College of Charleston Foundation

Financial Statements

June 30, 2011

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 statement of financial position of College of Charleston Foundation, (the "Foundation") as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, certain errors resulting in overstatement of previously reported property and equipment as of June 30, 2010, were discovered by management of the Foundation during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2010, to correct the error.

Dixon Hughes Goodman LLP

September 9, 2011
Charleston, South Carolina

College of Charleston Foundation
Statement of Financial Position
June 30, 2011

Assets	
Cash and cash equivalents	$ 772,083
Accounts receivable	60,609
Prepaid expenses	250,207
Other assets	32,314
Unconditional promises to give, net	5,470,880
Investments	62,546,592
Contributions receivable from remainder trusts	359,047
Cash value of life insurance	56,766
Property and equipment, net	4,986,484
Collections	5,245,769
Total assets	$ 79,780,751
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 415,766
Annuities payable	299,261
Marine genomics grant payable	1,354,474
Total liabilities	2,069,501
Net Assets:	
Unrestricted:	
Board-designated quasi-endowment	473,944
Reserve for portion of donor-designated endowment with investment losses below gift corpus	(37,483)
Undesignated	9,603,394
	10,039,855
Temporarily Restricted:	
Program expenses	9,376,396
Portion of perpetual endowment subject to a time restriction under UPMIFA and with purpose restrictions	18,038,122
Investment in property	2,555,008
	29,969,526
Permanently Restricted:	
Donor-restricted permanent endowments	37,701,869
Total net assets	77,711,250
Total liabilities and net assets	$ 79,780,751

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

College of Charleston Foundation
Statement of Activities
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, (losses) and other support:				
Contributions	$ 1,186,461	$ 3,756,987	$ 3,105,317	$ 8,048,765
Rental income	820,841	-	-	820,841
Net interest and dividend income	380,262	1,779,638	-	2,159,900
Net realized and unrealized gains on investments	37,332	6,303,324	-	6,340,656
Special events	-	186,835	-	186,835
Other income	23,826	542,149	-	565,975
Changes in value of split-interest agreements	-	(8,109)	-	(8,109)
	2,448,722	12,560,824	3,105,317	18,114,863
Net assets released from restrictions				
Program restrictions satisfied	5,860,077	(5,860,077)	-	-
Payment of administrative surcharges	452,850	(452,850)	-	-
	6,312,927	(6,312,927)	-	-
Total revenue, gains, (losses) and other support	8,761,649	6,247,897	3,105,317	18,114,863
Expenses:				
Program:				
Student aid and recognition	2,026,680	-	-	2,026,680
Programs of education, research, and student and faculty enrichment	4,618,808	-	-	4,618,808
Total program expenses	6,645,488	-	-	6,645,488
Supporting Services:				
General and administrative	617,444	-	-	617,444
Fundraising	899,120	-	-	899,120
Total supporting services	1,516,564	-	-	1,516,564
Change in allowance for uncollectible promises to give	10,609	(54,450)	52,715	8,874
Total expenses	8,172,661	(54,450)	52,715	8,170,926
Change in net assets	588,988	6,302,347	3,052,602	9,943,937
Net assets, beginning of year (as previously reported)	11,165,723	23,813,970	34,649,267	69,628,960
Restatement (Note 15)	(1,714,856)	(146,791)	-	(1,861,647)
Net assets, beginning of year (as restated)	9,450,867	23,667,179	34,649,267	67,767,313
Net assets, end of year	$ 10,039,855	$ 29,969,526	$ 37,701,869	$ 77,711,250

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

College of Charleston Foundation
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash flows from operating activities:		
Change in net assets	$	9,943,937
Adjustments to reconcile change in net assets to net cash used in provided by activities:		
Net realized and unrealized gain on long-term investments		(6,340,656)
Change in value of split interest agreements		3,281
Change in cash value of life insurance		(2,677)
Depreciation		180,168
Gain on disposal of equipment		(750)
Contributions restricted for long-term investment		(3,105,317)
Provision for uncollectible promises to give		778,032
Noncash contributions		(1,054,629)
Change in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(11,075)
Prepaid expenses		(76,304)
Other assets		(14,563)
Contributions receivable		(370,928)
(Decrease) Increase in:		
Accounts payable and accrued expenses		98,274
Deferred revenue		(17,092)
IRA rollover contribution payable		(657,601)
Net cash used by operating activities		(647,900)
Cash flows from investing activities:		
Purchases of property and equipment		(536,247)
Proceeds from sale of equipment		750
Purchases of investments		(4,323,000)
Proceeds from sale of investments		2,391,837
Net cash used by investing activities		(2,466,660)
Cash flows from financing activities:		
Contributions restricted for long-term investment		3,105,317
Net cash provided by financing activities		3,105,317
Net change in cash		(9,243)
Cash and cash equivalents, beginning of year		781,326
Cash and cash equivalents, end of year	$	772,083
Supplmental disclosures:		
Noncash transactions:		
Receipt of donated securities	$	368,309
Receipt of donated property	$	686,320

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.

