

College of Charleston Foundation

Financial Statements

June 30, 2013 and 2012

College of Charleston Foundation
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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report

To the Board of Directors of
College of Charleston Foundation
Charleston, South Carolina

We have audited the accompanying financial statements of College of Charleston Foundation, which comprise the statement of financial position as of June 30, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of Charleston Foundation as of June 30, 2013 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the College of Charleston Foundation's 2012 financial statements, and our report dated September 7, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

September 5, 2013
Charleston, South Carolina

College of Charleston Foundation
Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 402,093	\$ 629,356
Accounts receivable	50,560	58,664
Prepaid expenses	65,485	52,044
Other assets	90,668	104,214
Unconditional promises to give, net	7,666,861	7,218,911
Investments	74,858,872	66,824,973
Property and equipment, net	5,312,438	5,184,481
Collections	7,482,163	5,400,404
Total assets	<u>\$ 95,929,140</u>	<u>\$ 85,473,047</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 325,491	\$ 721,273
Accrued liabilities	69,716	57,745
Deferred revenue	-	234,145
Line of credit	-	875,000
Annuities payable	255,359	283,794
Marine genomics grant payable	1,333,880	1,282,549
Total liabilities	<u>1,984,446</u>	<u>3,454,506</u>
Net Assets:		
Unrestricted:		
Board-designated quasi-endowment	1,061,695	766,169
Reserve for portion of donor-restricted endowment with investment losses below gift corpus	-	(55,928)
Undesignated	8,955,674	9,383,338
	<u>10,017,369</u>	<u>10,093,579</u>
Temporarily Restricted:		
Program expenses	13,521,997	9,690,374
Portion of endowment subject to restriction under UPMIFA and with purpose restrictions	31,121,922	25,353,304
Investment in property	5,179,334	2,900,842
	<u>49,823,253</u>	<u>37,944,520</u>
Permanently Restricted:		
Donor-restricted permanent endowments	34,104,072	33,980,442
Total net assets	<u>93,944,694</u>	<u>82,018,541</u>
Total liabilities and net assets	<u>\$ 95,929,140</u>	<u>\$ 85,473,047</u>

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

College of Charleston Foundation
Statement of Activities
For the Year Ended June 30, 2013
(with Comparative Totals for the Year Ended 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, gains, (losses) and other support:					
Contributions	\$ 1,248,831	\$ 11,257,333	\$ 582,283	\$ 13,088,447	\$ 10,794,442
Rental income	820,841	-	-	820,841	820,841
Net interest and dividend income	293,930	1,791,600	-	2,085,530	2,089,656
Net realized and unrealized gains (losses) on investments	436,258	5,307,990	-	5,744,248	(1,062,135)
Special events	-	52,364	-	52,364	150
Other income (expense)	-	243,161	-	243,161	446,873
Changes in value of split-interest agreements	-	(18,480)	-	(18,480)	(48,123)
	<u>2,799,860</u>	<u>18,633,968</u>	<u>582,283</u>	<u>22,016,111</u>	<u>13,041,704</u>
Net assets released from restrictions					
Program restrictions satisfied	6,517,776	(6,517,776)	-	-	-
Administration surcharges	696,112	(696,112)	-	-	-
Transfers based on changes in donor intent	-	458,653	(458,653)	-	-
	<u>7,213,888</u>	<u>(6,755,235)</u>	<u>(458,653)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, (losses) and other support	<u>10,013,748</u>	<u>11,878,733</u>	<u>123,630</u>	<u>22,016,111</u>	<u>13,041,704</u>
Expenses:					
Program:					
Student aid and recognition	2,759,258	-	-	2,759,258	2,545,509
Programs of education, research, and student and faculty enrichment	5,231,184	-	-	5,231,184	4,403,190
Total program expenses	<u>7,990,442</u>	<u>-</u>	<u>-</u>	<u>7,990,442</u>	<u>6,948,699</u>
Supporting Services:					
General and administrative	636,024	-	-	636,024	692,700
Fundraising	1,463,492	-	-	1,463,492	1,093,014
Total supporting services	<u>2,099,516</u>	<u>-</u>	<u>-</u>	<u>2,099,516</u>	<u>1,785,714</u>
Total expenses	<u>10,089,958</u>	<u>-</u>	<u>-</u>	<u>10,089,958</u>	<u>8,734,413</u>
Change in net assets	(76,210)	11,878,733	123,630	11,926,153	4,307,291
Net assets, beginning of year	<u>10,093,579</u>	<u>37,944,520</u>	<u>33,980,442</u>	<u>82,018,541</u>	<u>77,711,250</u>
Net assets, end of year	<u>\$ 10,017,369</u>	<u>\$ 49,823,253</u>	<u>\$ 34,104,072</u>	<u>\$ 93,944,694</u>	<u>\$ 82,018,541</u>

