>	<u>1,082,733</u>	<u>3,862,733</u>
2004A1 2008	235,000	171,156	406,156
2009	245,000	159,156	404,156
2010	255,000	147,932	402,932
2011	260,000	138,931	398,931
2012	280,000	130,831	410,831
2013-2017	1,585,000	513,438	2,098,438
2018-2022	2,005,000	198,678	2,203,678
2023-2027	-	-	-
Total Series 2004A1 Bonds	<u>\$ 4,865,000</u>	<u>1,460,122</u>	<u>6,325,122</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued				
2005B	2008	620,000	620,605	1,240,605
	2009	640,000	598,905	1,238,905
	2010	665,000	576,505	1,241,505
	2011	685,000	553,230	1,238,230
	2012	710,000	529,255	1,239,255
	2013-2017	3,980,000	2,223,656	6,203,656
	2018-2022	4,890,000	1,355,481	6,245,481
	2023-2027	3,500,000	295,548	3,795,548
Total Series 2005B Bonds		<u>\$ 15,690,000</u>	<u>6,753,185</u>	<u>22,443,185</u>
2006A	2008	225,000	278,094	503,094
	2009	235,000	267,969	502,969
	2010	245,000	257,394	502,394
	2011	255,000	246,369	501,369
	2012	260,000	234,894	494,894
	2013-2017	1,470,000	977,287	2,447,287
	2018-2022	1,805,000	636,069	2,441,069
	2023-2027	1,760,000	201,987	1,961,987
Total Series 2006A Bonds		<u>\$ 6,255,000</u>	<u>3,100,063</u>	<u>9,355,063</u>
Athletic Facilities Revenue Bonds				
2001A5	2008	120,000	77,112	197,112
	2009	120,000	71,604	191,604
	2010	120,000	66,096	186,096
	2011	120,000	60,588	180,588
	2012	120,000	55,080	175,080
	2013-2017	600,000	192,780	792,780
	2018-2022	480,000	55,080	535,080
	2023-2027	-	-	-
Total Series 2001A5 Bonds		<u>\$ 1,680,000</u>	<u>578,340</u>	<u>2,258,340</u>
Auxiliary Facilities Revenue Bonds				
1997	2008	74,382	9,595	83,977
	2009	78,507	5,471	83,978
	2010	40,871	1,118	41,989
	2011	-	-	-
	2012	-	-	-
Total Series 1997 Bonds		<u>\$ 193,760</u>	<u>16,184</u>	<u>209,944</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Higher Education Facilities Revenue Bonds			
2002B5 2008	400,000	147,705	547,705
2009	420,000	129,385	549,385
2010	440,000	110,149	550,149
2011	460,000	89,997	549,997
2012	480,000	68,929	548,929
2013-2017	1,025,000	70,990	1,095,990
2018-2022			
Total Series 2002B5	<u>\$ 3,225,000</u>	<u>617,155</u>	<u>3,842,155</u>
Higher Education Facilities Revenue Bonds			
2005A3 2008	220,000	87,720	307,720
2009	230,000	80,240	310,240
2010	235,000	72,420	307,420
2011	245,000	64,430	309,430
2012	250,000	56,100	306,100
2013-2017	1,400,000	146,200	1,546,200
2018-2022	-	-	-
Total Series 2005A3	<u>\$ 2,580,000</u>	<u>507,110</u>	<u>3,087,110</u>

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building. As of June 30, 2007, the University has unamortized premium of \$30,007. This premium will be amortized over the life of this bond.

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds are being used for the construction of a new health, physical education and wellness center. As of June 30, 2007, the University has unamortized premium of \$70,414 which is being amortized over the life of this bond. In addition, the University recorded interest expense of \$636,515, construction fund interest income of \$407,878 and capitalized interest cost of \$228,637 for this project as of June 30, 2007.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds are being used to construct a three story classroom building. As of June 30, 2007, the University has unamortized premium of \$43,603. This premium will be amortized over the life of this bond. In addition, the University recorded interest expense of \$276,438, construction fund interest income of \$208,499 and capitalized interest cost of \$67,939 for this project as of June 30, 2007.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Bonds Payable - Non Governmental Discretely Presented Component Unit

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

Bonds payable consists of the following at December 31, 2006:

