

WINTHROP UNIVERSITY

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

YEAR ENDED JUNE 30, 2002

**WITH
REPORT OF INDEPENDENT AUDITOR**

ROBERT E. MILHOUS, C.P.A., P.A.

A PROFESSIONAL ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

State of South Carolina

Office of the State Auditor

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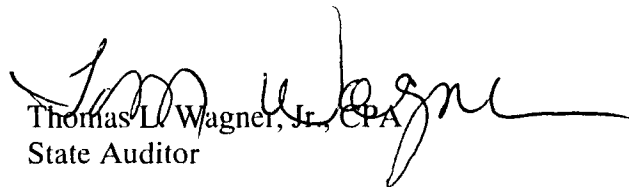
October 21, 2002

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

This report on the audit of the financial statements of Winthrop University for the fiscal year ended June 30, 2002, was issued by Robert E. Milhous, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

WINTHROP UNIVERSTIY

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2002

WITH

REPORT OF INDEPENDENT AUDITOR

WINTHROP UNIVERSITY

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2002

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REPORT OF INDEPENDENT AUDITOR

Mr. Thomas L. Wagner, Jr., CPA
State Auditor, State of South Carolina
and
Board of Trustees
Winthrop University
Rock Hill, South Carolina

I have audited the accompanying basic financial statements of Winthrop University (the "University"), as of and for the year ended June 30, 2002 as listed in the table of Contents. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in *Note 1* to the financial statements, the accompanying basic financial statements of the University are intended to present the financial position, results of operations, and cash flows of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University, an institution of the State of South Carolina. These financial statements do not include other agencies, institutions, departments, funds, or component units of the State of South Carolina. Accordingly, they are not intended to present fairly the financial position and results of operations of the State of South Carolina as primary government in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University, at June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in *Note 15* to the financial statements, the University adopted and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, (and its amendments) as of July 1, 2001.

—CONTINUED—

As described in *Note 15* to the financial statements, the University changed its capitalization method of recording capital assets and removed capital assets on hand at June 30, 2001, which did not meet the new capitalization levels. Additionally, the University changed its recognition of its Capital Improvement Bond proceeds, and the proceeds received from its Summer 2001 semester not previously reported as revenue for the year ended June 30, 2001. Accordingly, I audited the adjustments described in *Note 15* that were applied to restate the year 2001 financial statements. In my opinion, such adjustments are appropriate and have been properly applied.

As described in *Notes 4 and 15* to the financial statements, the University, as required by the Office of the Comptroller General of the State of South Carolina, has recognized funds contributed by the Federal Government through the Perkins Loan Program ("Federal Capital Contributions") as long-term liabilities. Although current Federal law provides for the refunding of all Federal Capital Contributions beginning in March 2004 and continuing through March 31, 2012, if the program is not reauthorized by the U.S. Congress, the University has no knowledge that the program will not be reauthorized.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2002, on my consideration of the University's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The accompanying Management's Discussion and Analysis as listed in the table of Contents is not a required part of the basic financial statements, but is supplementary information required by the GASB. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "R. E. McIlhenny, CPA, P.A.", is written in a cursive style.

September 6, 2002
Columbia, South Carolina

WINTHROP UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2002

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2002. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37 and 38 that were issued to amend Statements 34 and 35. The summary of financial data is presented for fiscal year 2002 only. In future years, when prior-year information is available, a comparative analysis of financial data will be presented.

Introduction

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

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

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body of 6,300 students and will remain a medium-sized comprehensive teaching university for the foreseeable future. The University recruits South Carolina's best students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on the college campus.

Winthrop's historic campus, located in a dynamic city within a major metropolitan area, provides a contemporary and supportive environment that promotes student learning and development. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Through this talented group, Winthrop students acquire and develop knowledge, skills, and values that enrich their lives and prepare them to meet the needs and challenges of the contemporary world, including the ability to communicate effectively, appreciate diversity, work collaboratively, synthesize knowledge, and adapt to change. Ongoing assessment of programs and services ensures both that all academic programs challenge students at their highest level of ability and that the library, instructional technology and other academic service areas support courses of study that are consonant with current methods and knowledge. As a result, Winthrop graduates are eminently well prepared to assume successful careers in business, industry, government, education, the arts, and human services, as well as to enter the most competitive graduate or professional schools.

Winthrop University in 2001 was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2002 edition. It is the tenth time this publication has chosen Winthrop for inclusion in its listings.

The S.C. Commission on Higher Education's Performance-Based Funding System this year said Winthrop University 'exceeds standards' overall. Winthrop is the only four-year university in South Carolina to achieve the S.C. Commission on Higher Education's 'exceeds standards' rating every year since the rating system was created. Winthrop holds an 'exemplary' rating for our 100 percent national accreditation in all academic areas for which such accreditation is available.

The Education Commission of the States has called Winthrop University "an excellent example of a campus committed to both quality and diversity."