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

College of Charleston Foundation
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,926,153	\$ 4,307,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(5,744,248)	1,062,135
Depreciation	268,020	225,770
Loss on disposal of equipment	23,095	7,416
Contributions restricted for long-term investment	(582,283)	(584,302)
Provision for uncollectible promises to give	522,243	4,069
Noncash contributions	(2,636,114)	(743,984)
Change in operating assets and liabilities:		
Accounts receivable	8,104	1,945
Prepaid expenses	(13,441)	198,163
Other assets	13,546	280,323
Unconditional promises to give	(970,193)	(1,752,100)
Accounts payable	(395,782)	355,980
Accrued liabilities	11,971	7,272
Deferred revenue	(234,145)	234,145
Net cash provided by operating activities	<u>2,196,926</u>	<u>3,604,123</u>
Cash flows from investing activities:		
Purchases of property and equipment	(203,974)	(197,913)
Proceeds from sale of equipment	-	12,000
Purchases of investments	(8,605,000)	(6,789,233)
Proceeds from sale of investments	6,677,502	1,768,994
Net cash used by investing activities	<u>(2,131,472)</u>	<u>(5,206,152)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	582,283	584,302
Net borrowings on line of credit	-	875,000
Payments on line of credit	(875,000)	-
Net cash (used) provided by financing activities	<u>(292,717)</u>	<u>1,459,302</u>
Net change in cash	(227,263)	(142,727)
Cash and cash equivalents, beginning of year	629,356	772,083
Cash and cash equivalents, end of year	<u>\$ 402,093</u>	<u>\$ 629,356</u>
Supplemental disclosures:		
Noncash transactions:		
Receipt of donated securities	\$ 339,257	\$ 344,079
Receipt of donated property	\$ 2,296,857	\$ 399,905

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

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The College of Charleston Foundation, (the "Foundation"), is an eleemosynary corporation that was organized in 1970 to accept, solicit, invest and manage private donations given on behalf of the College of Charleston (the "College"). Gifts to the Foundation qualify for deductibility for income, gift, and estate tax purposes. The Foundation provides support to the College for student scholarships, programs of education, research, student development and faculty enrichment. Major sources of income consist primarily of donor contributions and investment income.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Basis of Presentation

In accordance with guidance from the Financial Accounting Standards Board ("FASB") relating to financial statements of not-for-profit organizations, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

Unrestricted net assets are unrestricted in their use by the Foundation. The Board may designate certain net assets for a particular use.

Temporarily restricted net assets are donor restricted for the purpose of student aid and recognition (primarily in the form of scholarships and grants), programs of education, research, faculty enrichment, and investment in property and equipment. Temporarily restricted net assets are released from restriction when the Foundation satisfies the donor-imposed restriction or by the passage of time.

Permanently restricted net assets consist of endowment assets to be held in perpetuity as required by donor stipulations. The income and gains from these assets are generally temporarily restricted for the purpose of student aid and recognition, programs of education and research, and faculty enrichment.

Contributions

Contributions are recognized as revenue when they are received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Restricted contributions in which the donor imposed restrictions are met in the same period are recorded as unrestricted.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less from date of purchase to be cash equivalents, except cash temporarily held in its long-term investment portfolio. For purposes of the statements of cash flows, cash and cash equivalents included in investments functioning as endowment investments are not considered cash and cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenue when the donor commits the gift. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using a credit risk adjusted discount rate of return appropriate for the expected term of the promise to give. The discount rate for determining net present value ranges from 3.00% to 8.00% depending on the date of the gift. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions.