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

Series 2002 - A	\$ 18,190,000
Series 2002 - B	
	\$ 18,190,000
	\$ 18,190,000

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

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

2007	\$ 295,000
2008	310,000
2009	330,000
2010	350,000
2011	370,000
Thereafter	16,535,000
	\$ 18,190,000

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

Certain bond issuance costs, including underwriter's fees and attorney fees have been classified as an other asset and are being amortized over the life of the bonds to its final scheduled maturity date. Amortization expense for the bond closing costs was \$16,303 for the period ended December 31, 2006.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Notes Payable

Notes payable consisted of the following at June 30, 2007:

	<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	\$ 420,644
Note (Energy Office) 4-204-04	1.0%	12/01/12	378,725
Note (Energy Office) 4-205-04	1.0%	12/01/12	378,725
Note (Energy Office) 4-202-06	3.25%	06/01/12	399,112
Total Notes Payable			<u>\$ 1,577,206</u>

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

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

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

On April 3, 2006, Winthrop University entered into an agreement with the State Energy Office to borrow up to \$500,000 with an average interest rate of 3.25 percent. As of June 30, 2007, the University had borrowed \$475,825. The proceeds were used to remove and replace an existing steam boiler.

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 298,380	45,414	343,794
2009	308,084	35,711	343,795
2010	318,241	25,553	343,794
2011	328,880	14,915	343,795
2012	194,203	4,771	198,974
2013-2017	<u>129,418</u>	<u>1,301</u>	<u>130,719</u>
	<u>\$ 1,577,206</u>	<u>127,665</u>	<u>1,704,871</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

Notes Payable, Continued

***Master Lease Program Notes Payable***

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2007, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated December 13, 2000	4.79%	04/01/06	-
Note Dated June 16, 2004	3.56%	06/16/11	<u>3,311,155</u>
Total			<u><u>\$ 3,311,155</u></u>

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance.

The note is payable in annual installments plus interest. In June 2011, there is a balloon payment due of \$1,990,711. Amounts, including those required to complete payment of the bank note obligations as of June 30, 2007 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 424,838	117,927	542,765
2009	439,968	102,796	542,764
2010	455,638	87,127	542,765
2011	1,990,711	70,899	2,061,610
2012	<u>-</u>	<u>-</u>	<u>-</u>
Total Obligations	<u><u>\$ 3,311,155</u></u>	<u><u>378,749</u></u>	<u><u>3,689,904</u></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, 2007 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2008	\$ -	41,529
2009	-	17,657
2010	-	5,590
2011	-	-
2012	<u>-</u>	<u>-</u>
Total Lease Payments	<u>-</u>	<u>64,776</u>
Less: Interest	<u>-</u>	<u>-</u>
Total Present Value of Lease Payments	<u><u>\$ -</u></u>	<u><u>64,776</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 8 - LEASE OBLIGATIONS**, Continued

Capital Leases

As of June 30, 2007, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment, eight vehicles and one building used for office space. 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 \$262,938 for fiscal year 2007. For the year ending June 30, the University's lease expense for the vehicles and building were \$41,322 and \$27,915, respectively.

**NOTE 9 - PENSION PLANS**

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

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

South Carolina Retirement System

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

Effective July 1, 2006, employees participating in the SCRS have been required to contribute 6.50 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 11.4 percent which included a 3.35 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, 2007, 2006 and 2005 were \$1,791,022, \$1,630,919, and \$1,466,115, respectively, and equaled the required contributions of 8.05 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$33,373 in the current fiscal year at the rate of .15 percent of compensation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 9 - PENSION PLANS**, Continued

Police Officers Retirement System

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 13.65 percent which, as for the SCRS, included the 3.35 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2007, 2006 and 2005 were \$56,467, \$56,350, and \$51,681, 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 \$928 and accidental death insurance contributions of \$928 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer in fiscal year 2007.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,256,300 (excluding the surcharge) from University as employer and \$1,014,404 from its employees as plan members.

Deferred Compensation Plans

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

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 9 - PENSION PLANS**, Continued

Teacher and Employee Retention Incentive

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

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

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

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

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,925,457 for the year ended June 30, 2007. The University paid \$1,325,869 applicable to the 3.35 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.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 11 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**, Continued

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

The University had outstanding commitments under construction contracts of \$8,075,043 at June 30, 2007 of which \$6,789,828 was attributable to capital projects and the remaining \$1,285,215 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 \$49,045 of authorized state capital improvement bond proceeds available to draw at June 30, 2007.

