

WINTHROP UNIVERSITY

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2008**

WINTHROP UNIVERSITY

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FINANCIAL INFORMATION

Independent Auditors' Report

To the Honorable Mark Sanford
Governor of the State of South Carolina
and the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

We have audited the accompanying financial statements of Winthrop University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University, as of June 30, 2008, and the results of its operations and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2008 on our consideration of Winthrop University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in blue ink, reading "Clint Brantley, CPA". The signature is written in a cursive style with a horizontal line extending from the end.

September 18, 2008



**WINTHROP UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

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, 2008. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35.

Introduction

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

Winthrop University of the 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 6,500 students and will remain a medium-sized comprehensive teaching university for the foreseeable future. The University recruits South Carolina's best students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on the college campus.

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

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

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

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and 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, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of the University's unrestricted net assets have been designated for various academic initiatives or future capital commitments.

CONDENSED STATEMENT OF NET ASSETS

	2008	2007	Increase/ (Decrease)
ASSETS			
Current Assets	\$ 28,792,519	\$ 27,348,046	\$ 1,444,473
Capital Assets, Net of Accumulated Depreciation	113,838,963	101,653,010	12,185,953
Other Noncurrent Assets	22,369,927	8,076,466	14,293,461
Total Assets	165,001,409	137,077,522	27,923,887
LIABILITIES			
Current Liabilities	17,855,396	13,929,043	3,926,353
Noncurrent Liabilities	63,373,350	46,993,533	16,379,817
Total Liabilities	81,228,746	60,922,576	20,306,170
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	60,633,933	55,432,811	5,201,122
Restricted for Nonexpendable	488,111	486,373	1,738
Restricted for Expendable	2,242,984	3,380,067	(1,137,083)
Unrestricted	20,407,635	16,855,695	3,551,940
Total Net Assets	\$ 83,772,663	\$ 76,154,946	\$ 7,617,717

- Capital Assets increased by \$12,185,953. This increase resulted from the construction completion and capitalization of the Lois Rhame West Health, Physical Education and Wellness Center (West Center) and the Owens Hall classroom building. In 2007, these buildings were partially complete and capitalized in Construction in Progress. Both buildings were completed and opened for occupancy in Fall 2007.
- Other Noncurrent Assets increased by \$14,293,461. This increase was primarily a result of Institutional Bond proceeds on hand at year end not yet expended for the construction of the DiGiorgio Center and Carroll Hall.
- Noncurrent liabilities increased by \$16.4 million. This increase primarily resulted from the current year institutional bond issue for the construction of the DiGiorgio Center and Carroll Hall as well as the Master Lease Plan note for the purchase of administrative computing hardware and software.
- Total net assets increased by \$7,617,717 which was largely attributable to the increase in Invested in Capital Assets, Net of Related Debt again resulting from the construction completion of the Lois Rhame West Health, Physical Education and Wellness Center and Owens Hall.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2008

	2008	2007	Increase/ Decrease
Operating Revenue	\$ 76,614,952	\$ 71,438,779	\$ 5,176,173
Operating Expenses	103,632,363	91,992,570	11,639,793
Operating Loss	(27,017,411)	(20,553,791)	(6,463,620)
Nonoperating Revenues and Expenses	28,007,640	28,387,453	(379,813)
Gain before Other Revenues, Expenses, Gains, or Losses	990,229	7,833,662	(6,843,433)
Other Revenues, Expenses, Gains, or Losses	6,627,488	1,623,035	5,004,453
Increase in Net Assets	\$ 7,617,717	\$ 9,456,697	\$ (1,838,980)
Net Assets – Beginning of Year	\$ 76,154,946	\$ 66,698,249	\$ 9,456,697
Increase in Net Assets	7,617,717	9,456,697	(1,838,980)
Net Assets – End of Year	\$ 83,772,663	\$ 76,154,946	\$ 7,617,717

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

- Operating Revenues increased by \$5,176,173. This increase is primarily attributable to an increase of over \$3.85 million in academic, room and board fee revenue resulting from the fee increase approved by the University's Board of Trustees in June 2007. This tuition and fee increase was approved to support the Quality Initiative Plan passed by the Board of Trustees in February 2002. This plan required that dedicated revenue streams be identified for the enhancement of faculty salaries, facilities and technology. In addition, Contract and Grant revenue increased by just over \$1.1 million as a result of additional federal grants (approximately \$500,000), \$200,000 in federal financial aid, and an additional \$400,000 in state and private grants.
- Operating Expenses increased by \$11.6 million. Of this amount, faculty and staff salary and benefit expenses increased by over \$4.4 million resulting from the 2008 State of South Carolina mandated salary (3%) and related benefit increase, retirement benefit costs increase (1.5%), as well as the federally mandated minimum wage increase. In addition, services and supplies expenses increased by just over \$5 million primarily because of additional deferred maintenance work and the renovation work that continues on the Tillman Hall project, as well as non-capitalized expenses related to the opening and operation of the two new buildings, Owens and West Center. Operating expenses also increased by \$1.2 million in annual depreciation expenses, again related to the two new buildings placed in use in 2008. And finally, operating costs were affected by increased utilities costs of nearly \$500,000.
- Other Revenues increased by \$5 million as a result of the recognition of the Capital Appropriations received from the State of South Carolina General Assembly for the Tillman Hall renovation project.

Capital Asset and Debt Activity

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

On May 10, 2007, Winthrop University entered into an agreement with the University's food service vendor to renovate an existing dining hall and install food service equipment. The food service vendor expended \$1,499,941. The University has agreed to repay the vendor over a period of ten years by means of a supplemental charge to the board plan rates.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution through the State of South Carolina's Master Lease Program at an interest rate of 3.665 percent. The proceeds are being used for the purchase of administrative computing hardware and software. The University began the administrative computing systems conversion in 2008 and expects the systems implementation work to continue through fiscal year 2011.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. A portion of these proceeds (\$8.5M) is being used for the construction of the DiGiorgio Campus Center, a new student center adjacent to the Lois Rhame West Physical Education and Wellness Center. The DiGiorgio Campus Center will consist of offices, a food court, a bookstore, a multi-purpose and conference area, student activities area and a covered patio as a connector to other campus facilities, providing access to the entire campus community. The University expects to issue an additional \$13.8M in institutional bonds and \$6.6 M in revenue bonds in fiscal year 2009 to complete the construction of the DiGiorgio Center. The remaining portion of the General Obligation Bonds Series 2008B proceeds (\$5.5M) are being used to construct a new auditorium to be used primarily by the College of Business as a learning center.

Economic Outlook

As a public institution, the University economic outlook is directly affected by the State of South Carolina economic position. As projections in state revenues continued to decline in 2008, the University received \$735,574 fewer dollars in state recurring appropriations to begin fiscal year 2009. Subsequent to the beginning of the 2009 fiscal year, the University received an additional appropriation reduction in the amount of \$689,194. With fewer state appropriated dollars, rising fuel costs, as well of other increased costs for goods and services, the University's management continues to monitor factors and adjust budget projections accordingly to ensure the University's overall financial position remains sound.



