

*THE WINTHROP UNIVERSITY FOUNDATION*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2020*

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# THE WINTHROP UNIVERSITY FOUNDATION

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December 31, 2020

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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, 2020, and the related statements of activities, functional expenses 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, 2020 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 2019 financial statements, and our report dated April 15, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. Dewitt Foard & Company, P.A.*  
April 26, 2021

# THE WINTHROP UNIVERSITY FOUNDATION

## Consolidated Statement of Financial Position

December 31, 2020, with prior year comparative totals

			December 31,	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
<b>ASSETS</b>				
Cash and Equivalents	\$ 755,636	\$ -	\$ 755,636	\$ 583,695
Pledge Receivables	240,537	2,127,255	2,367,792	1,793,701
Less: Pledge Discounts	(3,947)	(30,395)	(34,342)	(92,425)
Less: Allowance for Doubtful Accounts	(60,134)	(255,879)	(316,013)	(354,983)
Pooled Investments, at Fair Value	2,481,936	71,839,973	74,321,909	64,220,077
Reimbursements due	29,152	1,533	30,685	-
Split Interest Investments, at Fair Value	-	2,190,694	2,190,694	2,072,301
Cash Value of Life Insurance	-	53,915	53,915	72,644
Property Held for Resale	-	-	-	480,000
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>\$ 3,443,180</b>	<b>\$ 75,927,096</b>	<b>\$ 79,370,276</b>	<b>\$ 68,775,010</b>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 149,666	\$ 17,715	\$ 167,381	\$ 237,324
Payroll Liabilities	19,419	-	19,419	18,394
Actuarial Liability of Annuities Payable	-	1,734,298	1,734,298	1,721,418
Guaranteed Lease Liability	-	52,600	52,600	-
Total Liabilities	169,085	1,804,613	1,973,698	1,977,136
<i>Net Assets:</i>				
Without Donor Restrictions				
Designated	2,668,920	-	2,668,920	1,949,253
Undesignated	605,175	-	605,175	362,502
With Donor restrictions:				
Time restricted	-	5,928,995	5,928,995	4,397,767
Held in perpetuity	-	68,193,488	68,193,488	60,088,352
Total Net Assets	3,274,095	74,122,483	77,396,578	66,797,874
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,443,180</b>	<b>\$ 75,927,096</b>	<b>\$ 79,370,276</b>	<b>\$ 68,775,010</b>