The Foundation reports promises to give net of an allowance for uncollectible accounts. The allowance is based on historical collection experience and management's assessment of individual donor circumstances.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value based upon quoted market prices. Investments in alternative investment securities are carried at fair values based upon financial information provided by external investment partners. Because alternative investment interests are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for the investments existed. Investments donated to the Foundation are initially recorded at fair value on the date of the gift. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by the donor or law.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Investment income and expenses, including unrealized gains and losses from securities in the master investment accounts, are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, adjusted for additions to or deductions from those accounts.

Administrative Fees

The Foundation charges an administrative fee to restricted funds and transfers this amount to unrestricted net assets to cover funds management, custody, and administration expenses. For the year ended June 30, 2013, the Foundation charged administrative fees on endowed and non-endowed restricted funds of \$601,374 and \$94,738 respectively, for a total of \$696,112. For the year ended June 30, 2012, the Foundation charged administrative fees on endowed and non-endowed restricted funds of \$492,296 and \$100,981 respectively, for a total of \$593,277. There are two separate administrative fees, but only one type will be assessed to a fund: non-endowed fee or endowed fee. The non-endowed fee is set at 5% and is a one-time assessment applied to revenues in the month deposited to a non-endowed fund. The endowed fee is a maximum of 1% and is calculated based on the weighted average daily balance of an endowed fund.

College of Charleston Foundation
Notes to the Financial Statements
June 30, 2013 and 2012

Property and Equipment

Property and equipment is recorded at cost or, if donated, at its fair value on the date donated. Depreciable assets are depreciated by the straight-line method over the assets' estimated useful lives. The Foundation generally capitalizes expenditures for property and equipment in excess of \$5,000.

Donations of property and equipment that are not restricted as to their use by the donor are recorded as increases in unrestricted net assets. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in restricted net assets. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to restricted donated property and equipment.

Collections

Collection items include antique furnishings, paintings, rare books, and other works of art. Such items are carried at cost, if purchased or at fair value at the date of the contribution, if donated. Depreciation is not recorded for collection items.

Donated Services

The Foundation does not generally record revenue for donated services. The Foundation generally pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with campaign solicitations and various committee assignments.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates. Significant estimates include the estimated fair value of alternative investments and the allowance for uncollectable promises to give. It is at least reasonably possible that the significant estimates used will change within the next year.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to programs and supporting services on the basis of time and allocable expenses. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2013 and 2012. Fiscal years on or after June 30, 2010 remain subject to examination by federal and state tax authorities.

Contributions made to the Foundation qualify for the charitable contribution deduction under Section 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code.

Reclassification

Certain liability, other asset, and expense amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

2. Credit Risk

The Foundation places its cash and cash equivalents on deposit with three different commercial banks. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for each interest bearing account. At times throughout the year, the Foundation may maintain bank account balances in excess of the FDIC insured limit. The Foundation has not experienced losses in such deposit accounts and believes it is not exposed to any significant credit risk in this regard.

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. At June 30, 2013, promises to give from two donors accounted for approximately 34% of the total unconditional promises to give balance. At June 30, 2012, promises to give from four donors accounted for approximately 41% of the total unconditional promises to give balance.

3. Promises to Give

Unconditional promises to give at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 3,401,139	\$ 2,840,968
Receivable in one to five years	4,867,514	4,878,331
Receivable in more than five years	<u>593,762</u>	<u>168,761</u>
	8,862,415	7,888,060
Allowance for uncollectible promises receivable	(824,104)	(301,861)
Discount to present value	<u>(371,450)</u>	<u>(367,288)</u>
Unconditional promises to give, net	<u>\$ 7,666,861</u>	<u>\$ 7,218,911</u>

Unconditional promises to give based on donors' intent at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 247,158	\$ 156,918
Awards	126,847	4,000
Buildings	397,579	612,500
Chair	533,333	676,191
Programs	5,297,751	3,820,314
Scholarships	<u>2,259,747</u>	<u>2,618,137</u>
Unconditional promises to give	<u>\$ 8,862,415</u>	<u>\$ 7,888,060</u>

College of Charleston Foundation
Notes to the Financial Statements
June 30, 2013 and 2012

