

The Winthrop University Foundation

Financial Statements

December 31, 2023

THE WINTHROP UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Winthrop University Foundation (the "Foundation" - a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Winthrop University Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

The Winthrop University Foundation
Rock Hill, South Carolina

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.

April 1, 2024

THE WINTHROP UNIVERSITY FOUNDATION

Consolidated Statement of Financial Position

December 31, 2023, with prior year comparative totals

	Net Assets		December 31,	
	Without Donor Restrictions	Net Assets With Donor Restrictions	2023 Total	2022 Total
ASSETS				
Cash and Cash Equivalents	\$ 1,982,800	\$ -	\$ 1,982,800	\$ 3,053,237
Pledge Receivables	43,741	1,521,073	1,564,814	1,094,712
Less: Present Value Discount	(2,208)	(142,009)	(144,217)	(120,160)
Less: Allowance for Doubtful Accounts	(10,935)	(135,387)	(146,322)	(97,399)
Pooled Investments, at Fair Value	77,528,652	-	77,528,652	68,093,229
Split Interest Investments, at Fair Value	-	1,903,613	1,903,613	1,742,345
Cash Value of Life Insurance	-	55,593	55,593	48,786
Property Held for Resale	2,000	-	2,000	2,000
Prepaid Expenses	11,244	-	11,244	17,177
Office Furniture and Equipment, at Cost	92,679	-	92,679	94,546
Less: Accumulated Depreciation Due (From)/To Other Funds	(92,679)	-	(92,679)	(94,546)
	(76,167,389)	76,167,389	-	-
TOTAL ASSETS	\$ 3,387,905	\$ 79,370,272	\$ 82,758,177	\$ 73,833,927
LIABILITIES AND NET ASSETS				
<i>Liabilities:</i>				
Accounts Payable	\$ 199,474	\$ 101,775	\$ 301,249	\$ 197,578
Payroll Liabilities	13,684	-	13,684	21,183
Actuarial Liability of Annuities Payable	-	1,036,261	1,036,261	1,103,631
Guaranteed Lease Liability	-	10,000	10,000	20,000
Total Liabilities	213,158	1,148,036	1,361,194	1,342,392
<i>Net Assets:</i>				
Without Donor Restrictions				
Board Designated	2,258,489	-	2,258,489	1,731,050
Agency	425,469	-	425,469	253,025
Undesignated	490,789	-	490,789	177,980
With Donor Restrictions:				
Time Restricted	-	6,506,259	6,506,259	6,385,144
Held in perpetuity	-	71,715,977	71,715,977	63,944,336
Total Net Assets	3,174,747	78,222,236	81,396,983	72,491,535
TOTAL LIABILITIES AND NET ASSETS	\$ 3,387,905	\$ 79,370,272	\$ 82,758,177	\$ 73,833,927