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

Statement of Net Assets

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

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

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

CONDENSED STATEMENT OF NET ASSETS- JUNE 30, 2002

ASSETS

Current Assets	\$15,266,056
Capital Assets, Net of Accumulated Depreciation	62,058,302
Other Non-Current Assets	<u>7,020,802</u>
Total Assets	<u>84,345,160</u>

LIABILITIES

Current Liabilities	7,957,245
Noncurrent Liabilities	<u>17,630,600</u>
Total Liabilities	<u>25,587,845</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	48,778,362
Restricted for Non-Expendable	474,856
Restricted for Expendable	1,316,338
Unrestricted	<u>8,187,759</u>
Total Net Assets	<u>\$58,757,315</u>

Statement of Revenues, Expenses and Changes in Net Assets

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

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

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2002

Operating Revenues	\$ 42,194,953
Operating Expenses	<u>(71,186,389)</u>
Operating Loss	<u>(28,991,436)</u>
Non-Operating Revenues and Expenses	<u>26,719,036</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,272,400)
Other Revenues, Expenses, Gains, or Losses	<u>1,167,100</u>
Decrease in Net Assets	<u><u>\$(1,105,300)</u></u>
Net Assets - Beginning of Year, as Originally Reported	\$115,126,869
Cumulative Effect of Changes in Accounting Principles and Correction of Errors	<u>(55,264,254)</u>
Net Assets - Beginning of Year, as Restated	59,862,615
Decrease in Net Assets	<u>(1,105,300)</u>
Net Assets at End of Year	<u><u>\$ 58,757,315</u></u>

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

- State budget cuts during the year totaled \$1,672,374.
- Depreciation expense of \$3,073,521 was recorded as required by GASB Statement 35.
- The cumulative effects of changes in accounting principles are the result of the University's adoption of depreciation of capital assets, changes in capitalization levels, recognition of Perkins loan program federal liability, and a change in the recognition of summer semester revenues.

Statement of Cash Flows

The final statement presented by Winthrop University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into four parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from non-capital financing activities. This section displays the cash received and spent for non-capital financing purposes. The third section exhibits cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reconciles the net cash used to the operating income or loss displayed on the Statement of Revenues, Expenses, and Changes in Net Assets.

CONDENSED STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2002

Cash Provided (Used) By:	
Operating Activities	\$(24,795,099)
Non-Capital Financing Activities	27,055,435
Capital and Related Financing Activities	4,550,120
Investing Activities	463,458
Net Change in Cash	7,273,914
Cash and Cash Equivalents - Beginning of Year	8,024,632
Cash and Cash Equivalents - End of Year	<u><u>\$ 15,298,546</u></u>

Capital Asset and Debt Activity

Significant renovations to Wofford and Richardson residence halls were made during Fiscal Year 2002. These renovations were financed in part by the issuance of \$5 million in higher education bonds. A total of \$1.25 million in general obligation bonds was issued in order to complete an \$8.7 million renovation of the Sims Science building. This renovation to Sims, in addition to the new Life Science Building in Fiscal Year 2001, now provides state of the art science facilities for those who major in the natural sciences. There have been no significant changes in financial conditions that would affect any credit ratings or debt limitations.

The University currently has plans to construct the Lois Rhame West Health and Physical Education Complex at a cost of \$18,600,000. As of the year ending June 30, 2002, the University has been appropriated by the South Carolina General Assembly to receive \$6.4 million in state capital improvement bonds for this project. Once the remaining funds are appropriated, the construction will commence.

Economic Outlook

The University is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the University's economic outlook during the fiscal year that began July 1, 2002.

The University's overall financial position is sound. Even though state funding has been reduced, enrollment has consistently increased over the past seven years, and the institution's level of operations has remained stable. As the economic condition of the current fiscal year is expected to be a repeat of the past several years, those resources associated with enrollment and fee increases will be sequestered until such time as economic conditions become more stable.

J. P. McKee
Vice President for Finance and Business

Amanda Maghsoud
Associate Vice President for Finance and Business/Controller

WINTHROP UNIVERSITY
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 10,601,415
Accounts Receivable, Net	3,972,889
Inventories	292,552
Accrued Interest Receivable	93,458
Prepayments	305,742
Total Current Assets	<u>15,266,056</u>

Noncurrent Assets

Cash and Cash Equivalents	
Restricted	3,825,488
Endowment	871,643
Perkins Loans Receivable, Net	2,323,671
Capital Assets, Net	62,058,302
Total Noncurrent Assets	<u>69,079,104</u>
Total Assets	<u>84,345,160</u>

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities	5,104,660
Deferred Revenues	406,369
Current Portion of Long Term Debt	1,348,424
Current Portion of Compensated Absences	1,097,792
Total Current Liabilities	<u>7,957,245</u>

Non Current Liabilities

Compensated Absences	716,929
Perkins Loan Federal Liability	2,360,641
Long Term Debt	14,553,030
Total Noncurrent Liabilities	<u>17,630,600</u>
Total Liabilities	<u>25,587,845</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	48,778,362
<u>Restricted for</u>	
Nonexpendable	
Scholarships and Fellowships	474,856
Expendable	
Scholarships and Fellowships	114,155
Grants	627,758
Loans	322,536
Debt Service	251,889
Unrestricted	8,187,759
Total Net Assets	<u>\$ 58,757,315</u>

See Accompanying Notes to the Financial Statements

WINTHROP UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

REVENUES

Operating Revenues

Student Tuition and Fees	\$ 17,025,200
(of which \$457,956 of revenues are pledged for Athletic Facility Revenue Bonds Series 2001 A5)	
(Net of Scholarship Discounts and Allowances of \$8,764,541)	
Grants and Contracts	11,295,756
Sales and Services of Educational Activities	1,935,612
Sales and Services of Athletic Activities	827,169
Sales and Services of Auxiliary Enterprise Activities	10,414,265
(of which \$265,729 of auxiliary bookstore revenues are pledged for Auxiliary Facility Revenue Bonds Series 1997 and of which \$810,578 of auxiliary housing revenues are pledged for Higher Education Revenue Bonds Series 2002 B5)	
Other Fees	475,322
Other Operating Revenues	221,629
Total Operating Revenues	<u>42,194,953</u>