4. Investments

A summary of investments held by the Foundation as of June 30, 2013 and 2012 are as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 144,406	\$ 144,406	\$ 134,858	\$ 134,858
Debt securities	1,752,550	2,239,398	268,961	294,125
Equity securities	138,572	166,230	174,066	191,772
Mutual funds	46,106,969	51,497,343	45,567,358	48,012,298
Alternative investments	15,915,000	20,811,495	15,915,000	18,191,920
Total	<u>\$ 64,057,497</u>	<u>\$ 74,858,872</u>	<u>\$ 62,060,243</u>	<u>\$ 66,824,973</u>

Investment return is summarized as follows for the years ended June 30, 2013 and 2012:

	2013	2012
Interest and dividends	\$ 2,112,181	\$ 2,114,226
Less investment agent fees	(26,651)	(24,570)
Net realized and unrealized gains (losses)	5,744,248	(1,062,135)
Total	<u>\$ 7,829,778</u>	<u>\$ 1,027,521</u>

5. Fair Value Measurements of Assets and Liabilities

Fair value as defined under accounting principles generally accepted in the United States of America (GAAP) is an exit price, representing 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. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used in the years ended June 30, 2013 and 2012.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include publicly traded mutual funds, debt, and equity securities.

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Investments classified in Levels 2 and 3 consist of interests or units in investment funds as opposed to direct interests. Because the net asset value reported by the investment manager for each fund is used as a practical expedient to estimate fair value, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near year end at the stated net asset value. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following table sets forth by level within the fair value hierarchy the Foundation's assets accounted for at fair value on a recurring basis as of June 30, 2013:

	Total	Fair Value at June 30, 2013		
		Level 1	Level 2	Level 3
Cash	\$ 144,406	\$ 144,406	\$ -	\$ -
Debt securities	2,239,398	2,239,398	-	-
Equity securities	166,230	166,230	-	-
Mutual funds:				
Multi-asset	51,497,343	-	51,497,343	-
Alternative investments	20,811,495	-	-	20,811,495
Total assets at fair value	\$ 74,858,872	\$ 2,550,034	\$ 51,497,343	\$ 20,811,495

The following table sets forth by level within the fair value hierarchy the Foundation's assets accounted for at fair value on a recurring basis as of June 30, 2012:

	Total	Fair Value at June 30, 2012		
		Level 1	Level 2	Level 3
Cash	\$ 134,858	\$ 134,858	\$ -	\$ -
Debt securities	294,125	294,125	-	-
Equity securities	191,772	191,772	-	-
Mutual funds:				
Fixed income	3,405,664	3,405,664	-	-
Multi-asset	44,606,634	-	44,606,634	-
Alternative investments	18,191,920	-	-	18,191,920
Total assets at fair value	\$ 66,824,973	\$ 4,026,419	\$ 44,606,634	\$ 18,191,920

The following table summarizes the activity of the Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2013 and 2012:

	2013	2012
	Alternative Investments	Alternative Investments
Beginning balance	\$ 18,191,920	\$ 16,600,280
Purchases	400,000	1,000,000
Gains (realized/unrealized) included in changes in net assets	2,219,575	591,640
Ending balance	\$ 20,811,495	\$ 18,191,920

College of Charleston Foundation
Notes to the Financial Statements
June 30, 2013 and 2012

The following table sets forth a summary of the Foundation's investments with a reported estimated fair value using net asset value per share at June 30, 2013:

	2013			
	Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Terms and Restrictions
Multi-asset fund ^(a)	\$ 51,497,343	daily	none	.50% entry/exit fee
Multi-strategy limited partnership ^(b)	20,811,495	quarterly	180 days	12 month initial
	<u>\$ 72,308,838</u>			

The following table sets forth a summary of the Foundation's investments with a reported estimated fair value using net asset value per share at June 30, 2012:

	2012			
	Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Terms and Restrictions
Multi-asset fund ^(a)	\$ 44,606,634	daily	none	.50% entry/exit fee
Multi-strategy limited partnership ^(b)	18,191,920	quarterly	180 days	12 month initial
	<u>\$ 62,798,554</u>			

There were no unfunded commitments outstanding as of years ended June 30, 2013 and 2012.