# THE WINTHROP UNIVERSITY FOUNDATION

## Consolidated Statement of Activities

Year Ended December 31, 2020, with prior year comparative totals

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Year Ended December 31,	
			2020	2019
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 379,165	\$ 3,061,569	\$ 3,440,734	\$ 4,857,664
Provision for Doubtful Accounts	18,564	20,406	38,970	(125,606)
Provision for Pledge Discounts	12,382	45,701	58,083	15,957
Investment Earnings	889,464	9,370,786	10,260,250	11,811,465
Change in Value of Split-Interest Trusts	-	(12,879)	(12,879)	(345,192)
Change in Cash Surrender Value	-	(18,729)	(18,729)	1,264
Loss on Sale of Property Held for Resale	-	(227,447)	(227,447)	(115,000)
Other Revenue	-	12,341	12,341	32,356
Total	1,299,575	12,251,748	13,551,323	16,132,908
Net Assets Released from Restrictions	1,905,508	(1,905,508)	-	-
<b>TOTAL</b>	<b>\$ 3,205,083</b>	<b>\$ 10,346,240</b>	<b>\$ 13,551,323</b>	<b>\$ 16,132,908</b>
<b>EXPENSES</b>				
<b>Management and General Operating:</b>				
Salaries and Benefits	\$ 162,867	\$ -	\$ 162,867	\$ 190,736
Directors' Expenses	10,213	-	10,213	2,504
Rent	4,207	-	4,207	4,153
Telephone	1,830	-	1,830	1,848
Office Supplies, Postage and Printing	13,018	-	13,018	6,628
Insurance	7,780	-	7,780	9,612
Professional Fees	23,718	-	23,718	14,357
Software	6,299	-	6,299	9,988
Property Management Fees and Utilities	14,443	-	14,443	31,507
Travel and Entertainment	1,520	-	1,520	1,984
Dues and fees	225	-	225	-
Credit Card and Bank Fees	11,272	-	11,272	12,463
<b>Total Operating</b>	<b>257,392</b>	<b>-</b>	<b>257,392</b>	<b>285,780</b>
<b>Fund Raising:</b>				
Salaries and Benefits	19,389	-	19,389	131,867
Salaries and Benefits- Advancement Support	104,777	-	104,777	-
Professional Fees	69,596	-	69,596	-
Annual Fund	34,500	-	34,500	40,019
Donor Relations	10,500	-	10,500	16,991
Travel	21,913	-	21,913	33,861
Rent	341	-	341	337
Advancement	2,500	-	2,500	8,029
<b>Total Fund Raising</b>	<b>263,516</b>	<b>-</b>	<b>263,516</b>	<b>231,104</b>
<b>Program:</b>				
Salaries and Benefits	205,523	-	205,523	215,085
President's Salary Supplement	155,215	-	155,215	175,280
General Scholarships	130,000	-	130,000	140,000
Restricted Scholarships, Grants and Annuities	1,890,990	-	1,890,990	2,746,833
Alumni Association	29,570	-	29,570	29,570
Rent	6,823	-	6,823	6,734
President and Vice President's Discretionary	13,590	-	13,590	50,030
<b>Total Program</b>	<b>2,431,711</b>	<b>-</b>	<b>2,431,711</b>	<b>3,363,532</b>
<b>TOTAL</b>	<b>2,952,619</b>	<b>-</b>	<b>2,952,619</b>	<b>3,880,416</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>252,464</b>	<b>10,346,240</b>	<b>10,598,704</b>	<b>12,252,492</b>
<b>Transfers</b>				
Management Fee	709,876	(709,876)	-	-
<b>NET ASSETS, BEGINNING</b>	<b>2,311,755</b>	<b>64,486,119</b>	<b>66,797,874</b>	<b>54,545,382</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 3,274,095</b>	<b>\$ 74,122,483</b>	<b>\$ 77,396,578</b>	<b>\$ 66,797,874</b>

**THE WINTHROP UNIVERSITY FOUNDATION**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2020, with prior year comparative totals**

	Year Ended December 31,	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 10,598,704	\$ 12,252,492
<b>Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities:</b>		
Realized and Unrealized (Gains) Losses on Investments	(7,463,814)	(9,114,577)
Loss on Beneficial Interest in Perpetual Trust	-	59,458
Change in Value of Split Interest Investments	(262,539)	(344,103)
Contributions Restricted for Permanent Investment	(2,009,840)	(1,397,182)
Donated Property	-	(480,000)
Loss on Sale of Property Held for Resale	227,447	115,000
(Increase) Decrease in Operating Assets:		
Contributions Receivable	(671,144)	(519,391)
Split Interest Agreements	144,146	111,866
Beneficial Interest in Perpetual Trust	-	616,528
Cash Value of Life Insurance	18,729	(1,264)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(69,943)	164,899
Payroll Liabilities	1,025	8,446
Guaranteed Lease Liability	52,600	-
<b>Cash Flows from Operating Activities</b>	<b>565,371</b>	<b>1,472,172</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from Property held for resale	221,868	450,000
Proceeds from the Sale of Investments	1,848,168	307,555
Purchases of Investments	(4,486,186)	(4,217,942)
<b>Cash Flows from Investing Activities</b>	<b>(2,416,150)</b>	<b>(3,460,387)</b>
<b>FINANCING ACTIVITIES</b>		
Contributions Restricted for Permanent Investment	2,009,840	1,397,182
Increase in Actuarial Liability Payable	12,880	285,734
<b>Cash Flows from Financing Activities</b>	<b>2,022,720</b>	<b>1,682,916</b>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>171,941</b>	<b>(305,299)</b>
<b>CASH AND EQUIVALENTS, BEGINNING</b>	<b>583,695</b>	<b>888,994</b>
<b>CASH AND EQUIVALENTS, ENDING</b>	<b>\$ 755,636</b>	<b>\$ 583,695</b>

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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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. In the year ended December 31, 2020, the LLC transferred \$249,065 in property sale proceeds to the Foundation, and it recognized \$12,341 in revenue, \$14,518 in expenses, and \$227,447 in losses.

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 funds held in a reserve fund and in a quasi-endowment and that are designated by the Board of Directors for operations and other purposes, including serving priority needs of Winthrop University.