J. P. McKee
Vice President for Finance and Business



Amanda Maghsoud
Associate Vice President for Finance and Business

WINTHROP UNIVERSITY

Statement of Net Assets

June 30, 2008

ASSETS**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 22,088,396
Accounts Receivable, Net	5,864,002
Inventories	389,096
Accrued Interest Receivable	129,430
Prepayments	321,595
	<hr/>
Total Current Assets	28,792,519

NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	18,770,346
Endowment	907,600
Perkins Loans Receivable, Net	2,691,981
Capital Assets, Net	113,838,963
	<hr/>
Total Noncurrent Assets	136,208,890
	<hr/>
Total Assets	165,001,409

LIABILITIES**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	10,312,140
Deferred Revenue	1,126,810
Current Portion of Long Term Debt	4,534,953
Current Portion of Compensated Absences	1,881,493
	<hr/>
Total Current Liabilities	17,855,396

NONCURRENT LIABILITIES

Compensated Absences	943,300
Perkins Loan Federal Liability	2,389,907
Bond Premium on Long Term Debt	266,294
Long Term Debt	59,773,849
	<hr/>
Total Noncurrent Liabilities	63,373,350
	<hr/>
Total Liabilities	81,228,746

NET ASSETS

Invested in Capital Assets, Net of Related Debt	60,633,933
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	488,111
Expendable:	
Scholarships and Fellowships	188,741
Grants	911,034
Loans	320,797
Debt Service	822,412
Unrestricted	20,407,635
	<hr/>
Total Net Assets	\$ 83,772,663

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

REVENUES

OPERATING REVENUES

Student Tuition and Fees (of which \$488,544 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5) (Net of Scholarship Discounts and Allowances of \$20,104,361)	\$ 38,078,836
Grants and Contracts	21,269,053
Sales and Services of Educational Activities	2,329,075
Sales and Services of Athletic Activities	1,387,979
Sales and Services of Auxiliary Enterprise Activities (of which \$2,767,969 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	12,396,465
Other Fees	865,810
Other Operating Revenues	<u>287,734</u>
Total Operating Revenues	<u>76,614,952</u>

EXPENSES

Personnel Costs	48,895,498
Fringe Benefits	13,017,675
Service and Supplies	28,009,529
Utilities	3,312,591
Scholarships and Fellowships	5,442,593
Depreciation	<u>4,954,477</u>
Total Operating Expenses	<u>103,632,363</u>
Operating Loss	<u>(27,017,411)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	25,619,899
Grants and Contracts	31,270
Gifts	1,901,033
Interest Income	1,416,866
Interest Expense	(1,771,738)
Other Nonoperating Revenues	<u>810,310</u>
Net Nonoperating Revenues	<u>28,007,640</u>
Gain Before Other Revenues, Expenses, Gains or Losses	990,229
Capital Appropriations	<u>6,627,488</u>
Increase in Net Assets	7,617,717

NET ASSETS

Net Assets - Beginning of Year	<u>76,154,946</u>
Net Assets - End of Year	<u><u>\$ 83,772,663</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 38,195,695
Grants and Contracts	20,881,201
Sales and Services of Educational Activities	2,864,176
Sales and Services of Athletic Activities	1,403,018
Sales and Services of Auxiliary Enterprise Activities	12,391,240
Other Fees	865,810
Collection of Loans	390,357
Receipts of Funds Held for Others	3,453,702
Inflows from Federal Direct Lending Loans to Students	23,173,477
Other Receipts	287,735

CASH PAID FOR

Personnel Costs	(47,662,366)
Fringe Benefits	(12,332,972)
Service and Supplies	(27,338,610)
Utilities	(3,464,340)
Students	(5,438,880)
Loans to Students	(569,072)
Payments of Funds Held for Others	(3,490,760)
Outflows from Federal Direct Lending Loans to Students	(23,160,715)
Net Cash Used by Operating Activities	<u>(19,551,304)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	25,725,324
Gifts and Grants	2,351,244
Commissions	599,048
Other Sources	355,352
Proceeds from Debt	-
Net Cash Provided by Noncapital Financing Activities	<u>29,030,968</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	21,139,249
Capital Appropriations	6,687,725
Purchases of Capital Assets	(17,176,482)
Principal Paid on Capital Debt and Lease	(3,273,335)
Interest and Fees	(1,783,944)
Net Cash Provided by Capital and Related Financing Activities	<u>5,593,213</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	1,464,713
Net Cash Provided by Investing Activities	<u>1,464,713</u>
Net Change in Cash and Cash Equivalents	16,537,590
Cash and Cash Equivalents - Beginning of Year	<u>25,228,752</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 41,766,342</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2008

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

Operating Loss	\$ (27,017,411)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	4,954,477
Change in Assets and Liabilities:	
Accounts Receivable, Net	19,657
Inventories	(16,083)
Prepayments	141,877
Accounts Payable and Accrued Liabilities	311,016
Accrued Salaries and Related Expenses	1,876,757
Deferred Revenue	137,328
Compensated Absences	41,078
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (19,551,304)</u></u>

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

Cash and Cash Equivalents Classified as Current	\$ 22,088,396
Cash and Cash Equivalents Classified as Noncurrent Restricted	18,770,346
Cash and Cash Equivalents Classified as Noncurrent Endowment	907,600
	<hr/>
	<u><u>\$ 41,766,342</u></u>

Non-Cash Transactions:

Acquisition of capital assets through donations	\$ -
Disposal of capital assets	(36,051)
	<hr/>
	<u><u>\$ (36,051)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007
(With comparative information for December 31, 2006)

	Unrestricted Fund	Restricted Funds	Endowment Funds	Split- Interest Agreements	Agency Funds	December 31, 2007 Total All Funds	December 31, 2006 Total All Funds
Assets							
Assets:							
Cash and Equivalents	\$ 31,066	268,492	1,448,115	30,164	11,837	\$ 1,789,674	\$ 2,305,635
Accrued Interest and Dividends	1,959	16,934	91,332	15,683	747	126,655	130,072
Contributions Receivable	107,126	36,470	133,888	1,232,468	-	1,509,952	1,594,779
Pooled Investments, at Fair Value	529,254	4,574,156	24,670,746	188,926	201,667	30,164,749	28,372,973
Investments, at Fair Value	-	-	-	1,421,474	-	1,421,474	1,459,185
Beneficial Interest in Perpetual Trust	-	-	-	471,633	-	471,633	480,084
Cash Value of Life Insurance	63,699	16,134	85,876	-	-	165,709	166,046
Office Furniture & Equipment, at Cost							
Net of Depreciation of \$92,780	29,336	-	-	-	-	29,336	37,616
Total Assets	762,440	4,912,186	26,429,957	3,360,348	214,251	35,679,182	34,546,390
Liabilities and Net Assets							
Liabilities:							
Accounts Payable	306,943	75,096	-	-	-	382,039	136,288
Actuarial Liability of Annuities Payable	-	-	-	596,148	-	596,148	525,814
Agency Funds	-	-	-	-	214,251	214,251	175,785
Total Liabilities	306,943	75,096	-	596,148	214,251	1,192,438	837,887
Net Assets:							
Unrestricted	455,497	-	-	-	-	455,497	627,670
Temporarily Restricted	-	4,837,090	3,805,979	-	-	8,643,069	9,058,593
Permanently Restricted	-	-	22,623,978	2,764,200	-	25,388,178	24,022,240
Total Net Assets	455,497	4,837,090	26,429,957	2,764,200	-	34,486,744	33,708,503
	\$ 762,440	4,912,186	26,429,957	3,360,348	214,251	\$ 35,679,182	\$ 34,546,390