- (a) The fund invests primarily in global stocks, high yield bonds, commodities, real estate interest trusts, inflation-linked bonds, and cash equivalents, and seeks to achieve a total return (price appreciation plus dividends) that, over a majority of market cycles, exceeds inflation, as measured by the Consumer Price Index (CPI) plus 5% per annum.
- (b) The fund's investment objective is to maximize annualized returns net of all costs over rolling 10 year periods while adhering to the fund's risk parameters which seek to limit to not greater than 10% the probability of a 25% or greater decline in the fund's inflation-adjusted value measured over any rolling three year period. The fund invests globally in multiple asset classes and in both publicly traded and privately placed securities, properties, and other assets, either directly or through commingled investment vehicles, including private equity funds, private realty funds, natural resources funds, and hedge funds. Additional redemption terms: the Partnership will endeavor to distribute 50% of withdrawal proceeds within 30 days of an applicable withdrawal request; however, proceeds expected from any intermediate or long-term assets may take significantly longer to liquidate.

6. Property and Equipment

Major classifications of property and equipment consist of the following as of June 30, 2013 and 2012:

	Estimated Useful Life in Years	2013	2012
Land		\$ 3,068,295	\$ 3,043,067
Building and building improvements	5 - 27	3,418,961	3,310,069
Equipment and furnishings	5 - 20	701,763	556,639
Boats	10	554,556	550,556
Horses	10	508,750	432,500
		8,252,325	7,892,831
Less: accumulated depreciation		(2,939,887)	(2,708,350)
Property and equipment, net		\$ 5,312,438	\$ 5,184,481

Depreciation expense for the years ended June 30, 2013 and 2012 was \$268,020 and \$225,770, respectively.

7. Line of Credit

The Foundation has an unsecured line of credit with a financial institution. Total availability on the line of credit is \$5,000,000 with a maturity date of July 31, 2014. Interest is payable monthly based on the one month LIBOR rate plus 1.2% (3.1% at June 30, 2013). At June 30, 2013 and 2012, the Foundation had a line of credit balance of \$0 and \$875,000, respectively. The agreement contains certain affirmative covenants and requires the maintenance of a depository account with the financial institution with specified balances to be maintained based on the type of account held.

8. Marine Genomics Grant Payable

The College and the Medical University of South Carolina (“MUSC”) have joined together to raise non-state matching funds for collaborative research in Applied Marine Genomics. The South Carolina General Assembly passed the South Carolina Research Centers of Excellence Act in 2002, to provide a competitive grants program to the State’s research universities. The grants program provides funding to endow professorships and requires a dollar-for-dollar match. The College requested assistance from the Foundation to secure \$1,000,000 in unrestricted funds to use as a match in its collaboration with MUSC. The College and MUSC entered into an agreement to have the College accept \$1,000,000 to be held and invested by the Foundation, along with the \$1,000,000 match to endow the Research Center Professorship in Applied Marine Genomics. The Foundation and College entered into an agreement under South Carolina Code of Laws Section 59-101-410, whereby the College desired to lend endowment funds to the Foundation to maximize the College’s investment yield. The collaborative research project is intended to be a permanent program; however, in the event the program is discontinued, the Foundation would be required to return the grant funds plus any earnings less any authorized program spending and customary administrative fees. Changes in the endowment value are recorded as a faculty enrichment expense on the statement of activities. As of June 30, 2013 and 2012, \$91,323 and \$81,370 funds have been disbursed to support the professorship. The marine genomics grant payable was \$1,333,880 and \$1,282,549 at June 30, 2013 and 2012, respectively.

9. Split-Interest Agreements

The Foundation is the recipient of several charitable remainder unitrusts. Under the terms of these agreements, annual fixed payments of \$5,000 are made to the donors until death and the remaining trust balances are available to the Foundation to further its objectives and goals. The net assets associated with these gifts are classified as temporarily restricted net assets. When the terms of the annuity gift have been met, the remaining amount of the gift, net of any actuarial gains or losses, may be reclassified to unrestricted or permanently restricted net assets depending on donor intentions for the residual. The Foundation records the contributions receivable from the charitable remainder trust at the present value of the estimated future benefit to be received, which totaled \$0 and \$133,631 at June 30, 2013 and 2012, respectively.

The Foundation also holds assets related to charitable gift annuities. Assets related to charitable gift annuities are recorded at their fair values when received and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donor or other designated beneficiary. Assets held for the charitable gift annuities totaled \$309,196 and \$362,499 at June 30, 2013 and 2012, respectively, and are reported as investments in the accompanying statements of financial position.