**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 are also included as a component of net assets with restrictions.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### 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.

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, 2020, cash balances exceeded the FDIC insurance limits by \$31,880.

### 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 management fee is calculated using 1.5% of the 5-year average trailing balance of the invested funds. This fee is applied to the operating fund as unrestricted revenue, offsetting investment and administrative expenses and providing a source of scholarships and grants to the University. A proportionate share of the management fee is deducted from the balances of endowed funds. Second, investment income is allocated to funds based on their proportionate share of the total funds. Earnings shares for endowed funds are added to the balances of those funds. Earnings shares for non-endowed funds are allocated to an unrestricted reserve account. Finally, under the Foundation's Investment Policy, a spending rule is allocated to endowed funds using 4% of the 5-year average trailing balance of each fund. The spendable amount of each endowed fund 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.

### Fund Transfers

The Foundation transfers assets within net assets with donor restrictions that are time-restricted and those held in perpetuity as needed to satisfy donor intent.



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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### 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.

The Foundation has an asset capitalization policy that sets a minimum threshold of \$5,000 for capitalizing purchases of property, plant and equipment. Purchases below the minimum threshold are generally expensed in the year of purchase.

### Public Support, Revenue and Expenses

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The Foundation recognizes contributions and investment income on the accrual basis. Contribution income is recognized when cash, securities or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. At December 31, 2020, the Foundation recognized all promises to give as unconditional.

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 accordance with the accrual basis of accounting.

### In-Kind Contributions

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. No significant contributions of such goods were received during the year ended December 31, 2020.

### 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 costs of program and supporting services activities have been categorized by function in the statements of activities. The Foundation is able to directly apply most expenses to their respective functions (program, fundraising or management and general), and accordingly, there is no need to allocate those direct expenses among program and supporting services. Foundation staff salaries and benefits, as well as the annual rent and facilities overhead costs are allocated based on management's estimate of the time spent in each of the functional areas.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### 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, 2019, 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. At December 31, 2020, the Foundation's operating bank balances exceeded the FDIC insurance limits by \$31,880. These deposits were in a high credit quality institution and to date, there have been no losses associated with these accounts.

### 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 0.15 to 0.48 percent. Pledges are expected to be collected as follows:

2021	\$	744,734
2022		635,445
2023		493,276
2024		274,737
2025		208,500
2026 and future years		11,100
Total Pledges Receivable		<u>2,367,792</u>
Deduct:		
Allowance for doubtful accounts		(316,013)
Present value discount		<u>(34,342)</u>
NET PLEDGES RECEIVABLE	\$	<u>2,017,437</u>

### NOTE 3 - EQUIPMENT

The Foundation had \$164,528 of office furniture and equipment that was fully depreciated as of December 31, 2020. No depreciation expense was recorded for the year ended December 31, 2020.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### NOTE 4 - SPLIT-INTEREST AGREEMENTS

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

(a) 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.

(b) 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 0.6% was used for 2020.

### 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

The Foundation has invested with Vanguard for four years. The investment portfolio includes all net assets with donor restrictions. Pooling these assets serves to maximize the earning potential of the funds.

Investments, excluding cash equivalents, at December 31, 2020 are summarized as follows:

	<u>Vanguard</u>
US Equity Index Funds	\$ 29,816,761
Non-US Equity Index Funds	20,423,777
US Fixed Income Index Funds	15,172,784
Non-US Fixed Income Index Funds	5,288,069
REIT Index Funds	<u>3,520,690</u>
Total Investments	<u>\$ 74,222,081</u>

The Foundation's brokerage account also had a balance of \$99,828 at December 31, 2020, which represented proceeds from the sale of donor restricted stock gifts waiting to be transferred to the investment portfolio.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### 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, 2020 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, 2020.

***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).

### NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions include cash available for operations, a board designated reserve account and a board designated quasi-endowment. The board reserve is maintained in an investment account separate from the pooled investments. Reserve funds can be used for any purpose deemed appropriate by the Foundation board and typically serve to meet University priority needs. The balance of the board reserve was \$439,774 at December 31, 2020.

The quasi-endowment is maintained with the pooled investments. Investment income may be appropriated for general expenditures and amounts from its corpus can be made available with board approval. The balance of the quasi-endowment was \$2,229,146 at December 31, 2020.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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.