EXPENSES

Operating Expenses

Personnel Costs	33,321,329
Fringe Benefits	8,143,703
Service and Supplies	20,288,208
Utilities	2,610,568
Scholarships and Fellowships	3,749,060
Depreciation	3,073,521
Total Operating Expenses	<u>71,186,389</u>
Operating Loss	<u>(28,991,436)</u>

NON-OPERATING REVENUES (EXPENSES)

State Appropriations	24,850,242
Gifts	1,227,595
Interest Income	332,932
Interest Expense	(579,080)
Other Non-Operating Revenues (Expenses)	887,347
Net Non-Operating Revenues	<u>26,719,036</u>
Loss Before Other Revenues, Expenses, Gains and Losses	<u>(2,272,400)</u>
Capital Appropriations	<u>1,167,100</u>
Decrease in Net Assets	(1,105,300)

NET ASSETS

Net Assets - Beginning of Year, as Restated (See Note 15)	59,862,615
Net Assets - End of Year	<u>\$ 58,757,315</u>

See Accompanying Notes to the Financial Statements

WINTHROP UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 17,189,516
Grants and Contracts	11,462,543
Sales and Services of Educational Activities	1,665,722
Sales and Services of Athletic Activities	888,524
Sales and Services of Auxiliary Enterprise Activities	10,294,959
Other Fees	475,322
Collection of Loans	464,100
Other Receipts (Payments)	221,629

Cash Paid To (For)

Personnel Costs	(31,644,736)
Fringe Benefits	(8,143,703)
Service and Supplies	(20,945,466)
Utilities	(2,610,568)
Students	(3,749,060)
Loans to Students	(363,881)
Net Cash Used by Operating Activities	<u>(24,795,099)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	24,855,015
Direct Lending Receipts	14,245,530
Direct Lending Payments	(14,246,382)
Gifts	1,421,899
Commissions	493,816
Other Sources	285,557
Net Cash Flow Provided by Noncapital Financing Activities	<u>27,055,435</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	6,250,000
Capital Appropriations	1,120,499
Purchases of Capital Assets	(1,211,431)
Proceeds from Sale of Land	23,600
Principal Paid on Capital Debt and Lease	(1,139,748)
Interest and Fees	(492,800)
Net Cash Provided by Capital and Related Financing Activities	<u>4,550,120</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	463,458
Net Cash Flow Provided by Investing Activities	<u>463,458</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

7,273,914

Cash and Cash Equivalents - Beginning of Year	8,024,632
Cash and Cash Equivalents - End of Year	<u>\$ 15,298,546</u>

-Continued-

WINTHROP UNIVERSITY
STATEMENT OF CASH FLOWS - Continued
YEAR ENDED JUNE 30, 2002

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (28,991,436)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,073,521
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(155,463)
Inventories	(78,331)
Prepayments	155,150
Accounts Payable and Accrued Liabilities	1,133,612
Deferred Revenue	(62,193)
Compensated Absences	130,041
Net Cash Used by Operating Activities	<u>\$ (24,795,099)</u>

SUPPLEMENTARY CAPITAL AND RELATED FINANCING ACTIVITIES

Equipment Acquired by Capital Lease	\$ 24,625
Equipment Acquired by Donation	\$ 61,700

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE
STATEMENT OF NET ASSETS**

Cash and Cash Equivalents Classified as Current	\$ 10,601,415
Cash and Cash Equivalents Classified as Noncurrent Restricted	3,825,488
Cash and Cash Equivalents Classified as Noncurrent Endowment	871,643
	<u>\$ 15,298,546</u>

See Accompanying Notes to the Financial Statements

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

Winthrop University is part of the primary government of the State of South Carolina. The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined it has no component units and the financial reporting entity includes only the University.

Basis of Presentation

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

Basis of Accounting

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

As a result of the adoption of GASB Statement No. 34, the University was also required to make certain changes in accounting principles. These changes are discussed in detail in Note 15.

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

Cash and Cash Equivalents

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

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Inventories

Inventories are carried at the lower of cost (determined by moving weighted average) or market.

Prepayments

Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2002 but for which the goods or services would not be received until after July 1, 2002.

Capital Assets

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

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

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period. During the year ended June 30, 2002, there were no material capitalized interest costs incurred.

Deferred Charges

Deferred charges are typically associated with the issue of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2002, the University had no material deferred charges.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenues (Continued)

Other types of deferred revenues represent residence hall room deposits, security deposits for possible room damage and key loss, admissions deposits, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Net Assets

The University's net assets are classified as follows:

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

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

Sales and Services of Educational Activities

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

Sales and Services of Athletic Activities

Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales, and participatory fees received from opposing teams.

Sales and Services of Auxiliary Enterprise Activities

Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending, and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Accounting

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

Income Taxes

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

NOTE 2—CASH AND CASH EQUIVALENTS; OTHER DEPOSITS

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

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

<u>Statements of Net Assets</u>		<u>Deposits</u>	
Cash and Equivalents (Current)	\$ 10,601,415	Cash on Hand	\$ 297,911
Cash and Equivalents (Restricted)	3,825,488	Deposits Held by State Treasurer	14,975,635
Cash and Equivalents (Endowment)	871,643	Other Deposits	25,000
Total	<u>\$ 15,298,546</u>	Total	<u>\$ 15,298,546</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2002, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

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

Other Deposits

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

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2002, are summarized as follows:

State Appropriations	\$ 2,274,073
Student Accounts	591,323
Less Allowance for Doubtful Accounts	(48,869)
Student Loans Receivable – Federal Perkins	2,402,283
Less Allowance for Doubtful Accounts	(78,612)
Federal Grants and Contracts	357,236
State Grants and Contracts	174,921
Local Grants and Contracts	2,995
Foundation	268,927
Capital Improvement Bond Funds	67,612
Other	284,671
Total Accounts Receivable, Net of Allowances	6,296,560
Less: Non-Current Perkins Loan Receivable (See Note 4)	(2,323,671)
Accounts Receivable, Net – Current	<u>\$ 3,972,889</u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personal services and employer contributions expenditures accrued at June 30 but paid in July from 2002-2003 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2002, the allowance for uncollectible student accounts is valued at \$48,869.