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using various credit risk adjusted discount rates and applicable mortality tables. The annuities payable balance for the unitrusts and charitable gift annuities totaled \$255,359 and \$283,794 at June 30, 2013 and 2012, respectively.

10. Endowment Funds

The Foundation's endowment consists of approximately 450 individual funds established for a variety of purposes including both donor-restricted perpetual endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and the Foundation's interpretation of relevant law.

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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Earnings from donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net asset composition by type of fund consists of the following as of June 30, 2013:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	\$ -	\$ 31,121,922	\$ 34,104,072	\$ 65,225,994
Board-designated endowment funds	1,061,695	-	-	1,061,695
Total funds	\$ 1,061,695	\$ 31,121,922	\$ 34,104,072	\$ 66,287,689

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning endowment net asset balance	\$ 710,241	\$ 25,353,304	\$ 33,980,442	\$ 60,043,987
Investment return:				
Investment income	29,184	1,764,718	-	1,793,902
Net appreciation	79,342	5,332,588	-	5,411,930
Total investment return	108,526	7,097,306	-	7,205,832
Contributions	187,000	680,864	582,283	1,450,147
Appropriation of endowment assets for expenditure	-	(2,506,658)	-	(2,506,658)
Restoration of underwater endowments	55,928	-	-	55,928
Changes in donor designations and transfers to the endowment pool	-	497,106	(458,653)	38,453
Total contributions	242,928	(1,328,688)	123,630	(962,130)
Ending endowment net asset balance	\$ 1,061,695	\$ 31,121,922	\$ 34,104,072	\$ 66,287,689

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Endowment net asset composition by type of fund consists of the following as of June 30, 2012:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-designated endowment funds	\$ (55,928)	\$ 25,353,304	\$ 33,980,442	\$ 59,277,818
Board-designated endowment funds	766,169	-	-	766,169
Total funds	\$ 710,241	\$ 25,353,304	\$ 33,980,442	\$ 60,043,987

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning endowment net asset balance	\$ 436,461	\$ 22,434,943	\$ 33,305,048	\$ 56,176,452
Investment return:				
Investment income	23,786	1,745,950	-	1,769,736
Net depreciation	(2,671)	(942,238)	-	(944,909)
Total investment return	21,115	803,712	-	824,827
Contributions	270,000	4,065,561	675,394	5,010,955
Appropriation of endowment assets for expenditure	-	(2,271,592)	-	(2,271,592)
Recovery of underwater endowments	(17,335)	-	-	(17,335)
Changes in donor designations and transfers to the endowment pool	-	320,680	-	320,680
Total contributions	252,665	2,114,649	675,394	3,042,708
Ending endowment net asset balance	\$ 710,241	\$ 25,353,304	\$ 33,980,442	\$ 60,043,987

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the state UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$55,928 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in unrestricted net assets or permanently restricted net assets, as applicable.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the Investment Policy benchmark index, over short and long term periods, while assuming a moderate level of investment risk.

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The Foundation expects its endowment funds, over time, to provide an average rate of return of approximating the Consumer Price Index plus 5%, net of fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for expenditure each year up to 4.5% of its endowment funds' average fair value using the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.75% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

11. Rental Income

Rental income for years ended June 30, 2013 and 2012 was \$820,841. Property is leased to the College for parking, student housing, office space, and use of the Blacklock House. The Foundation and College executed five year agreements, expiring in 2015, for each of the properties leased to the College with the exception of Trujillo Spain and Dixie Plantation. These five year leases are subject to renewal by the College. The Trujillo Spain lease was executed in 2013 and expires in 2014, subject to annual renewal by the College. The Dixie Plantation lease was executed in 2008 for a period of thirty years and expires in 2038. Renewal options are not included in the future minimum lease payments in the table below.

Future minimum lease payments to be received at June 30, 2013 are as follows:

<u>Year ending June 30,</u>	
2014	\$ 820,841
2015	770,841
2016	100,000
2017	100,000
2018	100,000
Thereafter	<u>2,000,000</u>
	<u>\$ 3,891,682</u>

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12. Expense Allocation

Program expenses include support to the College for student scholarships, programs of education, research, student development and faculty enrichment. General and administrative expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Foundation. Fundraising expenses include personnel costs for development and institutional advancement functions and other fundraising activity costs.