THE WINTHROP UNIVERSITY FOUNDATION

Consolidated Statement of Activities

Year Ended December 31, 2023, with prior year comparative totals

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Year Ended December 31,	
			2023	2022
REVENUES, GAINS AND OTHER SUPPORT				
Contributions:	\$ 427,732	\$ 2,818,602	\$ 3,246,334	\$ 2,678,365
Provision for Doubtful Accounts	7,132	(56,056)	(48,924)	78,111
Provision for Pledge Discounts	2,534	(26,591)	(24,057)	(88,525)
Gifts in-kind	65,000	-	65,000	-
Investment Earnings	745,085	9,812,470	10,557,555	(13,476,021)
Change in Value of Split-Interest Trusts	-	67,370	67,370	420,156
Change in Cash Surrender Value	-	6,806	6,806	(1,071)
Program Income	-	68,316	68,316	77,772
Other Revenue	50	993	1,043	2,030
Total	1,247,533	12,691,910	13,939,443	(10,309,183)
Net Assets Released from Restrictions	3,768,471	(3,768,471)	-	-
TOTAL	\$ 5,016,004	\$ 8,923,439	\$ 13,939,443	\$ (10,309,183)
EXPENSES				
Management and General Operating:				
Salaries and Benefits	\$ 128,783	\$ -	\$ 128,783	\$ 165,080
Professional Fees	21,249	-	21,249	16,592
Office Expenses, Postage and Printing	13,868	-	13,868	14,184
Software	17,913	-	17,913	20,649
Rent, Utilities & Overhead	4,787	-	4,787	4,773
Professional Development	2,449	-	2,449	2,215
Dues and fees	52	-	52	281
Credit Card and Bank Fees	13,183	-	13,183	10,922
Insurance	8,882	-	8,882	5,728
Travel and Meetings	2,755	-	2,755	1,674
Stewardship & Recognition	915	-	915	374
Directors' Expenses	7,218	-	7,218	3,127
Total Operating	222,054	-	222,054	245,599
Fund Raising:				
Salaries and Benefits	15,331	-	15,331	19,162
Salary Reimbursements - Advancement Support	171,431	-	171,431	134,672
Professional Fees	80,025	-	80,025	107,446
Office Expenses, Postage and Printing	27,357	-	27,357	33,096
Software	43,987	-	43,987	55,954
Rent, Utilities & Overhead	389	-	389	388
Professional Development	-	-	-	310
Stewardship & Recognition	26,607	-	26,607	671
Travel and Meetings	20,926	-	20,926	20,391
Total Fund Raising	386,053	-	386,053	372,090
Program:				
Salaries and Benefits	162,512	-	162,512	203,117
President's Salary Supplement and Benefits	204,182	-	204,182	202,469
Professional Fees	-	-	-	26,464
Rent, Utilities & Overhead	7,764	-	7,764	7,740
Professional Development	6,384	-	6,384	3,608
Dues and fees	195	-	195	1,934
Travel and Meetings	5,485	-	5,485	3,506
Donated Goods	5,000	-	5,000	-
General Scholarships	160,000	-	160,000	140,000
Restricted Scholarships and Other University Support	3,790,173	-	3,790,173	3,292,543
Alumni Association Support	29,000	-	29,000	29,000
President and Vice President's Discretionary Support	55,193	-	55,193	40,710
Total Program	4,425,888	-	4,425,888	3,951,091
TOTAL	5,033,995	-	5,033,995	4,568,780
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ADJUSTMENTS	(17,991)	8,923,439	8,905,448	(14,877,963)
Transfers and Adjustments				
Management Fee	1,089,608	(1,089,608)	-	-
Other Transfers	(58,925)	58,925	-	-
Total Transfers and Adjustments	1,030,683	(1,030,683)	-	-
NET ASSETS, BEGINNING	2,162,055	70,329,480	72,491,535	87,369,498
NET ASSETS, ENDING	\$ 3,174,747	\$ 78,222,236	\$ 81,396,983	\$ 72,491,535

THE WINTHROP UNIVERSITY FOUNDATION
Consolidated Statement of Cash Flows
Year Ended December 31, 2023, with prior year comparative totals

	Year Ended December 31,	
	2023	2022
OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,905,448	\$ (14,877,963)
Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities:		
Realized and Unrealized (Gains) Losses on Investments	(8,623,575)	14,617,975
Change in Value of Split Interest Investments	(262,716)	353,862
Contributions Restricted for Permanent Investment	(1,063,499)	(1,239,046)
Change in Operating Assets:		
Contributions Receivable	(397,122)	383,595
Reimbursements Due	-	447
Split Interest Agreements	103,448	126,439
Cash Value of Life Insurance	(6,807)	1,071
Prepaid Expenses	5,933	(4,694)
Change in Operating Liabilities:		
Accounts Payable	103,671	(65,424)
Payroll Liabilities	(7,499)	13,200
Guaranteed Lease Liability	(10,000)	(10,000)
Cash Flows from Operating Activities	(1,252,718)	(700,538)
INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	4,815,191	79,343,767
Purchases of Investments	(5,629,039)	(76,917,266)
Cash Flows from Investing Activities	(813,848)	2,426,501
FINANCING ACTIVITIES		
Contributions Restricted for Permanent Investment	1,063,499	1,239,046
Increase in Actuarial Liability Payable	(67,370)	(420,156)
Cash Flows from Financing Activities	996,129	818,890
CHANGE IN CASH AND EQUIVALENTS	(1,070,437)	2,544,853
CASH AND CASH EQUIVALENTS, BEGINNING	3,053,237	508,384
CASH AND EQUIVALENTS, ENDING	\$ 1,982,800	\$ 3,053,237