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

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
(With comparative information for the year ended December 31, 2006)

	Temporarily Restricted Net Assets				Permanently Restricted Net Assets			Year Ended December 31, 2007	Year Ended December 31, 2006
	Unrestricted Net Assets	Restricted Funds	Endowment Funds	Total	Endowment Funds	Split- Interest Agreements	Total	Total All Funds	Total All Funds
Revenues, Gains and Other Support:									
Contributions	\$ 565,509	1,667,814	-	1,667,814	1,048,413	106,113	1,154,526	\$ 3,387,849	\$ 3,067,438
Investment Earnings	817,684	132,740	-	132,740	1,487,373	(8,451)	1,478,922	2,429,346	3,427,474
Increase (Decrease) in Cash Surrender Value	2,650	(6,083)	-	(6,083)	(1,322)	-	(1,322)	(4,755)	25,932
Provision for Uncollectible Pledges	(22,251)	(5,079)	-	(5,079)	29,794	-	29,794	2,464	(135,185)
Change in Value of Split-Interest Trusts	-	-	-	-	-	145,031	145,031	145,031	143,020
	<u>1,363,592</u>	<u>1,789,392</u>	<u>-</u>	<u>1,789,392</u>	<u>2,564,258</u>	<u>242,693</u>	<u>2,806,951</u>	<u>5,959,935</u>	<u>6,528,679</u>
Net Assets Released From Restriction -	<u>3,691,469</u>	<u>(3,691,469)</u>	<u>-</u>	<u>(3,691,469)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Scholarships and Grants									
Expenses:									
Operating Expenses	482,011	-	-	-	-	-	-	482,011	359,747
Fundraising Expenses	500,890	-	-	-	-	-	-	500,890	424,933
Grants to Winthrop University	4,198,793	-	-	-	-	-	-	4,198,793	1,784,639
	<u>5,181,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,181,694</u>	<u>2,569,319</u>
Net Increase (Decrease) in Net Assets	<u>(45,540)</u>	<u>1,395,487</u>	<u>91,066</u>	<u>1,486,553</u>	<u>(1,401,061)</u>	<u>(39,952)</u>	<u>(1,441,013)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Period	627,670	5,343,680	3,714,913	9,058,593	21,460,781	2,561,459	24,022,240	33,708,503	29,749,143
Net Assets, End of Period	<u>\$ 455,497</u>	<u>4,837,090</u>	<u>3,805,979</u>	<u>8,643,069</u>	<u>22,623,978</u>	<u>2,764,200</u>	<u>25,388,178</u>	<u>\$ 34,486,744</u>	<u>\$ 33,708,503</u>

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

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

Assets

Current Assets:

Cash and Cash Equivalents

Unrestricted

\$ 17,450

Reserved

1,943,468

Total Cash

1,960,918

Accounts Receivable

95,729

Prepaid Expenses

3,760

Total Current Assets

2,060,407

Property and Equipment:

Property and Equipment, Net of Accumulated Depreciation

15,315,562

Other Assets:

Bond Closing Costs, Net of Amortization

399,419

Total Assets

\$ 17,775,388

Liabilities and Net Assets

Current Liabilities:

Accounts Payable

\$ 254,248

Short-Term Borrowings

236,968

Current Portion of Long-Term Debt

310,000

Total Current Liabilities

801,216

Long-Term Debt :

Bonds Payable

17,895,000

Notes Payable

4

Less Current Portion of Long Term Debt

(310,000)

Total Long-Term Debt

17,585,004

Total Liabilities

18,386,220

Net Assets

Unrestricted

(610,832)

Total Net Assets

(610,832)

Total Liabilities and Net Assets

\$ 17,775,388

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

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Operating Revenues and Other Support:	
Room Charges and Occupancy Fees	\$ 1,908,935
Cafeteria Fees and Vending Commissions	193,202
Contributions from Related Party	67,123
Rental Income from Winthrop University	24,100
Other Operating Revenues	<u>28,407</u>
Total Operating Revenues and Other Support	2,221,767
Operating Expenses	<u>1,283,393</u>
Net Operating Revenues and Support Over Expenses	<u>938,374</u>
Nonoperating (Revenues) and Expenses	
Interest Income	(92,041)
Letter of Credit Fees	232,710
Remarketing Fees	22,369
Interest Rate Swap Fees	63,186
Trustee Fees	8,081
Amortization Expense	16,303
Interest Expense	<u>685,887</u>
Net Nonoperating (Revenues) and Expenses	<u>936,495</u>
Net Increase (Decrease) in Net Assets	1,879
Net Assets, December 31, 2006	<u>(612,711)</u>
Net Assets, December 31, 2007	<u><u>\$ (610,832)</u></u>

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

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2007. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

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

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

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

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

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

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reporting Entity: Continued

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2007. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 17) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

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

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

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

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

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

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Prepayments: Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2008 but for which the goods or services would not be received until after July 1, 2008.

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

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

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

Deferred Charges: Deferred charges are typically associated with the issuance of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2008, 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 relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of deferred revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Assets.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Restricted net assets - 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.

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.

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

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

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

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

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

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

Component Units: See Note 17.

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

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

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

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 22,088,396
Cash and Cash Equivalents - Restricted	
Debt Service	1,619,183
Capital Project	16,471,964
Student Loan	563,331
Grants and Contracts	90,868
Other	25,000
Cash and Cash Equivalents - Endowment	907,600
Total	<u>\$ 41,766,342</u>
DEPOSITS:	
Cash on Hand	\$ 133,196
Deposits Held by State Treasurer	41,633,146
Other Deposits	-
Total	<u>\$ 41,766,342</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

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

Cash on Hand

At June 30, 2008, Winthrop University had approximately \$30,796 in an account with a Financial Institution for exclusive use by the Perkins Loan Program.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2008, Winthrop University had \$41,633,146 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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

Concentrations of Credit Risk - Non Governmental Discretely Presented Component Units

The Winthrop University Foundation

The Foundation's concentration of potential credit risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies adopted by its Board of Directors. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$630,629 at December 31, 2007. These deposits were all in a high credit quality institution.

