

*THE WINTHROP UNIVERSITY FOUNDATION*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2019*

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# THE WINTHROP UNIVERSITY FOUNDATION

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December 31, 2019

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# C. DEWITT FOARD & COMPANY, P.A.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Winthrop University Foundation  
Rock Hill, South Carolina

We have audited the accompanying financial statements of The Winthrop University Foundation (the "Foundation" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Winthrop University Foundation, as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and our report dated April 12, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. Dewitt Foard & Company, P.A.*  
April 15, 2020

# THE WINTHROP UNIVERSITY FOUNDATION

## Consolidated Statement of Financial Position

December 31, 2019, with prior year comparative totals

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	December 31	
			2019 Total	2018 Total
<b>ASSETS</b>				
Cash and Equivalents	\$ 583,695	\$ -	\$ 583,695	\$ 888,994
Pledge Receivables	314,791	1,478,910	1,793,701	1,164,661
Less: Pledge Discounts	(16,329)	(76,096)	(92,425)	(108,382)
Less: Allowance for Doubtful Accounts	(78,698)	(276,285)	(354,983)	(229,377)
Pooled Investments, at Fair Value	64,220,077	-	64,220,077	51,195,113
Split Interest Investments, at Fair Value	-	2,072,301	2,072,301	1,840,064
Due To/From Other Funds	(62,535,129)	62,535,129	-	-
Beneficial Interest in Perpetual Trust	-	-	-	675,986
Cash Value of Life Insurance	-	72,644	72,644	71,380
Property Held for Resale	-	480,000	480,000	565,000
Office Furniture and Equipment, at Cost	164,528	-	164,528	164,528
Less: Accumulated Depreciation	(164,528)	-	(164,528)	(164,528)
<b>TOTAL ASSETS</b>	<b>\$ 2,488,407</b>	<b>\$ 66,286,603</b>	<b>\$ 68,775,010</b>	<b>\$ 56,063,439</b>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 158,258	\$ 79,066	\$ 237,324	\$ 72,425
Payroll Liabilities	18,394	-	18,394	9,948
Actuarial Liability of Annuities Payable	-	1,721,418	1,721,418	1,435,684
Total Liabilities	176,652	1,800,484	1,977,136	1,518,057
<i>Net Assets:</i>				
Without Donor Restrictions	2,311,755	-	2,311,755	133,997
With donor restrictions	-	64,486,119	64,486,119	54,411,385
Total Net Assets	2,311,755	64,486,119	66,797,874	54,545,382
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,488,407</b>	<b>\$ 66,286,603</b>	<b>\$ 68,775,010</b>	<b>\$ 56,063,439</b>

**THE WINTHROP UNIVERSITY FOUNDATION**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2019, with prior year comparative totals**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	December 31	
			2019	2018
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 1,540,835	\$ 3,201,829	\$ 4,742,664	\$ 4,377,732
Provision for Doubtful Accounts	3,486	(129,092)	(125,606)	(78,120)
Provision for Pledge Discounts	14,439	1,518	15,957	(73,627)
Investment Earnings	1,027,664	10,783,801	11,811,465	(3,461,784)
Change in Value of Split-Interest Trusts	-	(345,192)	(345,192)	265,503
Change in Cash Surrender Value	-	1,264	1,264	(2,643)
Other revenue	-	32,356	32,356	-
<b>Total</b>	<b>2,586,424</b>	<b>13,546,484</b>	<b>16,132,908</b>	<b>1,027,061</b>
Net Assets Released from Restrictions	2,746,833	(2,746,833)	-	-
<b>TOTAL</b>	<b>\$ 5,333,257</b>	<b>\$ 10,799,651</b>	<b>\$ 16,132,908</b>	<b>\$ 1,027,061</b>
<b>EXPENSES</b>				
<b>Management and General Operating:</b>				
Salaries and Benefits	\$ 405,821	\$ -	\$ 405,821	\$ 469,413
Directors' Expenses	2,504	-	2,504	2,803
Rent	11,224	-	11,224	11,269
Telephone	1,848	-	1,848	400
Office Supplies, Postage and Printing	6,628	-	6,628	11,277
Insurance	9,612	-	9,612	6,088
Professional Fees	14,357	-	14,357	16,337
Software	9,988	-	9,988	12,930
Property management fees and utilities	31,507	-	31,507	-
Travel and Entertainment	1,984	-	1,984	3,259
Credit Card Fees	12,463	-	12,463	10,849
<b>Total Operating</b>	<b>507,936</b>	<b>-</b>	<b>507,936</b>	<b>544,625</b>
<b>Fund Raising:</b>				
Development Salaries	131,867	-	131,867	123,986
Principal Gifts	-	-	-	20,332
Annual Fund	40,019	-	40,019	44,178
Donor Relations	16,991	-	16,991	9,444
Travel	33,861	-	33,861	19,794
Advancement	8,029	-	8,029	55,198
<b>Total Fund Raising</b>	<b>230,767</b>	<b>-</b>	<b>230,767</b>	<b>272,932</b>
<b>Program - Grants to Winthrop University:</b>				
General Scholarships	140,000	-	140,000	250,994
Restricted Scholarships, Grants and Annuities	2,746,833	-	2,746,833	2,026,575
Alumni Association	29,570	-	29,570	29,570
President and Vice President's Discretionary	50,030	-	50,030	-
President's Salary Supplement	175,280	-	175,280	175,280
<b>Total Grants to Winthrop University</b>	<b>3,141,713</b>	<b>-</b>	<b>3,141,713</b>	<b>2,482,419</b>
<b>TOTAL</b>	<b>3,880,416</b>	<b>-</b>	<b>3,880,416</b>	<b>3,299,976</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>1,452,841</b>	<b>10,799,651</b>	<b>12,252,492</b>	<b>(2,272,915)</b>
<b>Transfers</b>				
Management Fee	724,917	(724,917)	-	-
<b>NET ASSETS, BEGINNING</b>	<b>133,997</b>	<b>54,411,385</b>	<b>54,545,382</b>	<b>56,818,297</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 2,311,755</b>	<b>\$ 64,486,119</b>	<b>\$ 66,797,874</b>	<b>\$ 54,545,382</b>

