

The Winthrop University Foundation

Financial Statements

Year Ended December 31, 2025

THE WINTHROP UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Winthrop University Foundation (the "Foundation" - a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Winthrop University Foundation as of December 31, 2025, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Winthrop University Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Winthrop University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

The Winthrop University Foundation
Rock Hill, South Carolina

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of The Winthrop University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Winthrop University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
April 23, 2026

THE WINTHROP UNIVERSITY FOUNDATION

Consolidated Statement of Financial Position

December 31, 2025, with prior year comparative totals

	December 31,			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2025 Total	2024 Total
ASSETS				
Cash and Cash Equivalents	\$ 2,404,096	\$ -	\$ 2,404,096	\$ 1,936,255
Pledges Receivable	241,878	1,288,959	1,530,837	1,554,193
Less: Present Value Discount	(40,618)	(92,334)	(132,952)	(141,645)
Less: Allowance for Doubtful Accounts	(2,275)	(148,370)	(150,645)	(142,346)
Other receivable	255,225	-	255,225	-
Pooled Investments, at Fair Value	100,792,069	-	100,792,069	85,968,515
Split Interest Investments, at Fair Value	-	2,181,132	2,181,132	1,983,566
Cash Value of Life Insurance	-	53,029	53,029	55,366
Property Held for Resale	2,000	5,000	7,000	7,000
Prepaid Expenses	65,873	-	65,873	43,184
Security deposits	13,587	-	13,587	13,587
Property and Equipment, at Cost	588,263	-	588,263	128,279
Less: Accumulated Depreciation	(165,544)	-	(165,544)	(110,479)
Operating right of use asset, at cost	1,433,247	-	1,433,247	1,357,988
Less: Accumulated Amortization	(160,868)	-	(160,868)	(22,633)
Due (From)/To Other Funds	(96,772,817)	96,772,817	-	-
TOTAL ASSETS	\$ 8,654,116	\$ 100,060,233	\$ 108,714,349	\$ 92,630,830
LIABILITIES AND NET ASSETS				
<i>Liabilities:</i>				
Accounts Payable	\$ 78,209	\$ 104,496	\$ 182,705	\$ 343,372
Payroll Liabilities	20,794	-	20,794	18,804
Actuarial Liability of Annuities Payable	-	1,177,393	1,177,393	1,079,392
Payable to Related Party	110,000	-	110,000	191,000
Operating Lease Liability	1,330,664	-	1,330,664	1,336,167
Total Liabilities	1,539,667	1,281,889	2,821,556	2,968,735
<i>Net Assets:</i>				
Without Donor Restrictions				
Board Designated	5,606,226	-	5,606,226	3,765,509
Agency	577,981	-	577,981	544,742
Undesignated	930,242	-	930,242	909,710
With Donor Restrictions:				
Restricted for time and purpose	-	7,622,957	7,622,957	6,678,123
Held in perpetuity	-	91,155,387	91,155,387	77,764,011
Total Net Assets	7,114,449	98,778,344	105,892,793	89,662,095
TOTAL LIABILITIES AND NET ASSETS	\$ 8,654,116	\$ 100,060,233	\$ 108,714,349	\$ 92,630,830

THE WINTHROP UNIVERSITY FOUNDATION
Consolidated Statement of Activities
Year Ended December 31, 2025, with prior year comparative totals