Winthrop University Real Estate Foundation, Inc.

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$100,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount in excess of the federally insured limit at December 31, 2007 was \$1,849,915.

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

Winthrop University Real Estate Foundation, Inc.

The reserved cash represents monies on deposit within WUREF, LLC. These funds are provided by and/or are in connection with the issuance of bonds for the purposes of The Courtyard at Winthrop. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in connection with the bond issuance. The reserve accounts at December 31, 2007 are as follows:

Debt service reserve fund	\$ 1,355,432
Operating contingency restricted reserve	41,153
Operating contingency reserve	35,485
Bond reserve fund	49
Repair and replacement reserve fund	506,656
Other miscellaneous reserve funds	4,693
	<hr/>
	\$ 1,943,468
	<hr/>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

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

Investments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Investments at December 31, 2007 are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Government Bonds	\$ 4,055,217	4,134,128
REITS	290,759	258,785
Corporate Bonds	1,524,363	1,476,298
Foreign Bonds	119,350	120,555
Municipal Bonds	693,609	692,802
Common Stocks	17,829,648	19,214,053
Fixed Income Mutual Funds	2,963,214	3,192,330
Equity Mutual Funds	392,169	428,178
Hedge Fund	1,800,000	2,069,094
	<u>\$ 29,668,329</u>	<u>31,586,223</u>

Investment earnings for the year ended December 31, 2007 consisted of:

Dividends and Interest	\$ 984,127
Realized Gains (Losses) Net	1,399,526
Unrealized Gains (Losses) Net	147,602
	<u>\$ 2,531,255</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008, are summarized as follows:

State Appropriations	\$ 2,914,232
Student Accounts	1,447,036
Less Allowance for Doubtful Accounts	(99,195)
Student Loans Receivable - Federal Perkins	2,691,981
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	693,612
State Grants and Contracts	356,509
Local Grants and Contracts	-
Foundations	170,055
Capital Improvement Bond Funds	2,328
Other	<u>379,425</u>
Total Accounts Receivable, Net of Allowance	8,555,983
Less: Noncurrent Perkins Loan Receivable (See Note 4)	<u>(2,691,981)</u>
Accounts Receivable, Net - Current	<u>\$ 5,864,002</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 3 - ACCOUNTS RECEIVABLE, Continued

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2008-2009 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, 2008, the allowance for uncollectible student accounts is valued at \$99,195.

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

Contributions Receivable - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2007:

Unconditional promises expected to be collected in:

Less than One Year	\$ 149,917
One to Five Years	828,360
Over Five Years	<u>666,056</u>
	1,644,333
Less Unamortized Discount	<u>(34,118)</u>
	1,610,215
Less Allowance for Uncollectible Promises	<u>(100,263)</u>
Net Unconditional Promises to Give	<u><u>\$ 1,509,952</u></u>

Discount rates ranged from 3.8% to 5.0%.

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, 2008. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2008, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY, Continued

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,389,907, representing the Federal portion of the loan program at June 30, 2008. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 is summarized as follows:

	Beginning Balance July 1, 2007	Increases	Decreases	Ending Balance June 30, 2008
Capital Assets Not Being Depreciated:				
Land	\$ 4,613,836	1,720	-	4,615,556
Construction in Progress	38,137,610	13,987,058	(40,027,278)	12,097,390
Collections	198,631	-	-	198,631
Total Capital Assets Not Being Depreciated	42,950,077	13,988,778	(40,027,278)	16,911,577
Other Capital Assets:				
Buildings and Improvements	102,774,601	41,339,307	(1,304,165)	142,809,743
Machinery, Equipment and Other	7,479,267	1,850,739	(158,201)	9,171,805
Vehicles	661,230	24,936	(54,610)	631,556
Total Other Capital Assets at Historical Cost	110,915,098	43,214,982	(1,516,976)	152,613,104
Less Accumulated Depreciation For:				
Buildings and Improvements	(47,374,212)	(4,226,162)	1,304,165	(50,296,209)
Machinery, Equipment and Other	(4,401,508)	(683,180)	132,604	(4,952,084)
Vehicles	(436,445)	(45,135)	44,155	(437,425)
Total Accumulated Depreciation	(52,212,165)	(4,954,477)	1,480,924	(55,685,718)
Capital Assets, Net	\$ 101,653,010	52,249,283	(40,063,330)	113,838,963

Invested in capital assets, net of related debt, of \$113,838,963 as of June 30, 2008 is determined as follows:

Capital Assets, Net	\$ 113,838,963
Less Debt:	
Current Portion of Long Term Debt	(4,534,953)
Long Term Debt	(59,773,849)
Bond Premium of Long Term Debt	(266,294)
Plus Note Payable/Non Capital	40,000
Plus Unspent Bond Proceeds	11,330,066
Total Invested in Capital Assets, Net of Related Debt	\$ 60,633,933

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 5 - CAPITAL ASSETS, Continued

Property and Equipment - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Account balances as of December 31, 2007 are as follows:

Land	\$ 683,869
Buildings	16,048,200
Furniture and Fixtures	680,414
Machinery and Equipment	<u>14,526</u>
	17,427,009
Less Accumulated Depreciation	<u>(2,111,447)</u>
	<u><u>\$ 15,315,562</u></u>

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

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

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities as of June 30, 2008, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 4,930,152
Trade Payables	3,592,765
Accrued Interest Payable	446,674
Student Deposits and Prepayments	839,567
Construction Contract Retainage	465,284
Other Accrued Liabilities	<u>37,698</u>
Total Accounts Payable	<u><u>\$ 10,312,140</u></u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

At December 31, 2007, accounts payable consisted of \$184,420 in funds owed to The Winthrop University in connection with amounts due to them for management of the Courtyard. Accounts payable also includes \$68,365 in funds owed to a financial institution for annual service fees related to the bond issue. The remaining vendor accounts payable is \$1,463.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, Continued

Short-Term Borrowings - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

On November 20, 2003, Winthrop Real Estate LLC obtained a commercial loan of \$95,123 for the purpose of purchasing land and a building on Stewart Street in Rock Hill, adjacent to the campus. The loan is structured as an interest only loan, which matures on June 21, 2008. The loan bears interest at the bank variable prime rate, which as of December 31, 2007 was 7.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. As discussed later, effective January 1, 2004, WRE LLC entered into a lease agreement with Winthrop University for Winthrop's use of the facilities.

In addition, on April 19, 2005, Winthrop Real Estate LLC obtained an additional commercial loan of \$141,845 for the purpose of purchasing land on Culp and Ivey Streets in Rock Hill adjacent to the Winthrop Farm property. The loan is structured as an interest only loan, which matures on June 21, 2008. The loan bears interest at the bank variable prime rate, which as of December 31, 2007 was 7.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. Again, as discussed later, effective May 1, 2005, WRE LLC entered into a lease agreement with Winthrop University for Winthrop's use of the property.