**THE WINTHROP UNIVERSITY FOUNDATION**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2019, with prior year comparative totals**

	Year Ended December 31,	
	2019	2018
<b><u>OPERATING ACTIVITIES</u></b>		
Change in Net Assets	\$ 12,252,492	\$ (2,272,915)
<b>Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities:</b>		
Realized and Unrealized (Gains) Losses on Investments	(9,114,577)	5,571,090
Loss on Beneficial Interest in Perpetual Trust	59,458	101,801
Change in Value of Split Interest Investments	(344,103)	155,023
Contributions Restricted for Permanent Investment	(1,397,182)	(1,739,549)
Donated Property	(480,000)	(565,000)
Loss on Sale of Property Held for Resale	115,000	-
(Increase) Decrease in Operating Assets:		
Contributions Receivable	(519,391)	(3,576)
Split Interest Agreements	111,866	122,571
Beneficial Interest in Perpetual Trust	616,528	-
Cash Value of Life Insurance	(1,264)	2,643
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	164,899	(12,316)
Payroll Liabilities	8,446	(5,478)
<b><i>Cash Flows from Operating Activities</i></b>	<b>1,472,172</b>	<b>1,354,294</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from Property held for resale	450,000	-
Proceeds from the Sale of Investments	307,555	542,531
Purchases of Investments	(4,217,942)	(3,233,660)
<b><i>Cash Flows from Investing Activities</i></b>	<b>(3,460,387)</b>	<b>(2,691,129)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Contributions Restricted for Permanent Investment	1,397,182	1,739,549
Increase (Decrease) in Actuarial Liability Payable	285,734	(367,303)
<b><i>Cash Flows from Financing Activities</i></b>	<b>1,682,916</b>	<b>1,372,246</b>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>(305,299)</b>	<b>35,411</b>
<b>CASH AND EQUIVALENTS, BEGINNING</b>	<b>888,994</b>	<b>853,583</b>
<b>CASH AND EQUIVALENTS, ENDING</b>	<b>\$ 583,695</b>	<b>\$ 888,994</b>

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Organization**

##### The Winthrop University Foundation

The Winthrop University Foundation (the Foundation) is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on November 8, 1973, and organized to foster, cooperate, and assist in the growth, development, and advancement of Winthrop University. The Foundation is governed by an independent Board of Directors and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code 1954.

##### The Winthrop University Foundation Land and Real Estate Subsidiary, LLC

In March 2018 the Foundation formed a wholly owned subsidiary, The Winthrop University Foundation Land and Real Estate Subsidiary, LLC (LLC). The purpose of the LLC is to hold donated real estate held for the benefit of the Foundation. It is the Foundation's intent to liquidate held assets and transfer proceeds to the Foundation.

##### Principles of Consolidation

Due to common control, as described above, the accompanying consolidated financial statements include the activities of both entities. All significant inter-company accounts and transactions have been eliminated. The concept of consolidation for financial statement purposes ignores the legal concept of separate entities. The LLC recognized \$512,422 in support and revenue and \$33,222 in expenses.