	Year Ended December 31,			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2025	2024
REVENUES, GAINS AND OTHER SUPPORT				
Contributions:	\$ 729,669	\$ 6,505,348	\$ 7,235,017	\$ 5,170,131
(Provision)Recovery for Doubtful Accounts	334	# (8,633)	(8,299)	3,976
(Provision)Recovery for Pledge Discounts	6,381	8,152	14,533	2,573
Gifts in-kind	-	187,726	187,726	19,591
Investment Earnings	1,870,095	13,127,266	14,997,361	9,164,414
Change in Value of Split-Interest Trusts	-	(98,001)	(98,001)	(43,131)
Change in Cash Surrender Value	-	(2,337)	(2,337)	(227)
Program Income	-	63,151	63,151	66,132
Other Revenue	50	243,485	243,535	103,725
Total	2,606,529	20,026,157	22,632,686	14,487,184
Net Assets Released from Restrictions	4,543,672	(4,543,672)	-	-
TOTAL	\$ 7,150,201	\$ 15,482,485	\$ 22,632,686	\$ 14,487,184
EXPENSES				
Management and General Operating:				
Salaries and Benefits	\$ 205,955	\$ -	\$ 205,955	\$ 150,289
Professional Fees	24,239	-	24,239	22,653
Office Expenses, Postage and Printing	81,825	-	81,825	45,826
Software	42,804	-	42,804	28,855
Rent, Utilities, and Overhead	109,951	-	109,951	13,323
Professional Development	10,477	-	10,477	1,671
Dues and fees	410	-	410	-
Credit Card and Bank Fees	16,640	-	16,640	14,548
Insurance	11,853	-	11,853	5,754
Travel and Meetings	5,230	-	5,230	2,769
Stewardship and Recognition	374	-	374	278
Directors' Expenses	10,159	-	10,159	21,533
Total Operating	519,917	-	519,917	307,499
Fund Raising:				
Salaries and Benefits	24,518	-	24,518	17,892
Salary Reimbursements - Advancement Support	188,129	-	188,129	214,784
Professional Fees	140,252	-	140,252	16,478
Office Expenses, Postage and Printing	3,198	-	3,198	87,338
Software	18,076	-	18,076	33,748
Rent, Utilities, and Overhead	8,938	-	8,938	1,083
Stewardship and Recognition	29,168	-	29,168	23,524
Travel and Meetings	34,874	-	34,874	28,051
Total Fund Raising	447,153	-	447,153	422,898
Program:				
Salaries and Benefits	259,895	-	259,895	189,651
President's Salary Supplement and Benefits	210,379	-	210,379	210,174
Rent, Utilities, and Overhead	178,334	-	178,334	21,609
Professional Development	10,813	-	10,813	6,005
Dues and Fees	-	-	-	315
Travel and Meetings	6,097	-	6,097	7,003
Donated Goods	187,726	-	187,726	19,591
General Scholarships	-	-	-	160,000
Restricted Scholarships and Other University Support	4,392,806	-	4,392,806	4,754,549
Alumni Association Support	29,000	-	29,000	29,000
President and Vice President's Discretionary Support	159,868	-	159,868	93,778
Total Program	5,434,918	-	5,434,918	5,491,675
TOTAL	6,401,988	-	6,401,988	6,222,072
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ADJUSTMENTS	748,213	15,482,485	16,230,698	8,265,112
Transfers and Adjustments				
Management Fee	1,159,381	(1,159,381)	-	-
Other Transfers	(13,106)	13,106	-	-
Total Transfers and Adjustments	1,146,275	(1,146,275)	-	-
NET ASSETS, BEGINNING	5,219,961	84,442,134	89,662,095	81,396,983
NET ASSETS, ENDING	\$ 7,114,449	\$ 98,778,344	\$ 105,892,793	\$ 89,662,095

THE WINTHROP UNIVERSITY FOUNDATION
Consolidated Statement of Cash Flows
Year Ended December 31, 2025, with prior year comparative totals

	Year Ended December 31,	
	2025	2024
<u>OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 16,230,698	\$ 8,265,112
Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities:		
Depreciation	55,065	17,800
Realized and Unrealized (Gains) Losses on Investments	(12,462,811)	(6,996,189)
Change in Value of Split Interest Investments	(315,272)	(193,712)
Contributions Restricted for Permanent Investment	(3,583,747)	(1,676,892)
Change in Operating Assets:		
Contributions Receivable	22,962	4,073
Other Receivable	(255,225)	
Split Interest Agreements	117,706	113,759
Cash Value of Life Insurance	2,337	227
Prepaid Expenses	(22,689)	(31,940)
Security Deposit	-	(13,587)
Operating Right of Use Asset	62,976	(1,335,355)
Change in Operating Liabilities:		
Accounts Payable	(160,667)	42,123
Payroll Liabilities	1,990	5,120
Guaranteed Lease Liability	(81,000)	181,000
Operating Right of Use Liability	(5,503)	1,336,167
<i>Cash Flows from Operating Activities</i>	(393,180)	(282,294)
<u>INVESTING ACTIVITIES</u>		
Proceeds from the Sale of Investments	6,367,872	4,790,674
Purchases of Investments	(8,728,615)	(6,236,348)
(Purchase)/Disposition of Fixed Assets	(459,984)	(38,600)
<i>Cash Flows from Investing Activities</i>	(2,820,727)	(1,484,274)
<u>FINANCING ACTIVITIES</u>		
Contributions Restricted for Permanent Investment	3,583,747	1,676,892
Increase in Actuarial Liability Payable	98,001	43,131
<i>Cash Flows from Financing Activities</i>	3,681,748	1,720,023
CHANGE IN CASH AND EQUIVALENTS	467,841	(46,545)
CASH AND CASH EQUIVALENTS, BEGINNING	1,936,255	1,982,800
CASH AND EQUIVALENTS, ENDING	\$ 2,404,096	\$ 1,936,255