THE WINTHROP UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Winthrop University Foundation

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

The Winthrop University Foundation Land and Real Estate Subsidiary, LLC

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

Principles of Consolidation

Due to common control, as described above, the accompanying consolidated financial statements include the activities of both entities. All significant inter-company accounts and transactions have been eliminated. The concept of consolidation for financial statement purposes ignores the legal concept of separate entities. In the year ended December 31, 2023, the LLC received and liquidated one property.

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

Basis of Accounting

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

Financial Presentation

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

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

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

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Contributions

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

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

Cash and Cash Equivalents

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

As of December 31, 2023, the cash balances in a commercial banking institution exceeded the FDIC insurance limit by \$58,335 for the operating account, in addition to a money market account which had a year-end balance of \$227,307. The balance was over limit due to a large sum of outstanding payables at year end and an influx of incoming gifts.

Investments

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

Investment earnings, which include dividends and interest and realized and unrealized gains and losses from pooled investments are allocated according to the Foundation's board-approved Endowment Spending Policy. First, a management fee is calculated using 1.5% of the 3-year average trailing balance of the invested funds. This fee is applied to the operating budget as unrestricted revenue by deducting a proportionate share of the calculated fee from the balances of endowed funds. The fee is used to offset investment and administrative expenses and to provide a source of scholarships and other support for the University. Second, investment income is allocated to funds based on their proportionate share of the sum of the fund balances. Allocated earnings for endowed funds are added to the balances of those funds, while allocated earnings for non-endowed funds are added to the board reserve account. Finally, a spending rule is allocated to endowed funds using 4% of the 5-year average trailing balance of each fund. The spendable amount of each endowed fund is disbursed according to the purpose of the endowment, providing scholarships and other support to Winthrop University. If the spendable amount for an endowed fund is not fully expended in the academic year for which it was made available, the unspent funds are carried forward to the following year.

Property, Plant and Equipment

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

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Notes to Consolidated Financial Statements

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

Public Support, Revenue and Expenses

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended.

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

The Foundation recognizes contributions and investment income on the accrual basis. Contribution income is recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. At December 31, 2023, the Foundation recognized all promises to give as unconditional.

Income earned on the endowments is allocated to the endowments within the classification of net assets with donor restrictions. All other income is recorded as an increase in net assets without donor restrictions. Revenue is recorded when earned and expenses are recorded when incurred in accordance with the accrual basis of accounting.

In-Kind Contributions

The Foundation receives occasional contributions of goods and supplies for use in its programs or in support of Winthrop University. Contributed goods are recognized as in-kind gifts and recorded at their fair value as of the date of receipt. The Foundation received two items in 2023, an antique phone booth which had previously been used on the main campus and a bronze eagle sculpture. These gifts will become part of Winthrop University's archives display.

In-kind services are only recorded on the Foundation's financial statements if they meet specified criteria as determined by generally accepted accounting principles, which requires services contributed to be performed by professionals and tradesmen with a specialized skill. In 2023, the Foundation received no contribution of in-kind services.

Leases

The Foundation adopted ASU 2016-02, *Leases (Topic 842)* during the year. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of the financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the consolidated statement of activities. The Foundation had no material leases outstanding as of December 31, 2023.

Management Estimates

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

Functional Allocation of Expenses

The costs of program and support services have been categorized by function in the statements of activities. The Foundation is able to directly apply most expenses to their respective functions (program, fundraising or management and general), and accordingly, there is no need to allocate those direct expenses among program and support services. Foundation staff

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Notes to Consolidated Financial Statements

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salaries and benefits, as well as the annual rent and facilities overhead costs are allocated based on management's estimate of the time spent in each of the functional areas.