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$917,920 of authorized research infrastructure bond proceeds available to draw at June 30, 2007.

**NOTE 12 - RELATED PARTIES**

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

**NOTE 13 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2007 the University held \$486,373 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized loss at June 30, 2007 was \$162,519. 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, 2007, the income available to be spent is \$153,471, of which \$94,972 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, 2007

**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, 2007 are summarized as follows:

Instruction	\$ 31,120,077
Research	1,185,870
Public Service	3,401,476
Academic Support	7,312,366
Student Services	10,680,793
Institutional Support	7,602,734
Operation and Maintenance of Plant	12,994,112
Scholarships & Fellowships	5,198,389
Auxiliary Enterprises	8,743,401
Depreciation	<u>3,753,352</u>
Total Operating Expenses	<u>\$ 91,992,570</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 16 - COMPONENT UNITS**

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

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

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

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

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

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

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give due in the next year are recorded at their net realizable value. Pledges to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions, if any.

***The Winthrop University Foundation***

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

The University recorded Non Governmental gifts receipts of \$1,418,430 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2007. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2007 are \$489,152 due from the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 16 - COMPONENT UNITS**, Continued

**Purpose of Restricted Net Assets**

All temporarily restricted net assets are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2006 were \$1,286,969 released by incurring expenses satisfying the restricted purpose of the donors.

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

Winthrop University Scholarships and Grants	\$ 20,970,046
The Alumni Association of Winthrop University	<u>304,757</u>
	21,274,803
Endowments Requiring Income to be Added to Original Gifts Until the Funds Values Reach Specified Amounts	98,779
Cash Surrender Value of Life Insurance Policies That Will Provide Proceeds Upon the Deaths of the Insured for Endowments	87,199
Estimated Current Value of Trusts Which Upon the Death of the Beneficiaries Will Provide Endowments	<u>2,561,459</u>
	<u><u>\$ 24,022,240</u></u>

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

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2006 thru June 30, 2007, the fee for management services amounted to \$103,274. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2007 are \$204,471 due from WUREF, Inc.

**OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2007

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Charges for Services	\$ 71,133,150	65,316,659
Operating Grants and Contributions	6,374,098	3,444,555
Less Expenses	<u>(93,615,176)</u>	<u>(89,220,702)</u>
Net Program Revenue (Expense)	<u>(16,107,928)</u>	<u>(20,459,488)</u>
<b>TRANSFERS</b>		
State Appropriations	23,941,590	21,814,659
Capital Improvement Bond Transfer In	<u>1,623,035</u>	<u>1,542,667</u>
Total Transfers	<u>25,564,625</u>	<u>23,357,326</u>
Decrease in Net Assets	9,456,697	2,897,838
Net Assets - Beginning of Year	<u>66,698,249</u>	<u>63,800,411</u>
Net Assets - End of Year	<u><u>\$ 76,154,946</u></u>	<u><u>66,698,249</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, 2007

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 2006-2007 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, 2007:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2006-2007 Appropriations Act	\$ 20,922,640
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved Mid Year Allocation for Pay Plan and Employer Contribution	809,456
Allocation for MRR Parity	1,172,423
From SC Education Lottery Fund - Technology Program	717,645
From Commission on Higher Education - Education and Economic Development Act of 2005	30,000
Academic Endowment Incentive Match	39,960
	23,692,124
Revised Non-Capital Appropriations - Legal Basis	23,692,124
Accrued Funding for Net Payroll Adjustments	249,466
	\$ 23,941,590

**Capital Appropriations**

Current Year's Appropriations	\$ -
Supplemental Appropriations (Act. #73.14)	464,765
Total Capital Appropriations Recorded as Current Year Revenue	\$ 464,765

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$ 1,229,378
Plus: Expenses incurred but not drawn during the current fiscal year	62,565
Less: Proceeds drawn but not expended during the current fiscal year	(133,673)
Total Research Infrastructure Bond Proceeds Recorded	\$ 1,158,270
As Current Year Revenue	\$ 1,158,270