THE WINTHROP UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2025

NOTE 1 – NATURE OF ACTIVITIES

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 of 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 University. 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 the Foundation and LLC. 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, 2024, the LLC received no gifts of real property. The LLC currently holds a small parcel of vacant land with a historical value of \$2,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Foundation is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions are comprised of both undesignated and designated net assets. Undesignated net assets are those that are 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 board-restricted funds held in a reserve fund, funds held in a quasi-endowment, and funds that are designated by the Board of Directors for operations and other purposes, including serving priority needs of Winthrop University. Designated net assets also include an agency fund held for the benefit of the Alumni Association 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.

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 donors 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.

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Notes to Consolidated Financial Statements

December 31, 2025

In-kind contributions are recognized according to generally accepted accounting principles when material to the financial statement presentation. These are nonfinancial assets, including goods and services received at no cost or below market cost which supplement cash resources and defray expenses. Nonfinancial assets include tangible items such as supplies, furniture and fixtures and intangible items such as services, voluntary labor, or facilities. In-kind gifts of goods can be used by the Foundation, or may be received for the benefit of Winthrop University. In 2024, the Foundation received four in-kind contributions, a vacation rental, business clothing, a basketball holiday-themed performance, and a grand piano. The total value of these gifts was \$19,591.

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 accounts up to an aggregate of \$250,000 per taxpayer. The Foundation occasionally maintains cash balances in excess of insured limits. However, management believes that the risk related to the accounts is minimal due to the creditworthiness of the financial institutions.

Investments

The Foundation maintains an Investment Policy to guide the long-term growth of its invested assets. 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 according to the Foundation's board-approved Endowment Management Policy. First, a management fee is calculated using 1.5% of the 3-year average trailing balance of the invested funds. This fee is applied to the operating budget as unrestricted revenue by deducting a proportionate share of the calculated fee from the balances of endowed funds. The fee is used to offset investment and administrative expenses and to provide a source of scholarships and other support for the University. Second, investment income is allocated to funds based on their proportionate share of the sum of the fund balances. Allocated earnings for endowed funds are added to the balances of those funds, while allocated earnings for non-endowed funds are added to the board reserve account. Finally, 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 disbursed according to the purpose of the endowment, providing scholarships and other support to Winthrop University. The spendable amounts are transferred to net assets with donor restrictions until expended. If the spendable amount for an endowed fund is not fully spent in the academic year for which it was made available, the unspent funds carried forward to the following year.

Property and Equipment

Property 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.

THE WINTHROP UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2025

Revenue recognition

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.

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 a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers and a right of return, are not recognized until the conditions on which they depend have been met. At December 31, 2025, the Foundation recognized all promises to give as unconditional.

Income earned on pooled investments 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.

Donated goods and services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Foundation receives contributions of goods and supplies for use in its programs or in support of Winthrop University. Contributed goods are recognized as in-kind gifts and recorded at their fair value as of the date of receipt. In 2025, the Foundation received in-kind goods and supplies of \$16,816 which were utilized for Foundation programs and to support interests of Winthrop University.

Collections of art

The Foundation holds collections of art and similar assets that are held for educational purposes and public exhibitions. These items are acquired through contributions and are not recognized as assets in the Statement of Financial Position. Contributed collections are recognized as in-kind gifts and recorded at their fair value as of the date of the receipt of the gift. Proceeds from deaccessions (sale of art) are used to support the interests of Winthrop University. During the year, the Foundation received 31 pieces of art with a total fair value of \$170,910. If sold, the collection is required to be sold in its entirety, and proceeds are to be used to benefit the University. In-kind collections received on behalf of the University are remitted to the University upon receipt.

Leases

The Foundation determines if an arrangement is a lease at inception. Operating leases are included as Right of Use (ROU) assets, other current liabilities and other long-term liabilities on our statement of financial position. On November 1, 2024, the Foundation entered into a ten-year lease of office space for an interior design classroom referred to as the Thread Lease on behalf of Winthrop University.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Foundation used the Annual Federal Rate (AFR) of 4.528% based on information available at the commencement date of the lease in determining the present value of the lease payments. The operating lease ROU asset also includes any lease payments made, common area maintenance costs (CAM) and excludes lease incentives. The lease term includes an option to extend for an additional five years. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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Notes to Consolidated Financial Statements

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The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately. For arrangements accounted for as single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 support services have been categorized by function in the statement 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 support 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.