Expense allocation for the year ended June 30, 2013 is as follows:

	2013			Total
	Program	General and Administrative	Fundraising	
Support on behalf of the College	\$ 5,063,329	\$ 10,927	\$ -	\$ 5,074,256
Scholarships and awards for the College	2,759,258	-	-	2,759,258
Personnel	-	256,011	885,179	1,141,190
Occupancy	922	63,657	1,596	66,175
Supplies and materials	-	71,147	61,124	132,271
Professional development	-	11,370	16,389	27,759
Professional services	897	111,158	91,582	203,637
Depreciation	166,036	98,003	3,981	268,020
Computer expenses	-	8,357	75,687	84,044
Printing and stationery	-	3,541	113,152	116,693
Postage and shipping	-	1,853	38,946	40,799
Donor cultivation/stewardship	-	-	175,856	175,856
Total	\$ 7,990,442	\$ 636,024	\$ 1,463,492	\$ 10,089,958

Expense allocation for the year ended June 30, 2012 is as follows:

	2012			Total
	Program	General and Administrative	Fundraising	
Support on behalf of the College	\$ 4,272,779	\$ 9,825	\$ -	\$ 4,282,604
Scholarships and awards for the College	2,545,509	-	-	2,545,509
Personnel	-	368,708	539,321	908,029
Occupancy	-	44,575	4,894	49,469
Supplies and materials	-	71,781	35,922	107,703
Professional development	-	10,118	8,351	18,469
Professional services	1,801	78,576	133,228	213,605
Depreciation	128,610	87,928	9,232	225,770
Computer expenses	-	16,238	77,668	93,906
Printing and stationery	-	2,724	103,490	106,214
Postage and shipping	-	2,227	41,594	43,821
Donor cultivation/stewardship	-	-	139,314	139,314
Total	\$ 6,948,699	\$ 692,700	\$ 1,093,014	\$ 8,734,413

13. Related Parties

The Foundation is discretely presented as a component unit of the College's financial statements in accordance with standards established by the Governmental Accounting Standards Board.

The Foundation exists primarily to provide financial assistance and other support to the College. The College operates on a fiscal year ended June 30. The Foundation has reimbursed the College \$6,655,464 and \$4,896,222 for the years ended June 30, 2013 and 2012, respectively, for personnel and other operating expenses. The Foundation has accrued expenses of \$278,994 and \$587,716 due to the College as of June 30, 2013 and 2012, respectively. The Foundation has incurred deferred rent revenue of \$0 and \$234,145 as of June 30, 2013 and 2012, respectively for rental income paid in advance.

The Foundation has unconditional promises to give due from Board members, faculty and staff of \$1,165,609 and \$1,117,855 at June 30, 2013 and 2012, respectively.

The Foundation uses a facility owned by the College of Charleston in connection with its operations, for which no fee is charged. The Foundation has not reported contribution revenue and program expense in relation to this facility for the free use of the facility during the years ended June 30, 2013 and 2012.

14. Commitments

The Foundation renewed the memorandum of understanding ("MOU") with the Alumni Association on December 9, 2012, for another three year period. Under the terms of the MOU, the Foundation agreed to pay the Alumni Association \$115,000 in fiscal year 2014, and \$125,000 in fiscal year 2015 from the Annual Fund (unrestricted) proceeds.

In 2006, the Foundation agreed to provide up to \$600,000 in private funding to the College for the completion of the fifth floor of the new addition for the School of the Arts. The outstanding remaining commitment as of June 30, 2013 is \$30,000.

In December 2012, the Foundation agreed to provide \$1,000,000 in private donations to be matched by the College of Charleston toward the expansion of the Yaschik Building at 86 Wentworth Street and the creation of a new vegan/kosher dining facility as part of the Jewish Studies Center.

15. Subsequent Event

On July 1, 2013 the Foundation formed a wholly-owned subsidiary, Dixie Plantation Educational Holdings, LLC ("the Company"). The purpose of the Company is the promotion of the charitable, scientific, educational and other programs of the College of Charleston Foundation and to acquire, own, improve, finance, sell, lease, rent, exchange, otherwise dispose of, and manage certain real property on behalf of the Foundation. The Foundation has evaluated subsequent events through September 5, 2013, the date the financial statements were available to be issued.