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

NOTE 4— PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2002. The entire receivable balance, as well as cash on hand associated with the program, is classified as Non-Current Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the US Dept of Education. At June 30, 2002, the allowance for uncollectible student loans is valued at \$78,612.

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,360,641, representing the Federal portion of the loan program at June 30, 2002. The U S Congress will begin discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2003. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2004 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 5— CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets Not Subject to Depreciation:				
Land	\$ 1,311,020	\$ -	\$ (23,600)	\$ 1,287,420
Construction-in-Progress	7,354,752	822,007	(7,825,310)	351,449
Collections	44,500	-	-	44,500
Total	<u>8,710,272</u>	<u>822,007</u>	<u>(7,848,910)</u>	<u>1,683,369</u>
Other Capital Assets:				
Buildings and Improvements	83,513,878	7,890,193	-	91,404,071
Machinery, Equipment, and Other	4,570,964	381,749	(172,309)	4,780,404
Vehicles	716,896	34,993	(9,053)	742,836
Total	<u>88,801,738</u>	<u>8,306,935</u>	<u>(181,362)</u>	<u>96,927,311</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(30,559,155)	(2,687,588)	-	(33,246,743)
Machinery, Equipment, and Other	(2,579,541)	(347,380)	156,376	(2,770,545)
Vehicles	(505,591)	(38,553)	9,054	(535,090)
Total	<u>(33,644,287)</u>	<u>(3,073,521)</u>	<u>165,430</u>	<u>(36,552,378)</u>
Capital Assets, Net	<u>\$ 63,867,723</u>	<u>\$ 6,055,421</u>	<u>\$ (7,864,842)</u>	<u>\$ 62,058,302</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities as of June 30, 2002, are summarized as follows:

Current

Accrued Payroll and Related Liabilities	\$ 3,379,719
Trade Payables	723,152
Accrued Interest Payable	232,943
Student Deposits and Prepayments	653,805
Construction Contract Retainage	63,910
Other Accrued Liabilities	<u>51,131</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 5,104,660</u>

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 7—LONG-TERM DEBT

Long-term debt for the year ended June 30, 2002 follows:

	June 30, 2001	Additions	Reductions	June 30, 2002	Due Within One Year
General Obligation Bonds	\$ 5,340,000	\$1,250,000	\$ (295,000)	\$ 6,295,000	\$ 370,000
Athletic Facilities	2,400,000	-	(120,000)	2,280,000	120,000
Auxiliary Facilities	596,876	-	(72,220)	524,656	60,867
Higher Education Facilities	-	5,000,000	-	5,000,000	340,000
Notes Payable	949,879	-	(125,721)	824,158	71,454
Master Lease Program Notes Payable	1,407,386	-	(484,137)	923,249	336,936
Capital Lease Obligations (see Note 8)	72,437	24,625	(42,671)	54,391	49,167
Total Bonds, Notes and Capital Leases	10,766,578	6,274,625	(1,139,749)	15,901,454	1,348,424
Other Liabilities:					
Accrued Compensated Absences	1,684,681	1,227,832	(1,097,792)	1,814,721	1,097,792
Perkins Loan Federal Liability	2,327,226	33,415	-	2,360,641	-
Total Other Liabilities	4,011,907	1,261,247	(1,097,792)	4,175,362	1,097,792
Total Long-Term Liabilities	\$14,778,485	\$7,535,872	\$(2,237,541)	\$20,076,816	\$2,446,216

Bonds Payable

Bonds payable consisted of the following at June 30, 2002:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 1993A	4.1% to 5.2%	03/01/08	1,400,000
Series 2001A2	4.3% to 4.9%	10/01/20	3,645,000
Series 2001B5	4.5% to 5.5%	10/01/21	<u>1,250,000</u>
Total General Obligation Bonds			6,295,000
Athletic Facilities			
Revenue Bonds Series 2001A	4.59%	10/01/20	2,280,000
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11/01/09	524,656
Higher Education Facilities			
Revenue Bonds Series 2002B	4.58%	01/01/14	<u>5,000,000</u>
Total Bonds Payable			<u>\$14,099,656</u>

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 7— LONG TERM DEBT (Continued)

General Obligation Bonds are backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year 2001 were \$887,193, which results in a legal annual debt service at June 30, 2002 of \$798,474.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