Prior-year comparative totals

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, 2024, 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 to be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also holds cash for operating needs and disbursements in a commercial banking institution. These deposits are in a high credit, quality institution and to date, there have been no losses associated with these accounts.

THE WINTHROP UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2025

NOTE 3 - 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 calculation is computed using AFR, with discount rates ranging from 3.66 to 4.55 percent. Pledges are expected to be collected as follows:

2026	\$	647,358
2027		277,631
2028		253,173
2029		181,130
2030		87,822
Thereafter		83,723
Total Pledges Receivable		1,530,837
Less:		
Allowance for doubtful accounts		150,645
Present value discount		132,952
TOTAL	\$	<u>1,247,240</u>

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 actuarial liability of annuities payable.

(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 are 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 is calculated using AFR at December 31, 2025, which was 6.0%.

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.

THE WINTHROP UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2025

NOTE 6 - INVESTMENTS

Investment balances

Investments are carried at fair value and consist of pooled funds managed by Foundation for the Carolinas (FFTC), residential lots, exchange trade products, and various stock equities.

Fair Value Measurements

US GAAP requires fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation's investments measured at fair value at December 31, 2025 were all considered Level 1. The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value.

EFTs, Mutual Funds, US and Non-US Equity Funds, 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).

Private Investments: Certain inputs for these investments are unobservable and significant to their resulting fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date (Level 3).

Equities	\$	68,800,746
Mutual funds		24,090,439
Alternative investments		7,900,884
TOTAL	\$	100,792,069

THE WINTHROP UNIVERSITY FOUNDATION

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NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions are comprised of both undesignated and designated net assets. Undesignated net assets include cash available for operations (see Note 15 for Liquidity Management) and property and equipment.

Designated net assets include a board designated reserve account, a board designated quasi-endowment, and other funds designated by the board. The board reserve is maintained in an investment account separate from the pooled investments and can be used for any purpose deemed appropriate by the Foundation's board of directors, typically requests to meet University priority needs. The balance of the board reserve was \$1,802,810 as of December 31, 2025. According to a board resolution adopted in 2019, investment earnings on non-endowed funds are added to the reserve account at year end.

The quasi-endowment assets are also held in an account separate from pooled investments. The balance of the quasi-endowment was \$2,873,765 as of December 31, 2025. Investment income may be appropriated for general expenditures and amounts from its corpus can be made available with board approval. In 2025, investment income in the amount of \$22,302 was allocated to the Alumni Association of Winthrop University to assist in funding an agency endowment per an agreement between the Association and the Foundation. Earnings from the quasi-endowment are committed to funding a 10-year lease for space at The Thread for the University's use thru 2035.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions include amounts that are held for specified times and/or purposes and those that are held in perpetuity for an indefinite period of time.

Temporary in Nature

Net assets with donor restrictions that are temporary in nature in the amount of \$7,622,957 are available for use by Winthrop University for student scholarships, academic support or physical facilities. During the year ended December 31, 2025, \$4,543,672 in net assets with donor restrictions were released from restriction for expenses satisfying the restricted purpose of the donors.

Perpetual in Nature

Split Interest Agreements-

Net assets with donor restrictions that are to be held in perpetuity 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, 2025, the estimated available value of these remainder gifts is \$1,251,889. Net assets released in 2025 for annuity payments to donors was \$133,871.

Fair value of securities held	\$ 2,181,132
Less annuity obligations	<u>(1,177,393)</u>
Net assets with Donor Restrictions from Split Interest Agreements	<u>\$ 1,003,739</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, 2025 was \$53,029 and is reflected as net assets with donor restrictions in the accompanying financial statements.

THE WINTHROP UNIVERSITY FOUNDATION

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Endowment Funds-

The Foundation's net assets classification adheres to regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies, described in Note 2, 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, 2025, the Foundation had \$89,905,835 in net assets designated to be held in perpetuity from endowments, of which \$2,998,163 was available for spending in accordance with the Foundation's spending policy as described in Note 2. During the year ended December 31, 2025, \$2,285,373 in spendable funds were released from restriction, satisfying their restricted purposes.