**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2007

<b>FEDERAL GRANTOR</b>	<b>CFDA NUMBER</b>	<b>GRANT OR CONTRACT NUMBER</b>	<b>June 30, 2007</b>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b>Pass-Through the Fish and Wildlife Service</b>			
Tribal Landowner Incentive Program Passed through the Catawba Indian Nation	15.638		\$ 2,598
<b>Challenge Cost Share</b>			
Piedmont Prairie Restoration	15.642	06-CS-11081209-002	11,165
<b>National Park Service</b>			
<b>Pass-Through Clemson University</b>			
Parks as Classroom Curriculum Guide for Cowpens National Battlefield	15.900	873-7557-216-2004464	63
<b>Total U.S. Department of Interior</b>			<b>13,826</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Pass-Through the SC Department of Public Safety</b>			
Violence Against Women Rape Aggression Defense Project	16.588	1K03055	4,824
<b>Total U.S. Department of Justice</b>			<b>4,824</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
<b>Pass-Through the SC Department of Public Safety</b>			
State and Community Highway Safety Program			
Law Enforcement Network	20.600	2JC06016	8,298
SOS DUI Enforcement	20.600	2SES06016	(606)
Law Enforcement Network	20.600	2JC07016	8,805
<b>Total Department of Transportation</b>			<b>16,497</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Biological Sciences Role of Protein Arginine Methylation	47.074	MCB-0542242	34,807
<b>Pass-Through Indiana University and Purdue University</b>			
Education and Human Resources Electronic Portfolios	47.076	0618617	18
<b>Total National Science Foundation</b>			<b>\$ 34,825</b>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2007

<b>FEDERAL GRANTOR</b>	<b>CFDA NUMBER</b>	<b>GRANT OR CONTRACT NUMBER</b>	<b>June 30, 2007</b>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b>SMALL BUSINESS ADMINISTRATION</b>			
<b>Pass-Through the University of South Carolina</b>			
Small Business Development Center - 2006	59.037	6-603001-Z-0043-26	\$ 37,764
Small Business Development Center - 2007	59.037	7-603001-Z-0043-27	185,594
<b>Total Small Business Administration</b>			<u>223,358</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Office of Student Financial Assistance			
SEOG	84.007	P007A063816	229,725
Federal Work-Study	84.033	P033A063816	203,462
Federal Perkins Loan	84.038	P038A063816	68,125
TRIO Student Support Services	84.042	P042A05127	39,482
TRIO Student Support Services	84.042	P042A051274-06	188,339
Pell Grants - 2006	84.063	P063P050379	12,870
Pell Grants - 2007	84.063	P063P060379	4,349,535
Federal Direct Loan	84.268		21,182,715
Academic Competitiveness	84.375	P375A060379	337,319
National Science and Mathematics Access to Retain Talent	84.376	P376S060379	48,000
			<u>26,659,572</u>
<b>Pass-Through the University of South Carolina</b>			
Teacher Quality Enhancement			
Diverse Pathways in Teacher Preparation-2006	84.336	P336B040014	12,632
Diverse Pathways in Teacher Preparation-2007	84.336	05-1060	30,725
			<u>43,357</u>
<b>Pass-Through the South Carolina Commission on Higher Education</b>			
Improving Teacher Quality			
PeeDee Leadership Academy	84.367		126,034
			<u>126,034</u>
<b>Pass-Through South Carolina Department of Education</b>			
Special Education Grants to States			
Personnel Development Collaboration	84.027	06-CO-309	(19)
Office of Elementary and Secondary Education			
Math and Science Coaching Initiative	84.366	06MS309-01	17,191
Math and Science Partnership	84.366	07MS309-01	5,502
Math and Science Coaching Initiative	84.366	07MS309-02	35,337
Math and Science Coaching Initiative	84.366	07MS309-03	49,151
			<u>107,181</u>
Office of Elementary and Secondary Education			
Personnel Development Collaboration	84.305	07TQ309	3,585
			<u>\$ 110,747</u>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2007

<u>FEDERAL GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT OR CONTRACT NUMBER</u>	<u>June 30, 2007</u>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b>Pass-Through the York County</b>			
<b>School District Three</b>			
Office of Elementary and Secondary Education			
Math and Science Partnership	84.366	06MSO9101	\$ 16,050
			<u>16,050</u>
Other Programs			
National Writing Project			
Winthrop Writing Project - 2006	84.928	92SC04 18	1,716
Winthrop Writing Project - 2007	84.928	92SC04 19	34,979
Winthrop Writing Project - 2008	84.928	92-SC04-21	514
			<u>37,209</u>
<b>Total U.S. Department of Education</b>			<u>26,992,969</u>
<b>NATIONAL INSTITUTE OF HEALTH</b>			
Medical Assistance Program			
Medical Research Support Program	93.778		185,943
			<u>185,943</u>
<b>Pass-Through the University of</b>			
<b>South Carolina</b>			
National Center for Research Resource			
INBRE - Year 2	93.389	2P20RR16461-06	352,854
INBRE - Year 3	93.389	2P20RR16461	75,750
			<u>428,604</u>
<b>Total National Institute of Health</b>			<u>614,547</u>
<b>CORPORATION FOR NATIONAL AND</b>			
<b>COMMUNITY SERVICE</b>			
Americorps			
AmeriCorps - 2007	94.006	06FT309	1,090
<b>Total Corporation for National and Community Service</b>			<u>1,090</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 27,901,936</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, 2007. 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, 2007. The results of our auditing procedures disclosed one instance of noncompliance with these requirements which are required to be reported in accordance with OMB Circular A-133.