NOTE 7 - LONG-TERM DEBT

Long-term debt for the year ended June 30, 2008 is as follows:

	June 30, 2007	Addition	Reductions	June 30, 2008	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 33,890,000	14,000,000	(1,675,000)	46,215,000	2,070,000
Unamortized Premium	144,024	138,403	(16,133)	266,294	-
Athletic Facilities	1,680,000	-	(120,000)	1,560,000	120,000
Auxiliary Facilities	193,760	-	(74,382)	119,378	78,507
Higher Education Facilities	5,805,000	-	(620,000)	5,185,000	650,000
Notes Payable	1,577,206	1,564,116	(399,115)	2,742,207	460,106
Master Lease Program					
Notes Payable	3,311,155	5,600,900	(424,838)	8,487,217	1,156,340
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	46,601,145	21,303,419	(3,329,468)	64,575,096	4,534,953
Other Liabilities					
Accrued Compensated Absences	2,783,715	1,922,571	(1,881,493)	2,824,793	1,881,493
Perkins Loan Federal Liability	2,411,780	-	(21,873)	2,389,907	-
Total Other Liabilities	5,195,495	1,922,571	(1,903,366)	5,214,700	1,881,493
Total Long-Term Liabilities	\$ 51,796,640	23,225,990	(5,232,834)	69,789,796	6,416,446

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2008:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 1993A	4.1% to 5.2%	03/01/08	\$ -
Series 2001A2	4.3% to 4.9%	10/01/20	2,855,000
Series 2001B5	4.5% to 5.5%	10/01/21	980,000
Series 2003C	3.5% to 4.75%	04/01/22	2,650,000
Series 2004A1	3.0% to 5.0%	12/01/21	4,630,000
Series 2005B	3.5% to 5.5%	04/01/25	15,070,000
Series 2006A	4.12% to 5.75%	04/01/26	6,030,000
Series 2008B	3.25% to 5.0%	04/01/28	14,000,000
Total General Obligation Bonds			46,215,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	1,560,000
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11/01/09	119,378
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	2,825,000
Revenue Bonds Series 2005A3	3.40%	04/01/17	2,360,000
Total Higher Education Facilities			5,185,000
Total Bonds Payable			\$ 53,079,378

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 2007 were \$6,035,979, which results in a legal annual debt service at June 30, 2008 of \$5,432,381.

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.

On March 1, 2008, the University paid off the General Obligation Bond Series 1993A.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

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

		Principal	Interest	Payments
General Obligation Bonds				
2001A2	2009	155,000	128,598	283,598
	2010	165,000	121,797	286,797
	2011	175,000	114,572	289,572
	2012	180,000	107,029	287,029
	2013	195,000	98,938	293,938
	2014-2018	1,135,000	347,698	1,482,698
	2019-2023	850,000	63,911	913,911
	2024-2028	-	-	-
Total Series 2001A2 Bonds		<u>\$ 2,855,000</u>	<u>982,543</u>	<u>3,837,543</u>
2001B5				
	2009	50,000	46,972	96,972
	2010	55,000	44,576	99,576
	2011	55,000	42,032	97,032
	2012	60,000	39,335	99,335
	2013	60,000	36,485	96,485
	2014-2018	350,000	134,000	484,000
	2019-2023	350,000	36,559	386,559
	2024-2028	-	-	-
Total Series 2001B5 Bonds		<u>\$ 980,000</u>	<u>379,959</u>	<u>1,359,959</u>
2003C				
	2009	135,000	111,188	246,188
	2010	140,000	106,462	246,462
	2011	150,000	101,563	251,563
	2012	155,000	96,312	251,312
	2013	165,000	90,578	255,578
	2014-2018	955,000	346,837	1,301,837
	2019-2023	950,000	114,055	1,064,055
	2024-2028	-	-	-
Total Series 2003C Bonds		<u>\$ 2,650,000</u>	<u>966,995</u>	<u>3,616,995</u>
2004A1				
	2009	245,000	159,156	404,156
	2010	255,000	147,932	402,932
	2011	260,000	138,931	398,931
	2012	280,000	130,831	410,831
	2013	285,000	122,356	407,356
	2014-2018	1,665,000	459,588	2,124,588
	2019-2023	1,640,000	130,172	1,770,172
	2024-2028	-	-	-
Total Series 2004A1 Bonds		<u>\$ 4,630,000</u>	<u>1,288,966</u>	<u>5,918,966</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued				
2005B	2009	640,000	598,905	1,238,905
	2010	665,000	576,505	1,241,505
	2011	685,000	553,230	1,238,230
	2012	710,000	529,255	1,239,255
	2013	735,000	504,405	1,239,405
	2014-2018	4,140,000	2,065,188	6,205,188
	2019-2023	5,110,000	1,154,556	6,264,556
	2024-2028	2,385,000	150,536	2,535,536
Total Series 2005B Bonds		<u>\$ 15,070,000</u>	<u>6,132,580</u>	<u>21,202,580</u>
2006A	2009	235,000	267,969	502,969
	2010	245,000	257,394	502,394
	2011	255,000	246,369	501,369
	2012	260,000	234,894	494,894
	2013	270,000	221,894	491,894
	2014-2018	1,530,000	912,206	2,442,206
	2019-2023	1,885,000	557,943	2,442,943
	2024-2028	1,350,000	123,300	1,473,300
Total Series 2006A Bonds		<u>\$ 6,030,000</u>	<u>2,821,969</u>	<u>8,851,969</u>
2008B	2009	610,000	466,865	1,076,865
	2010	495,000	535,837	1,030,837
	2011	510,000	519,750	1,029,750
	2012	525,000	503,175	1,028,175
	2013	540,000	486,113	1,026,113
	2014-2018	3,005,000	2,130,512	5,135,512
	2019-2023	3,680,000	1,440,663	5,120,663
	2024-2028	4,635,000	615,412	5,250,412
Total Series 2008B Bonds		<u>\$ 14,000,000</u>	<u>6,698,327</u>	<u>20,698,327</u>
Athletic Facilities Revenue Bonds				
2001A5	2009	120,000	71,604	191,604
	2010	120,000	66,096	186,096
	2011	120,000	60,588	180,588
	2012	120,000	55,080	175,080
	2013	120,000	49,572	169,572
	2014-2018	600,000	165,240	765,240
	2019-2023	360,000	33,048	393,048
	2024-2028	-	-	-
Total Series 2001A5 Bonds		<u>\$ 1,560,000</u>	<u>501,228</u>	<u>2,061,228</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Auxiliary Facilities Revenue Bonds				
1997	2009	78,507	5,471	83,978
	2010	40,871	1,118	41,989
	2011	-	-	-
	2012	-	-	-
	2013	-	-	-
Total Series 1997 Bonds		<u>\$ 119,378</u>	<u>6,589</u>	<u>125,967</u>
Higher Education Facilities Revenue Bonds				
2002B5	2009	420,000	129,385	549,385
	2010	440,000	110,149	550,149
	2011	460,000	89,997	549,997
	2012	480,000	68,929	548,929
	2013	500,000	46,945	546,945
	2014-2018	525,000	24,045	549,045
Total Series 2002B5 Bonds		<u>\$ 2,825,000</u>	<u>469,450</u>	<u>3,294,450</u>
Higher Education Facilities Revenue Bonds				
2005A3	2009	230,000	80,240	310,240
	2010	235,000	72,420	307,420
	2011	245,000	64,430	309,430
	2012	250,000	56,100	306,100
	2013	260,000	47,600	307,600
	2014-2018	1,140,000	98,600	1,238,600
Total Series 2005A3 Bonds		<u>\$ 2,360,000</u>	<u>419,390</u>	<u>2,779,390</u>

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building. As of June 30, 2008, the University has unamortized premium of \$26,255 which is being amortized over the life of the bond.