NOTE 9 - MANAGEMENT OF UNDERWATER FUNDS

Per the Endowment Spending Policy (Note 2), the Foundation annually distributes 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 total return on investment. However, the basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act. Under these 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 Investment Policy and spending rule are reviewed on an annual basis.

Additionally, the Foundation reduced its annual endowment management fee to 1.5% in 2020, which aligns with the industry average. Investment management fees are expected to increase slightly as assets are more strategically managed by JP Morgan. From 2016-2022 fees averaged approximately .6% as only half of the portfolio's assets were under active management. At December 31, 2025, none of the Foundation's 520 endowments were underwater.

NOTE 10 - 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 2019.

NOTE 11 - COMMITMENT TO THE ALUMNI ASSOCIATION OF WINTHROP UNIVERSITY

In 1992, the Foundation entered into an agreement with the Alumni Association of Winthrop University (Alumni Association) to manage certain funds on behalf of the association. The Alumni Association transferred scholarship funds, unrestricted funds, and the proceeds from certain fund-raising activities to the Foundation. In exchange, the Foundation established and agreed to fund an agency endowment account of \$500,000 for the benefit and use of the Alumni Association.

On December 3, 2021, the Foundation Board replaced the 1992 agreement with two new agreements pertaining to the relationship between the Foundation and the Alumni Association. The first agreement is a Memorandum of Understanding between the two parties outlining their mutual goal of being working partners to encourage the full participation and financial support of alumni and friends in advancing Winthrop University. The second agreement is a financial agreement that requires the Foundation to complete the funding of the Alumni Association Agency Endowment by 2027, with annual payments of at least \$57,000 per year. As of December 31, 2025, the Foundation had paid the total obligation.

THE WINTHROP UNIVERSITY FOUNDATION

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NOTE 12 - 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 2025, payments to the University for scholarships and departmental support totaled \$4,231,498, 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 \$460,118 in 2025 for these staff services and related fundraising expenses. The University also supports the administrative needs of the Foundation with services such as printing, postage, telephone, office supplies, IT and space rent. In 2025, the Foundation reimbursed the University \$9,420 for administrative support and \$7,824 for facility usage. At December 31, 2025, the Foundation had outstanding payables to the University totaling \$110,000.

The Foundation provided a salary supplement to the University President which included a 9.55% contribution to the Foundation's 401k plan. The total cost of compensation and benefits to the President was \$210,379. Discretionary funds in the amount of \$30,000 were provided to the President for donor cultivation and related fundraising activities, of which \$26,826 was used. The President's Cabinet received an additional \$59,041 in discretionary funds. The Foundation's board approved a request for \$100,000 for the Engineering School Startup during 2025.

NOTE 13 - CONTINGENCIES AND 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 reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. No known contingencies or commitments were noted as of December 31, 2025.

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NOTE 14 - LEASES

The Foundation has an operating lease of office space for an interior design classroom referred to as the Thread Lease on behalf of Winthrop University. The lease has a remaining term of 10 years with an option to extend the lease for an additional five years. As of December 31, 2024, assets recorded under the lease was \$1,432,515 and accumulated amortization associated with the lease was \$160,868. The weighted average discount rate to calculate lease liabilities as of December 31, 2025, was 4.528%.

For the year ended December 31, 2025, total operating lease cost and cash paid was \$65,551. As of December 31, 2025, the weighted average remaining of the lease term was approximately four years.

Future minimum rental payments due under these leases are as follows:

2026	\$	129,351
2027		133,232
2028		137,229
2029		141,346
2030		145,586
Thereafter		894,549
Total payments		1,581,293
Less amounts representing interest		250,629
TOTAL	\$	1,330,664

NOTE 15 - LIQUIDITY MANAGEMENT

The Foundation has the following financial assets available as of the statement of financial position date, reduced by amounts not available for general use, prepaids, and inventories, within one year of that date:

Current assets, excluding nonfinancial assets	\$	106,935,127
Less: donor restrictions for specific purposes		98,780,681
Financial assets available for general expenditures within one year	\$	8,154,446

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 \$246,231 per 60-day period. The Foundation also receives monthly requests from the University to provide funding for scholarships and other support from its restricted net assets. The two largest requests are when the majority of scholarships are awarded, typically in January and August of each year. In addition to cash on hand in the operating account, the Foundation's Investment Policy requires at least 75% of the portfolio to be allocated to liquid investments with conversion to cash of no more than three days. When support requests are received, the Foundation liquidates investments as needed to supplement cash already available in the operating account.

NOTE 16 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.