Comparative Data

The financial statements include certain prior year, summarized comparative information in total but not by net asset class. Such information does not include enough information to be a presentation in conformity with GAAP and should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2022, from which it was summarized.

Concentration of Credit Risk and Market Risk

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries, and geographic regions and utilizes multiple investment managers. The Foundation also holds cash for operating needs and disbursements in a commercial banking institution. These deposits are in a high credit, quality institution, and to date, there have been no losses associated with these accounts. In mid-2022 the Foundation conducted an RFP (request for proposal) for a commercial banking relationship. According to Foundation bylaws, providers of financial services are to be evaluated every five years. A new bank was selected, and assets transferred in the 4th quarter of 2022, resulting in an advantageous fee structure and enhanced earnings potential. At December 31, 2023, the Foundation's operating bank balances exceeded the FDIC insurance limit by \$58,335.

NOTE 2 - PLEDGE RECEIVABLES

Pledges receivable consist of unconditional promises to give. Management has reviewed its receivables and determined an allowance for doubtful accounts based on historical knowledge of the accounts and current economic conditions. The discount for present value calculation is computed using the Applicable Federal Rate, with discount rates ranging from 4.82 to 5.26 percent.

Pledges are expected to be collected as follows:

2024	\$	564,903
2025		517,546
2026		295,884
2027		124,972
2028		26,938
2029 and future years		<u>34,571</u>
Total Pledges Receivable		1,564,814
Less		
Allowance for doubtful accounts		(146,322)
Present value discount		<u>(144,217)</u>
NET PLEDGES RECEIVABLE	\$	<u><u>1,274,275</u></u>

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NOTE 3 - EQUIPMENT

The Foundation shows \$92,679 in fully depreciated office furniture and equipment as of December 31, 2023. Office furniture with a historical cost of \$1,867 was disposed of in 2023 due to damage incurred when the office relocated.

NOTE 4 - SPLIT-INTEREST AGREEMENTS

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

(a) Irrevocable Charitable Remainder Trusts

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

(b) Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and are an obligation of the Foundation. The assets are held in the Foundation's investment pool and revenue is allocated according to the asset's percentage of the pool. The present value of future annuity payments is calculated using present value techniques and life expectancy tables. The discount is calculated using the Applicable Federal Rate (AFR) at December 31, 2023, which was 5.8 percent.

NOTE 5 - CASH VALUE OF LIFE INSURANCE

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

NOTE 6 - INVESTMENTS

The Foundation's pooled assets were managed by JP Morgan in 2023 after they were awarded the business in fourth quarter of 2022. In addition to the pooled assets, their firm manages the trust accounts, reserve funds, and quasi-endowment assets. Assets had previously been managed by Vanguard since 2016. The pooled investment portfolio is comprised of net assets with donor restrictions. Pooling these assets serves to maximize the earning potential of the funds. A portion of the assets was moved to private investments to maximize earnings potential.

Pooled investments at December 31, 2023, are summarized as follows:

Equity	\$ 52,525,354
Mutual funds	20,916,004
Alternative investments	4,087,294
<u>TOTAL</u>	<u>\$ 77,528,652</u>

The Foundation's brokerage account had a pending stock gift valued at \$80,717 as of December 31, 2023.

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Notes to Consolidated Financial Statements

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NOTE 7 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

Most of the Foundation's investments measured at fair value at December 31, 2023 were all considered Level 1. The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2023.

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

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

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

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

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

Designated net assets include a board designated reserve account, a board designated quasi-endowment, and other funds designated by the board. The board reserve is maintained in an investment account separate from the pooled investments and can be used for any purpose deemed appropriate by the Foundation board, typically requests to meet University priority needs. The balance of the board reserve was \$994,055 at December 31, 2023. The quasi-endowment assets are also held in an account separate from pooled investments. Investment income may be appropriated for general expenditures and amounts from its corpus can be made available with board approval. The balance of the quasi-endowment was \$2,277,190 at December 31, 2023.