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds were used for the construction of a new health, physical education and wellness center. As of June 30, 2008, the University has unamortized premium of \$63,236 which is being amortized over the life of the bond.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds were used to construct a three story classroom building. As of June 30, 2008, the University has unamortized premium of \$39,428 which is being amortized over the life of the bond.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds are being used for the construction of a new student center and a new auditorium for the College of Business. As of June 30, 2008, the University has unamortized premium of \$137,375 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$92,863, construction fund interest income of \$4,526 and capitalized interest cost of \$88,337 for this project as of June 30, 2008.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Bonds payable consists of the following at December 31, 2007:

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

Series 2002 - A	\$ 17,895,000
Series 2002 - B	
	<u>\$ 17,895,000</u>

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

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

2008	\$ 310,000
2009	330,000
2010	350,000
2011	370,000
2012	390,000
Thereafter	<u>16,145,000</u>
	<u>\$ 17,895,000</u>

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

Certain bond issuance costs, including underwriter's fees and attorney fees have been classified as an other asset and are being amortized over the life of the bonds to its final scheduled maturity date. Amortization expense for the bond closing costs was \$16,303 for the period ended December 31, 2007.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2008:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note (Athletic Facilities)			
Series 1981	6.0%	06/30/11	\$ 324,617
Note (Energy Office) 4-204-04	1.0%	12/01/12	317,171
Note (Energy Office) 4-205-04	1.0%	12/01/12	317,171
Note (Energy Office) 4-202-06	3.25%	06/01/12	344,041
Note Dated 8/28/05	0.0%	09/30/09	40,000
Note Dated 5/10/07	1.284%	05/15/18	1,399,207
Total Notes Payable			<u><u>\$ 2,742,207</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 debt service payments will be reported as unrestricted current fund expenditures.

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

On April 28, 2005, Winthrop University entered into an agreement to borrow \$100,000 from the University's food service vendor. The proceeds were used to renovate campus food service facilities. The University has agreed to repay the vendor over a period of five years by means of a supplemental charge to the board plan rates paid to the food service vendor.

On April 3, 2006, Winthrop University borrowed \$475,825 from the State Energy Office with an average interest rate of 3.25 percent. An additional \$24,175 was borrowed in July 2007 bringing the total to \$500,000. The proceeds were used to remove and replace an existing steam boiler.

On May 10, 2007, Winthrop University entered into an agreement with the University's food service vendor to renovate an existing dining hall and install food service equipment. The food service vendor expended \$1,499,941. The University has agreed to repay the vendor over a period of ten years by means of a supplemental charge to the board plan rates paid to the food service vendor. If the contract with the food service vendor is discontinued prior to the maturity date of the note, then the University is responsible for paying the balance due in full.

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2008, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 460,106	53,683	513,789
2010	471,959	41,829	513,788
2011	464,315	29,473	493,788
2012	355,554	18,388	373,942
2013	268,356	12,357	280,713
2014-2018	721,917	28,054	749,971
Total Obligations	<u><u>\$ 2,742,207</u></u>	<u><u>183,784</u></u>	<u><u>2,925,991</u></u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable, Continued

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2008, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated June 16, 2004	3.56%	06/16/11	2,886,317
Note Dated June 16, 2008	3.665%	06/16/15	5,600,900
Total			<u>\$ 8,487,217</u>

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance. The note is payable in annual installments plus interest. In June 2011, there is a balloon payment due of \$1,990,711.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution with an average interest rate of 3.665 percent. The proceeds are being used for the purchase of administrative computing hardware and software. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2008 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,156,340	308,069	1,464,409
2010	1,198,265	266,145	1,464,410
2011	2,760,555	222,700	2,983,255
2012	798,059	123,586	921,645
2013	827,308	94,337	921,645
2014-2018	1,746,690	96,600	1,843,290
Total Obligations	<u>\$ 8,487,217</u>	<u>1,111,437</u>	<u>9,598,654</u>

NOTE 8 - LEASE OBLIGATIONS

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2008 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2009	\$ -	44,733
2010	-	16,571
2011	-	5,094
2012	-	2,972
2013	-	-
Total Lease Payments	-	69,370
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>69,370</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 8 - LEASE OBLIGATIONS, Continued

Capital Leases

As of June 30, 2008, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment, eight vehicles and one building used for office space. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$282,851 for fiscal year 2008. For the year ending June 30, the University's lease expense for the vehicles and building were \$50,655 and \$28,187, respectively.

NOTE 9 - PENSION PLANS

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

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

South Carolina Retirement System

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

Effective July 1, 2006, employees participating in the SCRS have been required to contribute 6.50 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 12.48 percent which included a 3.42 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, 2008, 2007 and 2006 were \$2,034,798, \$1,791,022, and \$1,630,919, respectively, and equaled the required contributions of 9.06 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$33,689 in the current fiscal year at the rate of .15 percent of compensation.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 9 - PENSION PLANS, Continued

Police Officers Retirement System

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, included the 3.42 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2008, 2007 and 2006 were \$54,645, \$56,467, and \$56,350, 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 \$1,061 and accidental death insurance contributions of \$1,061 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.06 percent plus the retiree surcharge of 3.42 percent from the employer in fiscal year 2008.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,512,598 (excluding the surcharge) from University as employer and \$1,085,199 from its employees as plan members.

Deferred Compensation Plans

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

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 9 - PENSION PLANS, Continued

Teacher and Employee Retention Incentive

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

NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

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

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$3,217,586 for the year ended June 30, 2008. The University paid \$1,409,135 applicable to the 3.42 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 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42% and 3.35% of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,409,135 and \$1,325,869 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

NOTE 12 - 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 \$28,664,462 at June 30, 2008 of which \$27,263,584 was attributable to capital projects and the remaining \$1,400,878 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$49,045 of authorized state capital improvement bond proceeds available to draw at June 30, 2008.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 12- CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS, Continued

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$465,430 of authorized research infrastructure bond proceeds available to draw at June 30, 2008.