#### **Time-Restricted Net Assets**

Temporarily restricted net assets in the amount of \$5,928,995 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. During the year ended December 31, 2020, \$803,323 in temporarily restricted net assets were released from restriction 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. At December 31, 2020, the estimated available value of these remainder gifts is \$721,990. Net assets released in 2020 for annuity payments to donors was \$144,146.

Fair value of securities held	\$ 2,456,287
Less annuity obligations	<u>(1,734,297)</u>
Permanently Restricted Net Assets from Split Interest Agreements	<u>\$ 721,990</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, 2020 was \$53,915 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, 2020, the Foundation had \$67,417,583 in assets to be held in perpetuity. In accordance with the Foundation's spending policy as described in Note 1, \$943,521 was released from restriction in 2020, satisfying the restricted purpose of the donors.

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

December 31, 2020

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### **NOTE 10 - MANAGEMENT OF UNDERWATER FUNDS**

It is the Foundation's policy to distribute annually up to 4% of the 5-year average trailing balance of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed the 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 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 allocated an endowment management fee of 1.5% in 2020, which is comparable to the industry average. Since moving all investments to Vanguard in 2016, investment advisory fees have also been substantially reduced, from an average of 2% annually to 0.29% in 2020.

At December 31, 2020, none of the of the Foundation's endowments were underwater, compared to 1.17% in 2019. The decline in underwater funds is attributable to net market gains of 14.67% in 2020.

### **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.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for fiscal years prior to 2017.

### **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, the Foundation 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, 2020 was \$246,346.

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, an amount which is determined annually. In 2020, the Foundation provided the Alumni Association with \$29,570 in operating support.

### **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 2020, payments to the University for scholarships and departmental support totaled \$1,738,283, not including the support to the Alumni Association. The University employs individuals within the Division of Institutional Advancement who perform services on behalf of the Foundation. The Foundation reimbursed the University \$122,587 in 2020 for these services. The Foundation employees utilize University services such as printing, postage, telephone, office supplies, IT and

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# THE WINTHROP UNIVERSITY FOUNDATION

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space rent. In 2020, the Foundation reimbursed the University \$7,780 for administrative support and \$11,371 for facility usage. At December 31, 2020, the Foundation had outstanding payables to the University totaling \$162,101.

### **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 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.

#### *Guaranteed Lease Liability*

In 2020, the Winthrop University Foundation Land and Real Estate Subsidiary, LLC sold commercial condominium property, consisting of two office suites, that was gifted in 2009 for the benefit of an endowed fund. The terms of the sales contract included provisions that the Foundation restrict a portion of the sales proceeds as a guarantee to the buyer for certain future lease income for the two office suites. The first guarantee is for \$1,800 per month for 14 months and will expire in 2021. The second guarantee is \$10,000 per year for five years and will expire in 2024. As the current property owner confirms receipt of realized lease income, the Foundation releases a periodic allocation of the liability back to the fund that benefitted from the original gift. Contingent on the terms of the contract, the Foundation will release the liability as follows:

	<u>Suite 1</u>	<u>Suite 2</u>	<u>Total</u>
2021	\$ 12,600	\$ 10,000	\$ 22,600
2022	-	10,000	10,000
2023	-	10,000	10,000
2024	-	10,000	10,000
	<u>\$ 12,600</u>	<u>\$ 40,000</u>	<u>\$ 52,600</u>

At the date of this report, management is not aware of any other 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	\$ 385,862
Uncommitted board restricted reserve	369,774
Reimbursements due	29,153
Contributions receivable, current net	<u>95,597</u>
Financial assets available within one year	<u>\$ 880,386</u>

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# THE WINTHROP UNIVERSITY FOUNDATION

## Notes to Financial Statements

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The Foundation strives to maintain cash and short-term investment balances on hand to meet 60 days of ordinary business expenses. Budgeted operating expenses for the coming year are estimated at \$168,264 per 60-day period. The cash balance at year-end exceeded the estimated cash needed for operations in preparation for large the scholarship invoices typically received in the first quarter of each calendar year. In addition to cash on hand in the operating account, 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 also maintains a reserve for unrestricted net assets. At year-end, the reserve account had an uncommitted balance of \$369,774 which was derived from market earnings on non-endowed funds. The Foundation does not maintain a line of credit.

### **NOTE 16 – UNCERTAINTIES**

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Foundation is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

### **NOTE 17 - 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. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.