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Designated net assets also include an agency fund held for the benefit of the Alumni Association of Winthrop University (see Note 12). The balance of the Alumni Association Agency Endowment at December 31, 2023, was \$425,469.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

Temporary in Nature

Net assets with donor restrictions that are temporary in nature in the amount of \$6,506,259 are available for use by Winthrop University for student scholarships, academic support, or physical facilities. During the year ended December 31, 2023, \$1,592,360 in net assets with donor restrictions that were temporary in nature were released from restriction for expenses satisfying the restricted purpose of the donors.

Perpetual in Nature

Split Interest Agreements

Net assets with donor restrictions that are to be held in perpetuity in the form of split-interest agreements are planned gifts in the form of charitable gift annuities, charitable remainder trusts, and beneficial interests in trusts held by others. When realized, these remainder gifts will be available for use by Winthrop University for student scholarships, academic support, and physical facilities. As of December 31, 2023, the estimated available value of these remainder gifts is \$1,121,261. Net assets released in 2023 for payments to donors was \$153,639.

Fair value of securities held	\$ 2,108,736
Less annuity obligations	<u>(1,036,261)</u>
Net Assets with donor restrictions from Split Interest Agreements	<u>\$ 1,072,475</u>

Cash Value of Life Insurance

Proceeds from life insurance policies are to be held in perpetuity in accordance with the donor's specifications. The cash value of these policies as of December 31, 2023, was \$55,593 and is reflected as net assets with donor restrictions to be held in perpetuity in the accompanying financial statements.

Endowment Funds

The Foundation's net assets classification adheres to regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies, described in Note 1, are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value. As of December 31, 2023, the Foundation had \$70,587,909 in net assets with donor restrictions, of which \$2,527,768 was available for spending in accordance with the Foundation's spending policy as described in Note 1. During the year ended December 31, 2023, \$2,022,472 in spendable funds were released from restriction, satisfying their restricted purposes.

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NOTE 10 - MANAGEMENT OF UNDERWATER FUNDS

Per the Endowment Spending Policy (Note 1), the Foundation annually distributes up to 4% of the 5-year average trailing balance of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return on investment. However, the basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under these guidelines, the Foundation is permitted to invade the corpus to the extent that the value of the corpus exceeds 85% of the original gift value, with the stipulation that donors must agree to the invasion of their corpus. In practice, invading the corpus for any amount below 100% of corpus is only done in very rare circumstances where withholding funds might prevent a student from returning to Winthrop. The Investment Committee monitors policies of peer institutions as well as industry best practices. The Investment Policy and spending rule are reviewed on an annual basis.

Additionally, the Foundation reduced its annual endowment management fee to 1.5% in 2020, which aligns with the industry average. Investment management fees are expected to increase slightly as assets are more strategically managed by JP Morgan. From 2016-2022 fees were low, averaging .6% as only half of the portfolio's assets were under active management. At December 31, 2023, 16 of the Foundation's 484 endowments were underwater.

NOTE 11 - INCOME TAXES

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

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for fiscal years prior to 2018.

NOTE 12 - COMMITMENT TO THE ALUMNI ASSOCIATION OF WINTHROP UNIVERSITY

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

On December 3, 2021, the Foundation Board replaced the 1992 agreement with two new agreements pertaining to the relationship between the Foundation and the Alumni Association. The first agreement is a Memorandum of Understanding between the two parties outlining their mutual goal of being working partners to encourage the full participation and financial support of alumni and friends in advancing Winthrop University. The second agreement is a financial agreement that requires the Foundation to complete the funding of the Alumni Association Agency Endowment by 2027, with annual payments of at least \$57,000 per year. As of December 31, 2023, the Foundation had paid a total of \$390,878 toward the \$500,000 obligation.