The Foundation's more significant accounting policies are described below:

#### **Basis of Accounting**

The Foundation uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to U.S. generally accepted accounting principles (GAAP).

#### **Financial Presentation**

Under GAAP the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

**Net assets without donor restrictions** are those currently available for use in the day-to-day operations of the Foundation and those resources invested in property and equipment. Designated net assets represent amounts designated by the Board of Directors for purposes other than operations.

**Net assets with donor restrictions** are those which are stipulated by donors for specific operating purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with restrictions are released to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation are also included as a component of net assets with restrictions. During the periods presented, the Foundation had \$60,088,352 of net assets with restrictions that were permanently restricted.

#### **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by donor for specific purposes are reported as net assets with donor restriction support.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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

### Cash and Cash Equivalents

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

As of December 31, 2019, cash balances exceeded the FDIC insurance limits by \$328,535.

### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the accompanying financial statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Investments in limited partnerships are carried at fair value based on financial information provided by external investment partners. Because the limited partnership interests are not readily marketable, the estimated value is subject to uncertainty and, therefore may differ from the value that would have been used had a ready market for the investments existed.

Investment earnings, which include dividends and interest and realized and unrealized gains and losses from pooled investments are allocated as follows: First, a percentage of the average fair value of investments at the end of the previous fiscal year is allocated to the unrestricted operating fund to offset investment and administrative expenses and to provide scholarships and grants to the university. Investment income from endowment funds is added to permanently restricted assets of the endowment. Under the Foundation's spending rule, four percent of the average value of the five-year rolling average balance of an endowment is used to support the purpose of the endowment, providing scholarships and grants to Winthrop University. These amounts are transferred to restricted assets until expended. Earnings on non-endowed funds are allocated to an unrestricted reserve account.

### Fund Transfers

Fund transfers result from either the transfer of investment earnings on permanently restricted gifts to temporarily or unrestricted funds where they can be disbursed or from clarification in a subsequent year of the donors intention concerning the gift which can result in a change in net asset classification.

### Property, Plant and Equipment

Property, plant and equipment are carried at cost. The Foundation reports depreciation using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives of furniture and equipment are generally five years.

### Public Support, Revenue and Expenses

The Foundation recognizes contributions and investment income on the accrual basis. For donations, income is recognized when new cash gifts are received or when pledges have been made. Income earned on the endowments is allocated to the endowments within the classification of net assets with donor restrictions. All other income is recorded as an increase in net assets without donor restrictions. Revenue is recorded when earned and expenses are recorded when incurred in



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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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accordance with the accrual basis of accounting. Occasionally, the Foundation receives contributions of goods and supplies for use in its programs. Contributed goods and supplies are recognized as revenue and expenses at their estimated fair value at the date of receipt. They are classified as in-kind contributions and other support provided in-kind in the accompanying consolidated statements of activities.

### Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Functional Allocation of Expenses

The Foundation's activities are focused in three functional areas. Operating services represent the primary focus of the Foundation's activities. Other functional areas are fund raising and grants to Winthrop University. All expenses are allocated to the function that they directly benefit.

### Comparative Data

The financial statements include certain prior year, summarized comparative information in total but not by net asset class. Such information does not include enough information to be a presentation in conformity with generally accepted accounting principles, and should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which it was summarized.

### Concentration of Credit Risk and Market Risk

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in one bank account that exceeded the FDIC insurance limits by \$328,585 at December 31, 2019. These deposits were in a high credit quality institution.

### NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give. Management has reviewed its receivables and determined an allowance for doubtful accounts based on historical knowledge of the accounts and current economic conditions. The discount for present value is computed using discount rates ranging from 2.67 to 3.07 percent. Pledges are expected to be collected as follows:

2020	\$	638,900
2021		472,457
2022		381,852
2023		226,980
2024		56,112
2025 and future years		17,400
Total Pledges Receivable		<u>1,793,701</u>
Deduct:		
Allowance for doubtful accounts		354,983
Present value discount		92,425
NET PLEDGES RECEIVABLE	\$	<u>1,346,293</u>

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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### NOTE 3 - EQUIPMENT

A summary of equipment at December 31, 2019 follows:

Equipment	\$	164,528
Accumulated Depreciation		<u>164,528</u>
Net Fixed Assets	\$	<u>-</u>

No depreciation expense was recorded for the year ended December 31, 2019.