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

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds				
1993A	FY 2003	\$ 205,000	\$ 70,660	\$ 275,660
	FY 2004	210,000	60,820	270,820
	FY 2005	225,000	50,530	275,530
	FY 2006	240,000	39,280	279,280
	FY 2007	255,000	27,040	282,040
	FY 2008	<u>265,000</u>	<u>13,780</u>	<u>278,780</u>
Total Series 1993A Bonds		<u>\$1,400,000</u>	<u>\$ 262,110</u>	<u>\$1,662,110</u>
2001A2	FY 2003	\$ 115,000	\$ 163,023	\$ 278,023
	FY 2004	120,000	158,029	278,029
	FY 2005	125,000	152,823	277,823
	FY 2006	135,000	147,298	282,298
	FY 2007	145,000	141,348	286,348
	FY 2008-2012	825,000	607,077	1,432,077
	FY 2013-2017	1,080,000	399,054	1,479,054
	FY 2018-2021	<u>1,100,000</u>	<u>111,494</u>	<u>1,211,494</u>
Total Series 2001A2 Bonds		<u>\$3,645,000</u>	<u>\$1,880,146</u>	<u>\$5,525,146</u>
2001B5	FY 2003	\$ 50,000	\$ 61,073	\$ 111,073
	FY 2004	40,000	58,598	98,598
	FY 2005	40,000	56,398	96,398
	FY 2006	45,000	54,060	99,060
	FY 2007	45,000	51,585	96,585
	FY 2008-2012	270,000	232,139	502,139
	FY 2013-2017	335,000	150,800	485,800
	FY 2018-2022	<u>425,000</u>	<u>56,244</u>	<u>481,244</u>
Total Series 2001B5 Bonds		<u>\$1,250,000</u>	<u>\$ 720,897</u>	<u>\$1,970,897</u>

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 7— LONG TERM DEBT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Athletic Facilities Revenue Bonds			
2001A5 FY 2003	\$ 120,000	\$ 104,652	\$ 224,652
FY 2004	120,000	99,144	219,144
FY 2005	120,000	93,636	213,636
FY 2006	120,000	88,128	208,128
FY 2007	120,000	82,620	202,620
FY 2008-2012	600,000	330,480	930,480
FY 2013-2017	600,000	192,780	792,780
FY 2018-2021	<u>480,000</u>	<u>55,080</u>	<u>535,080</u>
Total Series 2001A5 Bonds	<u>\$2,280,000</u>	<u>\$ 1,046,520</u>	<u>\$3,326,520</u>
Auxiliary Facilities Revenue Bonds			
1997 FY 2003	\$ 60,867	\$ 27,877	\$ 88,744
FY 2004	64,243	24,503	88,746
FY 2005	67,805	20,941	88,746
FY 2006	71,564	17,181	88,745
FY 2007	75,533	13,213	88,746
FY 2008-2010	<u>184,644</u>	<u>14,199</u>	<u>198,843</u>
Total Series 1997 Bonds	<u>\$ 524,656</u>	<u>\$ 117,914</u>	<u>\$ 642,570</u>
Higher Education Facilities Revenue Bonds			
2002B5 FY 2003	\$ 340,000	\$ 209,917	\$ 549,917
FY 2004	335,000	213,428	548,428
FY 2005	350,000	198,085	548,085
FY 2006	365,000	182,055	547,055
FY 2007	385,000	165,338	550,338
FY 2008-2012	2,200,000	546,165	2,746,165
FY 2013-2014	<u>1,025,000</u>	<u>70,990</u>	<u>1,095,990</u>
Total Series 2002B5 Bonds	<u>\$5,000,000</u>	<u>\$1,585,978</u>	<u>\$6,585,978</u>

On December 18, 2001, Winthrop University issued \$1,250,000 in General Obligation Bonds Series 2001B2 with an average interest rate of 4.97 percent. The proceeds were used for the completion of the Sims Life Sciences Building.

On May 1, 2002, Winthrop University issued \$5,000,000 in Higher Education Revenue Bonds Series 2002 B5 with an average interest rate of 4.58 percent. The proceeds from these Higher Education Revenue Bonds were to provide for renovation, retrofitting, and reconstruction of certain student housing facilities.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 7— LONG TERM DEBT (Continued)

Notes Payable

Notes payable consists of the following at June 30, 2002:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
State of South Carolina Note (Athletic Facilities) Series 1981	6.0%	06/30/11	<u>\$ 824,158</u>
Total Notes Payable			<u><u>\$ 824,158</u></u>

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

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

The athletic facilities note is payable in semiannual and annual installments, respectively, plus interest. Amounts, including interest required to complete payment of the note obligations as of June 30, 2002, are as follows:

Athletic Facilities Notes Payable

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY 2003	\$ 71,454	\$ 48,394	\$ 119,848
FY 2004	75,805	44,042	119,847
FY 2005	80,421	39,425	119,846
FY 2006	85,319	34,528	119,847
FY 2007	90,515	29,332	119,847
FY 2008-2011	420,644	58,743	479,387
Total	<u><u>\$ 824,158</u></u>	<u><u>\$ 254,464</u></u>	<u><u>\$ 1,078,622</u></u>

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 7— LONG TERM DEBT (Continued)

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2002, the University had bank notes payable outstanding as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Note Dated June 1, 1998	5.11%	June 1, 2005	\$ 424,266
Note Dated June 1, 1998	5.11%	June 1, 2005	334,556
Note Dated December 13, 2000	4.23%	April 1, 2003	75,517
Note Dated December 13, 2000	4.79%	April 1, 2006	88,910
Total			<u>\$ 923,249</u>

The University financed capital acquisitions through two separate borrowings from the State Treasurer's Master Lease Program. The University originally borrowed \$226,134 to finance the purchase of 200 desktop computers (net carrying value is zero since the computers did not meet the University's capitalization criteria for equipment) and \$109,103 (net carrying value of \$79,604) to purchase of 6 campus police cars. The outstanding balances at June 30, 2002 were \$75,517 and \$88,910, respectively. The notes are collateralized by the desktop computers and police cars. The notes require the University to pay all insurance, property taxes, if any, and to maintain the equipment in good working order.

Proceeds from the original master lease notes of \$899,850 and \$709,500, with outstanding balances at June 30, 2002 of \$424,265 and \$334,555, respectively, were used to acquire campus-wide telephone equipment and voice and data cabling equipment, respectively. The notes are collateralized by the respective equipment.