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.

The Foundation reports on the accrual basis of accounting, and accordingly, all significant receivables, payables and other liabilities are reflected in these financial statements.

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 available 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.

Permanently restricted net assets consist of endowment assets to be held in perpetuity. The income and gain from these assets are temporarily restricted to be used 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.

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.

Unconditional 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. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions.

The Foundation uses the allowance method to account for uncollectible promises to give. The allowance is based on management's estimate of the collectability of the promises made and historical collection experience.

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, 2011, the Foundation charged administrative fees on endowed and non-endowed restricted funds of $347,517 and $105,333 respectively, for a total of $452,850. 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.

Property and Depreciation
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 in excess of $1,000.

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
No revenue amounts have been reflected in the financial statements 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. Accordingly, actual results could differ from those estimates.

Expense Allocation
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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, 2011. Fiscal years on or after June 30, 2008 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.

Subsequent Events
The Foundation has evaluated subsequent events through September 9, 2011, the date the financial statements were available to be issued.

2. Credit Risk

The Foundation places its cash and cash equivalents on deposit with three different commercial banks. The Federal Deposit Insurance Corporation ("FDIC") provides for full deposit insurance coverage through December 31, 2012 for non-interest bearing accounts and covers $250,000 for each interest bearing account. The Foundation's bank accounts were covered by the FDIC as of June 30, 2011.

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, 2011, promises from four donors were approximately $3,023,000 or 49% of the total unconditional promises to give balance.

3. Promises to Give

Unconditional promises to give at June 30, 2011 are as follows:

Receivable in less than one year	$ 2,292,382
Receivable in one to five years	3,848,867
Receivable in more than five years	76,945
	6,218,194
Allowance for uncollectible promises receivable	(297,792)
Discount to present value	(449,522)
Unconditional promises to give, net	$ 5,470,880

Unconditional promises to give based on donors' intent at June 30, 2011 are as follows:

Unrestricted	$ 119,565
Awards	7,110
Buildings	540,036
Chair	944,952
Programs	4,023,388
Scholarships	583,143
Unconditional promises to give, net	$ 6,218,194

The discount rate for determining net present value ranged from 3.00% to 8.00% for 2011.

The Foundation received a conditional pledge for a $1,000,000 grant to build two field research stations at Dixie Plantation. The award of this grant is contingent upon the proposed project beginning and the matching funds being in hand by no later than July 1, 2014.

4. Investments

A summary of investments held by the Foundation as of June 30, 2011 follows:

	Cost	Fair Value
Cash	$ 132,996	$ 132,996
Debt securities	306,545	329,932
Equity securities	206,591	239,331
Mutual funds	41,452,143	45,244,053
Alternative investments	14,915,000	16,600,280
Total	$ 57,013,275	$ 62,546,592

Investment return is summarized as follows for the year ended June 30, 2011:

Interest and dividends	$ 2,174,127
Less investment agent fees	(14,227)
Net realized and unrealized gains	6,340,656
Total	$ 8,500,556

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 year ended June 30, 2011.

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.

Level 2 investment securities include mutual funds for which quoted prices are not available in active markets for identical instruments. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

The Foundation holds an investment in a private investment fund that pursues certain alternative investment strategies which is classified as Level 3. The Foundation's valuation of its interest in the underlying investment fund is based on an amount equal to the Foundation's pro-rata interest in the net assets of the fund, which are recorded at fair value, as reported by the management of the investment fund quarterly, adjusted for management and incentive fees, if any.

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, 2011.

	Fair Value at	**Fair Value at June 30, 2011**		
	June 30, 2011	Level 1	Level 2	Level 3
Cash	$ 132,996	$ 132,996	$ -	$ -
Debt securities	329,932	329,932	-	-
Equity securities	239,331	239,331	-	-
Mutual funds:				
Fixed income	4,679,819	4,679,819	-	-
Multi-asset	40,564,234	-	40,564,234	-
Alternative investments	16,600,280	-	-	16,600,280
Total assets at fair value	$ 62,546,592	$ 5,382,078	$ 40,564,234	$ 16,600,280

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, 2011:

	Alternative Investments
Beginning balance	$ 7,985,089
Transfers in	7,000,000
Gains (realized/unrealized) included in changes in net assets	1,615,191
Ending balance	$ 16,600,280

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, 2011:

	Fair Value	**Redemption Frequency**	**Redemption Notice Period**	**Redemption Terms and Restrictions**
Multi-asset fund [(a)]	$ 40,564,234	daily	none	.50% entry/exit fee
Multi-strategy limited partnership [(b)]	16,600,280	quarterly	180 days	12 month initial
	$ 57,164,514			

There were no unfunded commitments outstanding at June 30, 2011.

(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, 2011:

	Estimated Useful Life in Years		
Land		$	3,045,068
Building and building improvements	5 - 27.5		887,077
Equipment and furnishings	5 - 20		3,145,623
Boats	10		356,435
Horses	10		453,500
			7,887,703
Less: accumulated depreciation			(2,901,219)
Property and equipment, net		$	4,986,484

Depreciation expense for the year ended June 30, 2011 was $180,168.