### NOTE 4 - SPLIT-INTEREST AGREEMENTS

Split-interest agreements on the statement of financial position comprise the following:

(a) Beneficial Interest in Trusts

The Foundation is the named beneficiary on a perpetual trust, the corpus of which is not controlled by the management of the Foundation but is held by third-party trustees. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets as well as a remainder interest. Permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of underlying assets have been recorded in the statement of activities as a component of the change in value of the split-interest agreements. During 2019, the corpus of \$616,528 was released to the Foundation in accordance with the terms of the trust.

(b) Irrevocable Charitable Remainder Trusts

The Foundation is named as beneficiary on various irrevocable charitable remainder trusts which are controlled by the management of the Foundation. The beneficial interest is adjusted during the term of the trust for changes in the value of the assets. Some charitable remainder trusts also call for distribution of trust income or a fixed annuity payment to the donor/beneficiary. The liability for these payment obligations is reflected in the statement of financial position as the present value of the future payments.

(c) Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the Foundation. The assets are held in the Foundation's investment pool and revenue is allocated according to the asset's percentage of the pool. The present value of future annuity payments is calculated using present value techniques and life expectancy tables. The discount rate of 2.00% was used for 2019.

### NOTE 5 - CASH VALUE OF LIFE INSURANCE

Cash value of life insurance is the cash value of life insurance policies of which the Foundation is owner and beneficiary. Upon the death of the insured donors the proceeds of the policies will be paid to the Foundation to be used as previously specified by the donors. The increase or decrease in cash value at each policy anniversary date is recorded as other revenue in the accompanying statement of activities.

### NOTE 6 - INVESTMENTS

2019 marked three full years of assets invested with Vanguard. The investment portfolio includes all net assets with donor restrictions. Pooling these assets serves to maximize the earning potential of the funds.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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Vanguard Long-Term Investment Grade Admiral Shares of Domestic Fixed Income were in a net unrealized loss position at year-end with unrealized net losses of (\$45,376). These assets comprise 2.89% of the total portfolio allocation.

Investments, excluding cash equivalents, at December 31, 2019 are summarized as follows:

	<b>Vanguard</b>
US Equity Index Funds	\$ 25,740,527
Non-US Equity Index Funds	17,140,083
US Fixed Income Index Funds	13,539,967
Non-US Fixed Income Index Funds	4,770,549
REIT Index Funds	3,028,951
Total Investments	<u>\$ 64,220,077</u>

### **NOTE 7 - FAIR VALUE MEASUREMENTS**

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

Level 1 Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2 Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

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

The Foundation's investments measured at fair value at December 31, 2019 were all considered Level 1. The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2019:

***EFTs, Mutual Funds, US and Non-US Equity Funds, US and Non-US Fixed Income Funds :***

Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded (Level 1).

***Equities:*** Valued at the closing price reported on the active market on which the individual. Securities are traded (Level 1).

***REIT Index Funds:*** Shares in real estate investment trusts are actively traded and are reflected at the daily closing price (Level 1).

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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### NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's investments include a board designated endowment with a current fund balance of \$1,949,253. Investment income from the quasi-endowment may be appropriated for general expenditures and amounts from its corpus can be made available with board approval.

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

#### Temporarily Restricted Net Assets

The Foundation's net assets with donor restrictions include amounts that are temporarily restricted for specified times and/or purposes and those that are permanently restricted for an indefinite period of time. Temporarily restricted net assets in the amount of \$4,397,767 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restriction during 2019 were \$1,499,640 for expenses satisfying the restricted purpose of the donors.

#### Permanently Restricted Net Assets

##### Split Interest Agreements

Permanently restricted net assets in the form of split-interest agreements are planned gifts in the form of charitable gift annuities, charitable remainder trusts and beneficial interests in trusts held by others. When realized, these remainder gifts will be available for use by Winthrop University for student scholarships, academic support and physical facilities. The estimated value of these remainder gifts available is \$614,525 in 2019. Net assets released in 2019 for annuity payments to donors was \$135,654.

Fair value of securities held	\$	2,335,943
Annuity obligations		<u>1,721,418</u>
Permanently Restricted Net Assets from Split Interest Agreements	\$	<u>614,525</u>

##### Cash Value of Life Insurance

Proceeds from life insurance policies are to be held in perpetuity in accordance with the donor's specifications. The cash value of these policies as of December 31, 2019 was \$72,644 and is reflected as permanently restricted net assets in the accompanying financial statements.

##### Endowment Funds

The Foundation's net assets classification has not been significantly affected by the new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies, described in Note 1, are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value. As of December 31, 2019, the Foundation had \$59,401,183 in assets to be held in perpetuity. In accordance with the Foundation's spending policy as described in Note 1, \$1,111,539 were released from restriction for student scholarships in 2019.