The notes are payable in annual installments plus interest. Amounts, including those required to complete payment of the bank note obligations as of June 30, 2002, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2003	\$ 336,937	\$ 45,104	\$ 382,041
FY 2004	274,520	29,124	303,644
FY 2005	288,280	15,364	303,644
FY 2006	23,512	912	24,424
Total Obligations	<u>\$ 923,249</u>	<u>\$ 90,504</u>	<u>\$ 1,013,753</u>

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 8—LEASE OBLIGATIONS

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2002 were as follows:

<u>Year Ending June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
FY 2003	\$ 45,000	\$ 33,344
FY 2004	7,200	18,508
FY 2005	7,200	10,996
FY 2006	-	8,400
Total Lease Payments	59,400	<u>\$ 71,248</u>
Less: Interest	(5,009)	
Total Present Value of Lease Payments	<u>\$ 54,391</u>	

Capital Leases

Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The original cost of assets held under capital leases was \$193,109, accumulated depreciation is \$47,392, with a net carrying value of \$145,717 as of June 30, 2002.

Operating Leases

The University's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier equipment were \$182,560 for fiscal year 2002, of which \$69,613 represented contingent rental payments.

NOTE 9—PENSION PLAN(S)

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

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

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 9—PENSION PLAN(S) (Continued)

South Carolina Retirement System

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

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 10.55 percent that included a 2.85 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2002, 2001 and 2000 were \$1,315,260, \$1,492,191, and \$1,557,086, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$26,131 in the current fiscal year at the rate of .15 percent of compensation.

SOURCE: Winthrop University's Statement of Retirement Expense – Fiscal Year 2002 filed in the Payroll Office.

Police Officers Retirement System

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 13.55 percent which, as for the SCRS, included the 2.85 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2002, 2001, and 2000, were \$42,735, \$40,086, and \$36,145, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$830 and accidental death insurance contributions of \$830 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 9—PENSION PLAN(S) (Continued)

Optional Retirement Program (Continued)

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 2.85 percent from the employer in fiscal year 2002.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$649,158 (excluding the surcharge) from the University as employer and \$515,385 from its employees as plan members.

Deferred Compensation Plans

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

Teacher and Employee Retention Incentive

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

NOTE 10—POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 10—POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (Continued)

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

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,354,441 for the year ended June 30, 2002. As discussed in Note 6, the University paid \$818,736 applicable to the 2.85 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

NOTE 11—CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

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

The University had outstanding commitments under construction contracts of approximately \$3,106,925 at June 30, 2002. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$7,634,900 of authorized state capital improvement bond proceeds available to draw at June 30, 2002.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 12 – RELATED PARTIES

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

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

Following is a more detailed discussion of each of these entities and a summary of significant transactions between these entities and the University for the year ended June 30, 2002.

The Winthrop University Foundation

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. Its Board of Directors governs the Foundation's activities.

The University recorded non-governmental gifts receipts of \$1,051,604 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2002. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Related party receivables as of June 30, 2002 are \$268,927 due from the Foundation.

NOTE 13 – DONOR RESTRICTED ENDOWMENTS

At June 30, 2002 the University held \$474,856 in permanent endowed and \$238,733 in quasi endowed funds. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowment was established. At June 30, 2002, the income available to be spent is \$89,714, of which \$64,431 is restricted to specific purposes.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 14 – RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 15—ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

All State agencies and institutions were required to adopt a capitalization limit of \$5,000 for movable personal property (including library materials) and \$100,000 for depreciable land improvements, buildings and improvements, and intangible assets, as of July 1, 2001. As a result of the change in asset capitalization policy, the University removed capitalized assets on hand at July 1, 2001, which did not meet the new capitalization levels.

As a result of the adoption of GASB Statements No. 34 and 35, as discussed in Note 1, the University was also required to make certain changes in accounting principles, specifically adoption of depreciation on capital assets.

WINTHROP UNIVERSITY
Notes To Financial Statements
June 30, 2002

NOTE 15—ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS (Continued)

The University corrected errors involving the application of accounting principles. In previous years, revenues from certain summer terms were recorded within the fiscal year in which the term was predominantly conducted. For certain summer 2001 and 2002 terms, the revenue was prorated between fiscal years. Additionally, in previous years revenues from state capital improvement bonds were recognized when the bonds were authorized by the legislature. Because the University is entitled to seek reimbursement for construction costs only to the extent of expenses incurred for the approved capital projects, certain capital improvement bond proceeds revenue previously recognized had not been earned at June 30, 2001.

The University has restated its beginning net assets as of July 1, 2001, for the above accounting changes and error corrections, which are disclosed in the following schedule.

Net Assets, June 30, 2001, As Previously Reported	\$ 115,126,869
Restatement Adjustments:	
Change in Capitalization Levels	(10,755,764)
Accumulated Depreciation of Capital Assets	(33,644,287)
2001 Summer Semester Revenues Not Recognized in 2001	197,411
Recognition of Perkins Loan Fund Liability (See Note 4)	(2,327,226)
Capital Improvement Bond Proceeds Revenue	(8,734,388)
	<hr/>
Net Assets June 30, 2001, As Restated	<u><u>\$ 59,862,615</u></u>

NOTE 16—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2002 are summarized as follows:

Instruction	\$ 23,117,655
Research	346,101
Public Service	4,346,098
Academic Support	5,627,334
Student Services	6,756,619
Institutional Support	5,363,641
Operation and Maintenance of Plant	7,780,017
Scholarships and Fellowships	3,749,060
Auxiliary Enterprises	11,026,343
Depreciation	3,073,521
	<hr/>
Total Operating Expenses	<u><u>\$ 71,186,389</u></u>

NOTE 17— SUBSEQUENT EVENT

Subsequent to year end, a party related to the University became obligated for approximately \$18 million to construct a residence hall facility adjacent to the University's campus. The obligation is to be secured by the first mortgage on the building and real estate. The facility is scheduled to be opened in the spring of 2003 and the University will manage the housing for the owner and add to residential space available for students.