Contingencies and Litigation- Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

WUREF, Inc. is one of six parties named in a South Carolina Department of Health and Environmental Control (SC DHEC) consent order which holds liable those persons who are responsible, either directly or indirectly, for the unpermitted disposal of construction debris. On April 10, 2008, SC DHEC approved a closure plan to be completed by November 10, 2008 to resolve the issues identified in the consent order. The cost to comply with the closure plan requirements cannot be determined at this time. However, WUREF, Inc. would seek reimbursement from the environmental consulting company who advised on the disposition of the construction debris for all costs incurred to comply with the consent order.

NOTE 13 - RELATED PARTIES

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

NOTE 14 - DONOR RESTRICTED ENDOWMENTS

At June 30, 2008 the University held \$488,111 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2008 was \$90,483. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Assets. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2008, the income available to be spent is \$176,946, of which \$105,306 is restricted to specific purposes.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 15 - 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 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2008 are summarized as follows:

Instruction	\$ 34,016,248
Research	1,424,858
Public Service	4,078,221
Academic Support	7,499,938
Student Services	12,032,767
Institutional Support	8,316,817
Operation and Maintenance of Plant	16,277,715
Scholarships & Fellowships	5,442,593
Auxiliary Enterprises	9,588,729
Depreciation	4,954,477
Total Operating Expenses	<u>\$ 103,632,363</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 17 - COMPONENT UNITS

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

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

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

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

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

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

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

The Winthrop University Foundation

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

The University recorded Non Governmental gifts receipts of \$1,721,923 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2008. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2008 are \$71,954 due from the Foundation.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 17 - COMPONENT UNITS, Continued

Purpose of Restricted Net Assets

All temporarily restricted net assets are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2007 were \$3,691,469 released by incurring expenses satisfying the restricted purpose of the donors.

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

Winthrop University Scholarships and Grants	\$ 22,074,521
The Alumni Association of Winthrop University	<u>300,610</u>
	22,375,131
Endowments Requiring Income to be Added to Original Gifts Until the Funds Values Reach Specified Amounts	162,971
Cash Surrender Value of Life Insurance Policies That Will Provide Proceeds Upon the Deaths of the Insured for Endowments	85,876
Estimated Current Value of Trusts Which Upon the Death of the Beneficiaries Will Provide Endowments	<u>2,764,200</u>
	<u><u>\$ 25,388,178</u></u>

Winthrop University Real Estate Foundation, Inc.

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2007 thru June 30, 2008, the fee for management services amounted to \$57,375. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2008 are \$98,101 due from WUREF, Inc.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent Events - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

On January 2, 2008, Winthrop Real Estate, LLC entered into an agreement with The Episcopal Diocese of Upper South Carolina, Inc. to acquire land and all improvements thereon adjacent to the campus for \$97,999. On January 16, 2008, Winthrop Real Estate, LLC obtained a commercial loan to finance the purchase of this property. The loan is structured as an interest only loan, which matures on January 16, 2009. The loan bears interest at the bank variable prime rate, which as of December 31, 2007 was 7.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement.

OTHER FINANCIAL INFORMATION

WINTHROP UNIVERSITY
Schedule of Information on Business-Type Activities
Required for the Government-Wide
Statement of Activities in the State CAFR
For the Year Ended June 30, 2008

	Year Ended June 30,	
	2008	2007
Charges for Services	\$ 76,327,218	71,133,150
Operating Grants and Contributions	4,447,213	6,374,098
Less Expenses	<u>(105,404,101)</u>	<u>(93,615,176)</u>
Net Program Revenue (Expense)	<u>(24,629,670)</u>	<u>(16,107,928)</u>
TRANSFERS		
State Appropriations	25,619,899	23,941,590
Capital Improvement Bond Transfer In	<u>6,627,488</u>	<u>1,623,035</u>
Total Transfers	<u>32,247,387</u>	<u>25,564,625</u>
Increase in Net Assets	7,617,717	9,456,697
Net Assets - Beginning of Year	<u>76,154,946</u>	<u>66,698,249</u>
Net Assets - End of Year	<u><u>\$ 83,772,663</u></u>	<u><u>76,154,946</u></u>

WINTHROP UNIVERSITY
Schedule Reconciling State Appropriation Per the Financial Statements
To State Appropriation Recorded in State Accounting Records
For the Year Ended June 30, 2008

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

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2007-2008 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, 2008:

Non-Capital Appropriations

Non-Capital Appropriations per 2007-2008 Appropriations Act \$ 21,732,096

State Budget and Control Board Allocations:

State Budget and Control Board Approved Mid Year	
Allocation for Pay Plan and Employer Contribution	884,588
Allocation for Proviso 73.12	1,315,000
From SC Education Lottery Fund - Technology Program	715,701
From Commission on Higher Education -	
Allocation for CHE Proviso 5A.25	863,900
Education and Economic Development Act of 2005	30,000
Academic Endowment Incentive Match	37,161
Revised Non-Capital Appropriations - Legal Basis	25,578,446
Accrued Funding for Net Payroll Adjustments	41,453
Total Non-Capital Appropriations Recorded	
As Current Year Revenue	<u>\$ 25,619,899</u>

Capital Appropriations

Current Year's Appropriations	\$ -
Supplemental Appropriations (Act. #73.14)	6,235,235
Total Capital Appropriations Recorded as Current Year Revenue	<u>\$ 6,235,235</u>

Research Infrastructure Bond Proceeds

Proceeds drawn during the current fiscal year	\$ 452,490
Plus: Expenses incurred but not drawn during the current fiscal year	2,299
Less: Proceeds drawn but not expended during the current fiscal year	(62,536)
Total Research Infrastructure Bond Proceeds Recorded	
As Current Year Revenue	<u>\$ 392,253</u>

SINGLE AUDIT SECTION

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2008

FEDERAL GRANTOR	CFDA NUMBER	GRANT OR CONTRACT NUMBER	Total Expenditures June 30, 2008
Pass-Through Entity			
Program Title			
U.S. DEPARTMENT OF DEFENSE			
Pass-Through the SC Research Authority			
Department of Army, Army Research and Material Command			
Military Medical Research and Development Troop Recruitment Improvement	12.420	2008-37	\$ 9,794
Total Department of Defense			9,794
U.S. DEPARTMENT OF INTERIOR			
Pass-Through the Fish and Wildlife Service			
Tribal Landowner Incentive Program Passed through the Catawba Indian Nation	15.638		2,183
Challenge Cost Share			
Piedmont Prairie Restoration	15.642	06-CS-11081209-002	9,185
Total U.S. Department of Interior			11,368
DEPARTMENT OF TRANSPORTATION			
Pass-Through the SC Department of Public Safety			
State and Community Highway Safety Law Enforcement Network	20.600	2JC07016	8,341
Total Department of Transportation			8,341
NATIONAL SCIENCE FOUNDATION			
Pass-Through Wake Forest University			
Engineering Grants ARI-SA, A Portable Tungsten-Coil Atomic Emmission Detector for Nuclear Forensics	47.041		4,258
Mathematical and Physical Sciences MRI: Acquisition of a MALDI_TOF Mass Spectrometer to Enhance Undergraduate Research and Student Research Training	47.049		282,289
Biological Sciences Role of Protein Arginine Methylation	47.074	MCB-0542242	33,120
Pass-Through Indiana University and Purdue University			
Education and Human Resources Electronic Portfolios	47.076	0618617	2,982
Total National Science Foundation			\$ 322,649