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 but not of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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 Brantley & Co. RA". The signature is written in a cursive style.

August 31, 2007

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

Winthrop University  
Rock Hill, South Carolina

We have audited the financial statements of Winthrop University as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's report. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Winthrop University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Winthrop University's financial statements that is more than inconsequential will not be prevented or detected by the Winthrop University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Winthrop University's internal control.

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

Compliance And Other Matters

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

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.

A handwritten signature in blue ink, appearing to read "C. Brantley & Co. PA". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

August 31, 2007

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. LOAN PROGRAMS

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

Federal Direct Loans	<u>\$ 21,182,715</u>
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**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2007

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

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

**RC 06-01      Verification**

Condition:            The verification process did not identify needed changes for six students' financial aid information. None of the changes, once made, resulted in any change in EFC for the students.



**FY 2006 Findings and Questioned Costs Relating to Federal Awards:**

**RC 06-01    Verification**

- Condition:            The verification process did not identify needed changes for six students' financial aid information. None of the changes, once made, resulted in any change in EFC for the students.
- Criteria:             Untaxed income, taxes, family size and number in college are included in data used to determine the applicant's EFC. [34CFR 668.56(5)]
- Effect:                No changes in awards or EFC resulted from these oversights
- Cause:                 Errors in the verification procedures.
- Recommendation: The College might consider adding a random review of each counselor's verification work as a means of enhancing quality control.

**FY 2007 Corrective Action Taken:**

To further strengthen the accuracy of the verification process, the University has reviewed its Verification Policies and Procedures to ensure compliance and has instituted a series of training sessions for staff members who may be called upon to perform tasks related to completion of verification requirements.

Dr. Anthony J. DiGiorgio  
President

September 18, 2007

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2007

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Winthrop University's financial statements dated August 31, 2007. 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 August 31, 2007. Our audit disclosed one finding that is 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, 2007 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:**

**SD 07-01      PELL Overpayment**

Condition:            One Pell disbursement, for student number four in our sample, exceeded the maximum allowed award for the number of hours taken. The Questioned Cost is \$506.

Criteria:             Congress sets both minimum awards and absolute limits on the maximum grant for a given award year. [Section 401(b)].

Cause:                The University pre-loads each student's financial aid. At the completion of the add/drop period adjustments to the award amounts are made. The student's aid was not adjusted to reflect a less than full time class schedule.

Effect:                An overpayment of Pell resulted.

Recommendation:    The University has a procedure for reviewing and adjusting awards prior to refunding credit balances to students. We recommend that the University follow this procedure.



**Response to the 2006-07 audit finding regarding an overpayment to one Pell Grant recipient during the spring term 2007.**

The audit of 2006-07 federal financial aid funds occurred in May 2007. At that time the auditor noted that one recipient had received Pell Grant funds during the spring term in the amount of \$506 more than the amount allowed for a student enrolled three-quarter time during a term.

The student had been enrolled full time during the fall term and dropped to three-quarter time for the spring term.

This overpayment would have been caught in Winthrop's annual reconciliation of the Pell Grant fund with the Common Origination and Delivery System. While reconciliation of this fund is an ongoing process throughout the year, final reconciliation is not required until September 30, 2007.

The Office of Financial Aid has a process in place to review Pell awards to students whose enrollment status changes from one term to another. This process had not been completed at the time of the audit.

Once the overpayment was determined, the student's award was adjusted and funds were returned to the Pell program.

Had the auditor not noted this overpayment, our system of controls would have detected the overpayment prior to the final date of reconciliation of the Pell Grant program.

Dr. Anthony J. DiGiorgio  
President