OTHER FINANCIAL INFORMATION

WINTHROP UNIVERSITY
SCHEDULE OF INFORMATION ON BUSINESS-TYPE
ACTIVITIES REQUIRED FOR THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES IN THE STATE CAFR
YEAR ENDED JUNE 30, 2002

Charges for Services	\$ 32,174,460
Operating Grants and Contributions	12,523,351
Less: Expenses	<u>(71,785,076)</u>
Net Program Revenue (Expense)	<u>(27,087,265)</u>
<u>Transfers</u>	
State Appropriations	24,850,242
Capital Improvement Bond Transfer In	1,167,100
Transfer Out to State for Indirect Cost	<u>(35,377)</u>
Total Transfers	<u>25,981,965</u>
Increase (Decrease) in Net Assets	(1,105,300)
Net Assets – Beginning of Year, as Restated (Note 15)	<u>59,862,615</u>
Net Assets – End of Year	<u><u>\$ 58,757,315</u></u>

WINTHROP UNIVERSITY
SCHEDULE RECONCILING STATE APPROPRIATION PER THE FINANCIAL
STATEMENTS TO STATE APPROPRIATION RECORDED IN STATE ACCOUNTING
RECORDS
YEAR ENDED JUNE 30, 2002

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as non-operating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2001-2002 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2002:

Non-Capital Appropriations

Non-Capital Appropriations per 2001-2002 Appropriations Act	\$ 25,296,983
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State Budget and Control Board Allocations:

Employee Base Pay Increases and Related Employee Benefits	755,690
State Budget and Control Board Approved 4% Mid Year Appropriation Reduction	(1,042,107)
State Budget and Control Board Approved 2.62% Mid Year Appropriation Reduction	(630,267)
State Academic Endowment Incentive Match	377,607
Appropriation Allocations from the State Commission on Higher Education Performance Funding	97,109
Revised Non-Capital Appropriations – Legal Basis	24,855,015
Accrued Funding for Net Payroll Adjustments	(4,773)
Total Non-Capital Appropriations Revenue – Accrual Basis	\$ 24,850,242

Capital Appropriations

Capital Improvement Bond Proceeds Drawn 2001-2002	\$ 1,120,227
Plus Capital Improvement Bond Proceeds Receivable Expended 2001-2002 Not Drawn	67,612
Less Capital Improvement Bonds Drawn in 2001-2002 Expended 2000-2001	(20,739)
Total Capital Appropriations Revenue – Accrual Basis	\$ 1,167,100

**SUPPLEMENTARY
FEDERAL FINANCIAL ASSISTANCE REPORTS**

WINTHROP UNIVERSITY
SCHEDULE EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

Program/Grant Title	CFDA Number	Grant or Contract Number	Expenditures
U.S. Department of Agriculture			
Cooperative State Research, Education and Extension Service <i>Differential Gene Expression in CMS and Fertility Restored Lycopersicon Hybrids</i>	10.206	2001-35311	24,210
Total CFDA 10.206			<u>\$ 24,210</u>
State Administrative Matching Grants for Food Stamp Programs <i>Comparison of Effectiveness and Method of Nutrition Intervention Instruction; Provided by the South Carolina Extension Service for Food Stamp Recipients; Passed through Clemson University</i>	10.561	54570342	8,845
Total CFDA 10.561			<u>\$ 8,845</u>
National Endowment for the Arts			
Promotion of the Arts, Grants to organizations and individuals <i>Arts in Basic Curriculum Outreach program</i>	45.024	0051008031	46,844
Total CFDA 45.149			<u>\$ 46,844</u>
National Endowment for the Humanities			
Promotion of the Humanities-Division of Preservation and Access <i>Preservation Training</i>	45.149	PA2402001	3,560
Total CFDA 45.149			<u>\$ 3,560</u>
National Science Foundation			
Education and Human Resources <i>Teachers Education Research center – North Central Math and Science HUB, BY2000/01; Passed through Rock Hill School District</i>	47.076	01GT091	8,455
<i>National Science Foundation, State Systemic Initiative; North Central Math & Science HUB, Passed through the Rock h-Hill School District</i>	47.076	00GA091	16,830
<i>National Science Foundation – Measuring Success</i>	47.076	02GA091-02	3,361
Total CFDA 47-076			<u>\$ 28,646</u>
Small Business Administration			
Passed through University of South Carolina <i>Small Business Development Center, FY2000</i>	59.037	26030014322	166,965
<i>Small Business Development Center, FY2001</i>	59.037	17620004321	143,774
Total CFDA 59.037			<u>\$ 310,739</u>

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WINTHROP UNIVERSITY
SCHEDULE EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2002