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards, Continued
June 30, 2008

FEDERAL GRANTOR	CFDA NUMBER	GRANT OR CONTRACT NUMBER	Total Expenditures June 30, 2008
Pass-Through Entity			
Program Title			
SMALL BUSINESS ADMINISTRATION			
Pass-Through the University of South Carolina			
Small Business Development Center - 2007	59.037	7-603001-Z-0043-27	\$ 45,616
Small Business Development Center - 2008	59.037	8-603001-Z-0043-27	219,881
Total Small Business Administration			<u>265,497</u>
U.S. DEPARTMENT OF EDUCATION			
Office of Student Financial Assistance			
SEOG - 2007	84.007	P007A063816	500
SEOG - 2008	84.007	P007A073816	258,200
Federal Work-Study	84.033	P033A073816	218,879
Federal Perkins Loan	84.038	P038A063816	83,179
TRIO Student Support Services - year 2	84.042	P042A051274-06	37,391
TRIO Student Support Services - year 3	84.042	P042A051274-07	184,222
Pell Grants - 2007	84.063	P063P060379	11,823
Pell Grants - 2008	84.063	P063P070379	4,510,837
BiLingual Education	84.195	T195N070124	150,058
Federal Direct Loan	84.268		23,160,715
Academic Competitiveness - 2007	84.375	P375A060379	750
Academic Competitiveness - 2008	84.375	P375A070379	314,484
National Science and Mathematics Access to Retain Talent	84.376	P3765070379	56,200
			<u>28,987,238</u>
Pass-Through the University of South Carolina			
Teacher Quality Enhancement			
Diverse Pathways in Teacher Preparation-2007	84.336	05-1060	21,727
Diverse Pathways in Teacher Preparation-2008	84.336	05-1060	40,690
			<u>62,417</u>
Pass-Through the South Carolina Commission on Higher Education			
Improving Teacher Quality			
PeeDee Leadership Academy	84.367		121,613
			<u>121,613</u>
Pass-Through the South Carolina Department of Education			
Special Education Grants to States			
Personnel Development Collaboration	84.027	08C0309-01	4,357
Office of Elementary and Secondary Education			
Personnel Development Collaboration	84.305	07TQ309	287
Personnel Development for General Educators in Autism Spectrum Disorders	84.305	08C0309-02	11,569
			<u>\$ 11,856</u>

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards, Continued
June 30, 2008

FEDERAL GRANTOR	CFDA NUMBER	GRANT OR CONTRACT NUMBER	Total Expenditures June 30, 2008
Pass-Through Entity Program Title			
Pass-Through the South Carolina Department of Education			
Office of Elementary and Secondary Education			
Math and Science Coaching Initiative	84.366	07MS309-02	\$ 2,114
Math and Science Partnership	84.366	08MS309-01	4,683
Math and Science Partnership	84.366	08MS309-02	13,823
			<u>20,620</u>
Improving Teacher Quality			
Personnel Development Collaboration	84.367	08TQ309.01	2,500
Other Programs			
National Writing Project			
Winthrop Writing Project - 2007	84.928	92-SC04-19	(1,368)
Winthrop Writing Project - 2008	84.928	92-SC04-21	56,853
			<u>55,485</u>
			<u>94,818</u>
Total U.S. Department of Education			<u>29,266,086</u>
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION			
Pass-Through the SC Department of Archives and History			
National Historical Records and Publications			
State Historical Records & Archives			
Bureau - Shankman Papers	89.003		2,718
Total National Archives and Records Administration			<u>2,718</u>
NATIONAL INSTITUTE OF HEALTH			
Medical Assistance Program			
Medical Research Support Program	93.778		305,919
Pass-Through the University of South Carolina			
National Center for Research Resource			
INBRE - Year 3	93.389	2P20RR16461-07	344,284
INBRE - Year 4	93.389	2P20RR16461-08	97,595
			<u>441,879</u>
Total National Institute of Health			<u>747,798</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 30,634,251</u></u>

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

To the Honorable Mark Sanford
Governor of the State of South Carolina
and the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

Compliance

We have audited the compliance of Winthrop University (the University), a department of the State of South Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winthrop University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with these requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winthrop University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

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

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

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

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

A handwritten signature in blue ink, appearing to read "Clint Brantley" followed by a stylized flourish and the initials "E. C. RA".

September 18, 2008

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

To the Honorable Mark Sanford
Governor of the State of South Carolina
and the Board of Trustees of
Winthrop University
Rock Hill, South Carolina

We have audited the financial statements of Winthrop University, a department of the State of South Carolina, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's report. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance And Other Matters

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

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

A handwritten signature in blue ink that reads "Clint Brantley & Co. PA". The signature is written in a cursive, flowing style.

September 18, 2008

WINTHROP UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. LOAN PROGRAMS

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

Federal Direct Loans	<u>\$ 23,160,715</u>
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WINTHROP UNIVERSITY
Summary Schedule of Prior Audit Findings
June 30, 2008

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

During this year's audit we did not note any instances in our test sample where a PELL overpayment occurred.

SD 07-01 PELL Overpayment

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



WINTHROP
UNIVERSITY

Office of the President

FY 2007 Findings and Questioned Costs Relating to Federal Awards

SD 07-01

PELL Overpayment

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

FY 2008 Corrective Action Taken

The Office of Financial Aid has a process in place to review Pell awards to students whose enrollment status changes from one term to another. This process ensures the accuracy of annual Pell awards to students.

Dr. Anthony J. DiGiorgio
President

September 10, 2008

Winthrop University
Schedule of Findings and Questioned Costs
June 30, 2008

Summary of Auditors' Results:

GAGAS

An unqualified opinion was issued on Winthrop University's financial statements dated September 18, 2008. No instances of material noncompliance were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Winthrop University dated September 18, 2008. Our audit disclosed no findings that are required to be reported under OMB Circular A-133.

The major programs at Winthrop University are the Student Financial Aid Cluster from the U.S. Department of Education and the Research and Development Cluster. Type A or major programs are defined as those that expended \$300,0001 or 3% of total Federal Awards expended at the University. Winthrop University's total federal awards expended for the year ended June 30, 2008 were between \$10 million and \$100 million.

Winthrop University is considered to be a low risk auditee by the criteria listed in OMB Circular A-133.

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to Federal Awards.