7. Line of Credit

The Foundation has an unsecured line of credit with a financial institution. Total availability on the line of credit is $1,500,000 with a maturity date of August 2, 2012. Interest is payable monthly based on the three month LIBOR rate plus 1.5% not to exceed 7.5% or go below 3.5% (3.5% at June 30, 2011). As of June 30, 2011, the Foundation had not yet drawn any funds from the line of credit. The agreement requires the maintenance of a depository account with the financial institution with certain balances to be maintained based on the type of account held. The Foundation was in compliance with the line of credit covenants for the year ended June 30, 2011.

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. No funds have been disbursed to support the professorship as of June 30, 2011. The marine genomics grant payable was $1,354,474 at June 30, 2011.

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 $133,509 at June 30, 2011.

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 $444,107 at June 30, 2011, and are reported as investments in the accompanying statement 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 $299,261 at June 30, 2011.

10. Endowment Funds

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes including both donor-restricted 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.

<u>Interpretation of Relevant Law</u>
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 absent explicit donor stipulation to the contrary. 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	$ (37,483)	$ 18,038,122	$ 37,701,869	$ 55,702,508
Board-designated endowment funds	473,944	-	-	473,944
Total funds	$ 436,461	$ 18,038,122	$ 37,701,869	$ 56,176,452

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning endowment net asset balance	$ 41,256	$ 10,833,712	$ 34,649,267	$ 45,524,235
Investment return:				
Investment income	15,512	1,754,790	-	1,770,302
Net appreciation	56,092	6,316,343	-	6,372,435
Total investment return	71,604	8,071,133	-	8,142,737
Contributions	-	204,750	3,047,445	3,252,195
Appropriation of endowment assets for expenditure	(2,751)	(1,895,418)	-	(1,898,169)
Recovery of underwater endowments	326,352	-	-	326,352
Change in allowance for uncollectible promises to give of endowment assets	-	-	(52,715)	(52,715)
Changes in donor designations and transfers to the endowment pool	-	823,945	57,872	881,817
Total contributions	323,601	(866,723)	3,052,602	2,509,480
Ending endowment net asset balance	$ 436,461	$ 18,038,122	$ 37,701,869	$ 56,176,452

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 $37,483 as of June 30, 2011. 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 Trustees. 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. 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 distribution each year up to 4.25% 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 the year ended June 30, 2011 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 2008 and expires in 2013, when subject to 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, 2011 are as follows:

Year ending June 30,		
2012	$	820,841
2013		820,841
2014		770,841
2015		770,841
2016		100,000
Thereafter		2,200,000
	$	5,483,364

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, 2011 is as follows:

	Program	General and Administrative	Fundraising	Total
Support on behalf of the College	$ 4,528,174	$ 8,957	$ -	$ 4,537,131
Scholarships for the College	2,026,680	-	-	2,026,680
Personnel	-	338,937	541,141	880,078
Occupancy	-	45,562	4,922	50,484
Supplies and materials	-	66,960	40,069	107,029
Professional development		8,908	16,724	25,632
Professional services	-	49,482	68,783	118,265
Depreciation	90,634	89,282	252	180,168
Computer expenses	-	7,407	71,160	78,567
Printing and stationery	-	712	66,433	67,145
Postage and shipping	-	1,237	20,976	22,213
Donor cultivation/stewardship	-	-	68,660	68,660
Total	$ 6,645,488	$ 617,444	$ 899,120	$ 8,162,052

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 $5,037,502 for the year ended June 30, 2011, for personnel and other operating expenses. The Foundation has accrued expenses of $354,636 due to the College as of June 30, 2011.

The Foundation has unconditional promises to give due from Board members, faculty and staff of $61,794 at June 30, 2011.

14. Commitments

The Foundation renewed the memorandum of understanding ("MOU") with the Alumni Association on October 2, 2009, for another three year period. Under the terms of the MOU, the Foundation agreed to pay the Alumni Association $95,000 in calendar year 2011, and $105,000 in calendar year 2012 from the Annual Fund (unrestricted) proceeds.

In 2006, the Foundation agreed to provide up to $4,000,000 in private funding to the College for the construction of the Athletic, Physical Education and Health Center. The Foundation has remitted $3,600,000 million to the College and the College also reduced the balance due by $155,000. As a result of this activity, the outstanding remaining commitment as of June 30, 2011 is $245,000.

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 the June 30, 2011 is $30,000.

15. Prior Period Adjustment

During 2011, the Foundation discovered certain errors related to the carrying values of property and equipment in its previously reported June 30, 2010 financial statements. The Foundation discovered $1,538,611 in unrecorded depreciation expense and an overstatement of the cost or appraised value at the time of donation for certain assets of $323,036 for a total overstatement of $1,861,647. As a result, the change in net assets for the six month period ended June 30, 2010 was overstated by approximately $34,000. The effect of these adjustments decreased beginning net assets by $1,861,647.