The Foundation also agreed to provide the Alumni Association with an annual contribution for operating support, the amount which was to be determined annually. In 2023, the Foundation provided the Alumni Association with \$29,000 in operating support.

NOTE 13 - RELATED PARTY TRANSACTIONS

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

In 2023, payments to the University for scholarships and departmental support totaled \$3,774,831, not including the support to the Alumni Association. The University employs individuals within the Division of Institutional Advancement who

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perform services on behalf of the Foundation. The Foundation reimbursed the University \$389,273 in 2023 for these staff services and related fundraising expenses. The University also supports the administrative needs of the Foundation with services such as printing, postage, telephone, office supplies, IT and space rent. In 2023, the Foundation reimbursed the University \$4,097 for administrative support and \$11,110 for facility usage. At December 31, 2023, the Foundation had outstanding payables to the University totaling \$297,089.

The Foundation provided a salary supplement to the University President which included a 9.55% contribution to the Foundation's 401k plan. The total cost of compensation and benefits to the President was \$204,182. Discretionary funds in the amount of \$30,000 were provided to the President for donor cultivation and related fundraising activities, of which \$29,059 was used. The President's Cabinet received an additional \$26,134 in discretionary funds. The Foundation board approved two requests for consulting engagements in 2023: Grant writing assistance for \$30,000 and \$10,000 for an economic impact survey. Payments toward these engagements totaled \$21,703 in 2023.

NOTE 14 - CONTINGENCIES/COMMITMENTS

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result in litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonable possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage.

Guaranteed Lease Liability

In 2020, the Winthrop University Foundation Land and Real Estate Subsidiary, LLC sold commercial condominium property consisting of two office suites that were gifted in 2009 for the benefit of an endowed fund. The terms of the sales contract included provisions that the Foundation restrict a portion of the sales proceeds as a guarantee to the buyer for certain future lease income for the two office suites. The first guarantee (Suite 1) was for \$1,800 per month for 14 months and expired in 2021. The second guarantee (Suite 2) is \$10,000 per year for five years and will expire in 2024. As the current property owner confirms receipt of realized lease income, the Foundation releases a periodic allocation of the liability back to the fund that benefitted from the original gift. Contingent on the terms of the contract, the Foundation will release the remaining liability as follows:

	<u>Suite 1</u>	<u>Suite 2</u>	<u>Total</u>
2024	-	10,000	10,000
	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

At the date of this report, management is not aware of any other contingencies that will result in any material loss to the Foundation.

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NOTE 15 - LIQUIDITY MANAGEMENT

The Foundation manages the liquidity of both unrestricted net assets for operating expenses and restricted net assets for disbursement of support to Winthrop University. The financial assets available within one year of the balance sheet date for expenditures are as follows:

Cash and cash equivalents	\$ 1,982,800
Pledges receivable, net	30,598
<u>Alternative investments</u>	<u>77,528,652</u>
Total financial assets	79,542,050
<u>Less: Assets restricted for specific purposes</u>	<u>78,222,236</u>
<u>TOTAL</u>	<u>\$ 1,319,814</u>

The Foundation strives to maintain cash and short-term investment balances on hand to meet 60 days of ordinary business expenses. Budgeted operating expenses for the coming year are estimated at \$260,860 per 60-day period. The Foundation also receives monthly requests from the University to provide funding for scholarships and other support from its restricted net assets. The two largest requests are when the majority of scholarships are awarded, typically in January and August of each year. In addition to cash on hand in the operating account, the Foundation's Investment Policy requires at least 75% of the portfolio to be allocated to liquid investments with conversion to cash of no more than three days. When support requests are received, the Foundation liquidates investments as needed to supplement cash already available in the operating account.

The Board also maintains a board-restricted reserve fund. At year-end, the reserve account had an uncommitted balance of \$994,046 which was derived from market earnings on non-endowed funds. The Foundation does not maintain a line of credit.

NOTE 16 - SUBSEQUENT EVENTS

There were no subsequent events from the date of the consolidated statement of financial position through the date of the independent auditors' report which would adversely affect the Foundation's financial position.