Program/Grant Title	CFDA Number	Grant or Contract Number	Expenditures
Department of Education			
Federal Supplemental Educational Opportunity Grants			
<i>Supplemental Educational Opportunity Grants FY2002</i>	84.007	P007A01831	222,442
Total CFDA 84.007			<u>\$ 222,442</u>
Special Educational Grants to States			
<i>Teaching Pre-School Children with Disabilities: Characteristics of Disabilities & Implications for Learning; Passed through SC Dept of Educations</i>	84.027	00CF3092	13,226
Total CFDA 84.027			<u>\$ 13,226</u>
Federal Work-Study Program			
<i>Federal Work-Study Program, FY2001</i>	84.033	PO33A003816	256,039
Total CFDA 84.027			<u>\$ 256,039</u>
Federal Pell Grant Program			
<i>Pell Grant, FY2001</i>	84.063	P063P001557	13,294
<i>Pell Grant, FY2002</i>	84.063	P063P01155	3,273,319
Total CFDA 84.027			<u>\$ 3,286,613</u>
Federal Direct Loan			
<i>Direct Loan</i>	84.268		14,030,000
<i>Direct Loan</i>	84.268		216,382
Total CFDA 84.268			<u>\$ 14,246,382</u>
Eisenhower Professional Development State Grants			
<i>Implementing the SC Science Standards: A Systematic Approach</i>	84.281		14,509
<i>Pell Grant, FY2002</i>	84.281	0051008031	30,431
Total CFDA 84.281			<u>\$ 44,940</u>
Teacher Quality Enhancement Grants			
<i>Clinical Experience Partnerships, Passed through the University of South Carolina</i>	84.336	P336B990061	190,082
<i>Governor's School for Excellence in Teaching, Passed through the SC Department of Education</i>	84.336	00F1309	49,539
<i>Governor's School for Mat, Passed through the SC Department of Education</i>	84.336	R18441	706
<i>Cognitive Coaching Workshop; Passed through SC Department of Education</i>	84.336	01F130904	12,512
<i>Mentoring Workshops for Alternative Certified and International Teachers</i>	84.336	02F130905	3,554
<i>Professional Development Schools; Standards Assessments</i>	84.336	01F130902	49,202
Total CFDA 84.336			<u>\$ 305,595</u>

WINTHROP UNIVERSITY
SCHEDULE EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2002

Program/Grant Title	CFDA Number	Grant or Contract Number	Expenditures
Department of Education (Continued)			
Preparing Tomorrow's Teachers To Use Technology			
Technology Learning Center	84.342	P342A9903941	173,984
Total CFDA 84.342			<u>\$ 173,984</u>
National Writing Project			
Winthrop Writing Project	84.928	92SC04	41,994
Total CFDA 84.928			<u>\$ 41,994</u>
National Institute of Health, Department of Health and Human Services			
Cancer Research Manpower			
EPSCOR/BRIN/Parker	93.398	1P20RR1	5,609
Total CFDA 93.398			<u>\$ 5,609</u>
Department Of Health And Human Services			
Child Welfare Services Grant			
Child Welfare Partnership, Passed through the SC Department of Social Services	93.645	C10023S	(307)
Total CFDA 93.645			<u>\$ (307)</u>
Social Service Block Grant			
Hispanic/Latino Summit	93.667	2002-04	1,300
Total CFDA93.667			<u>\$ 1,300</u>
Corporation for National and Community Service			
AmeriCorps; Empowerment through Literacy, Passed through the SC Commission on National & Community Service	93.006	01FT309	112,685
Total CFDA 93.006			<u>\$ 112,685</u>
United States Agency for International Development			
Training in the Management of a Business Advisory and Training Center, Passed through the Partners for International Education and Training	-	-	292
Total CFDA			<u>\$ 292</u>
Total Expenditures of Federal Awards			<u><u>\$ 19,133,638</u></u>

ROBERT E. MILHOUS, C. P. A., P. A.

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Mr. Thomas L. Wagner, Jr., CPA
State Auditor, State of South Carolina
and
Board of Trustees
Winthrop University
Rock Hill, South Carolina

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

I have audited the basic financial statements of Winthrop University (the "University") as of and for the year then ended June 30, 2002, and have issued my report thereon dated September 6, 2002. I conducted my audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

— CONTINUED —

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

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

A handwritten signature in black ink, reading "Robert A. McMillan, CPA, P.A." The signature is fluid and cursive, with the first name "Robert" being the most prominent.

September 6, 2002
Columbia, South Carolina

ROBERT E. MILHOUS, C. P. A., P. A.

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Mr. Thomas L. Wagner, Jr., CPA
State Auditor, State of South Carolina
and
Board of Trustees
Winthrop University
Rock Hill, South Carolina

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

Compliance

I have audited the compliance of Winthrop University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the University's management. My responsibility is to express an opinion on the University's compliance based on my audit.

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

In my opinion, the University complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

— CONTINUED —

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

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



State Auditor, CPA, P.A.

September 6, 2002
Columbia, South Carolina

WINTHROP UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

Part I— Summary of Auditor's Results

Financial Statements:

I have issued an unqualified opinion dated September 6, 2002 on the basic financial statements of the Winthrop University, (the "University").

Internal control over financial reporting:

- | | |
|---|----|
| • Material weakness identified? | No |
| • Reportable conditions identified that are not considered to be material weaknesses? | No |
| • Noncompliance material to financial statements noted | No |

Federal Awards:

I have issued an unqualified opinion dated September 6, 2002 on the compliance for major programs.

Internal control over major programs:

- | | |
|--|----|
| • Material weakness identified? | No |
| • Reportable conditions identified that are not considered to be material weaknesses? | No |
| • Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |

Identification of Major Programs:

CFDA #84.268 – Direct Loan Program
CFDA #84.063 – Pell Grants
CFDA #59.037 – Small Business Development Center

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Part II — Financial Statement Findings

Not applicable.

Part III — Federal Award Findings and Questioned Costs

Prior Year Comments:

No other matters came to our attention that require a repeat of prior year findings.