### NOTE 10 - MANAGEMENT OF UNDERWATER FUNDS

It is the Foundation's policy to distribute annually up to four percent of the trailing five-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return on investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which guidelines the Foundation is permitted to invade the corpus to the extent that the value of the corpus exceeds 85% of the original gift value, with the stipulation that donors must agree to the invasion of their corpus. In practice, invading the corpus for any amount below 100% of corpus is only done in very rare circumstances where withholding funds might prevent a student from returning to Winthrop. The

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2019

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Investment Committee monitors policies of peer institutions as well as industry best practices. The spending policy and investment policy statement are reviewed on an annual basis.

Additionally, the Foundation Board has implemented reductions to the endowment management fee over a four year span to preserve endowment corpus. The Foundation's endowment management fee for 2018 was 1.75%, reduced to 1.5% in 2019 to align with the industry average. Investment advisory fees have also been substantially reduced since moving all investments to Vanguard in 2016.

At yearend, 1.17% of the Foundation's endowments were underwater, compared to 48.5% in 2018. The decline in underwater funds is attributable to market gains of 22.34% in 2019. The fair value of underwater funds was \$1,183,765, compared to their original corpus value of \$1,220,672. The resulting aggregate amount of underwater deficiency was (\$36,907).

### **NOTE 11 - INCOME TAXES**

The Foundation is exempt from Federal and South Carolina income tax under Section 501(c) (3) of the Internal Revenue Code which has also been adopted by the State. The Foundation has no uncertain tax positions for which reserves would be required. The Foundation files income tax returns in the United States and South Carolina.

### **NOTE 12 - COMMITMENT TO THE ALUMNI ASSOCIATION OF WINTHROP UNIVERSITY**

As part of a 1992 agreement transferring scholarship and unrestricted funds previously managed by the Alumni Association of Winthrop University along with certain fund-raising activities to the Foundation, it has agreed to establish an endowment account of \$500,000 for benefit and use of the Alumni Association based on goals and a timetable to be determined. The balance of the Alumni Association Endowment at December 31, 2019 was \$345,981.

No payment schedule has been established and each year's payment must be approved by the Foundation Board as part of its operating budget.

The Foundation has also agreed it will provide the Alumni Association with a portion of the funds it needs for its annual operating budget which will be determined annually.

### **NOTE 13 - RELATED PARTY TRANSACTIONS**

As a component unit of Winthrop University, the Foundation collects and manages private funds for the benefit and support of the University.

In 2019, payments to the University for scholarships and departmental support totaled \$2,098,723. The University employs individuals within the Division of Institutional Advancement who perform services on behalf of the Foundation. The Foundation reimbursed the University \$168,230 in 2019 for these services. The Foundation employees utilize University services such as printing, postage, telephone, office supplies, IT and space rent. In 2019, the Foundation reimbursed the University \$15,203 for administrative support and \$11,224 for facility usage. At December 31, 2019, the Foundation had outstanding payables to the University totaling \$90,386.

The Winthrop University Real Estate Foundation, Inc. (WUREF), a separately chartered nonprofit corporation transferred their real estate holdings and cash balances in the amount of \$36,519 to the Winthrop University Foundation Land and Real Estate Subsidiary, LLC in July 2019.

### **NOTE 14 - CONTINGENCIES/COMMITMENTS**

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

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resolved when certain events occur or fail to occur. Loss contingencies may result in litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonable possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

### **NOTE 15 - LIQUIDITY MANAGEMENT**

The Winthrop University Foundation's financial assets available within one year of the balance sheet date for unrestricted expenditures are as follows:

Cash and Equivalents	\$	583,695
Contributions receivable, current		638,900
Less: Donor restrictions for certain purposes		<u>419,136</u>
Financial assets available within one year	\$	<u>803,459</u>

The Foundation strives to maintain cash and short-term investment balances on hand to meet 60 days of ordinary business expenses. The cash balance at year end was high in preparation for large scholarship invoices typically occurring in the first quarter of each calendar year. These invoices average \$500,000 per quarter in addition to operating expenses of approximately \$211,000 for each 60 day period. The Foundation's Investment Policy Statement requires at least 75% of the portfolio to be allocated to liquid investments with conversion to cash of no more than three days.

The Board approved a policy for maintaining a reserve for unrestricted net assets. At year-end, the reserve account had a balance of \$682,346 which was derived from market earnings on non-endowed funds. The Foundation does not maintain a line of credit.

### **NOTE 16 - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, the real estate held for resale valued at \$480,000 was placed under contract for \$360,000 and is scheduled to close by April 25. Additionally, due to a significant decrease in the S&P 500 index, the value of the investment portfolio decreased as of the date of the audit report.