College of Charleston Foundation

Financial Statements

June 30, 2012 and 2011

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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 statement of financial position of College of Charleston Foundation, (the "Foundation") as of June 30, 2012, 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. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated September 9, 2011, we expressed an unqualified opinion on those financial statements.

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 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 Company'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 audits provide 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, 2012, 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 required restatements of previously reported net assets as of June 30, 2011, were discovered by management of the Foundation during the current year. Accordingly, an adjustment has been made to correct net assets as of June 30, 2011.

Dixon Hughes Goodman LLP

September 7, 2012
Charleston, South Carolina

College of Charleston Foundation
Statements of Financial Position
June 30, 2012 and June 30, 2011

	2012	(As Restated) 2011
Assets		
Cash and cash equivalents	$ 629,356	$ 772,083
Accounts receivable	58,664	60,609
Prepaid expenses	52,044	250,207
Other assets	30,772	32,314
Unconditional promises to give, net	7,218,911	5,470,880
Investments	66,824,973	62,546,592
Contributions receivable from remainder trusts	16,308	359,047
Cash value of life insurance	57,134	56,766
Property and equipment, net	5,184,481	4,986,484
Collections	5,400,404	5,245,769
Total assets	$ 85,473,047	$ 79,780,751
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,013,163	$ 415,766
Line of credit	875,000	-
Annuities payable	283,794	299,261
Marine genomics grant payable	1,282,549	1,354,474
Total liabilities	3,454,506	2,069,501
Net Assets:		
Unrestricted:		
Board-designated quasi-endowment	766,169	473,944
Reserve for portion of donor-designated endowment with investment losses below gift corpus	(55,928)	(37,483)
Undesignated	9,383,338	9,603,394
	10,093,579	10,039,855
Temporarily Restricted:		
Program expenses	9,690,374	9,376,396
Portion of endowment subject to restriction under UPMIFA and with purpose restrictions	25,353,304	22,434,943
Investment in property	2,900,842	2,555,008
	37,944,520	34,366,347
Permanently Restricted:		
Donor-restricted permanent endowments	33,980,442	33,305,048
Total net assets	82,018,541	77,711,250
Total liabilities and net assets	$ 85,473,047	$ 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, 2012
(with Comparative Totals for the Year Ended June 30, 2011)

	2012				2011
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Revenues, gains, (losses) and other support:					
Contributions	$ 1,305,461	$ 8,908,748	$ 584,302	$ 10,798,511	$ 8,048,765
Rental income	820,841	-	-	820,841	820,841
Net interest and dividend income	321,494	1,768,162	-	2,089,656	2,159,900
Net realized and unrealized gains (losses) on investments	(85,987)	(976,148)	-	(1,062,135)	6,340,656
Special events	-	150	-	150	186,835
Other income	21,946	424,927	-	446,873	565,975
Changes in value of split-interest agreements	-	(48,123)	-	(48,123)	(8,109)
	2,383,755	10,077,716	584,302	13,045,773	18,114,863
Net assets released from restrictions					
Program restrictions satisfied	5,811,402	(5,811,402)	-	-	-
Administration surcharges	593,277	(593,277)	-	-	-
	6,404,679	(6,404,679)	-	-	-
Total revenue, gains, (losses) and other support	8,788,434	3,673,037	584,302	13,045,773	18,114,863
Expenses:					
Program:					
Student aid and recognition	2,411,703	-	-	2,411,703	2,026,680
Programs of education, research, and student and faculty enrichment	4,536,996	-	-	4,536,996	4,618,808
Total program expenses	6,948,699	-	-	6,948,699	6,645,488
Supporting Services:					
General and administrative	695,752	-	-	695,752	617,444
Fundraising	1,089,962	-	-	1,089,962	899,120
Total supporting services	1,785,714	-	-	1,785,714	1,516,564
Change in allowance for uncollectible promises to give	297	94,864	(91,092)	4,069	8,874
Total expenses	8,734,710	94,864	(91,092)	8,738,482	8,170,926
Change in net assets	53,724	3,578,173	675,394	4,307,291	9,943,937
Net assets, beginning of year (as restated)	10,039,855	34,366,347	33,305,048	77,711,250	67,767,313
Net assets, end of year	$ 10,093,579	$ 37,944,520	$ 33,980,442	$ 82,018,541	$ 77,711,250

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, 2012 and June 30, 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 4,307,291	$ 9,943,937
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized loss (gain) on investments	1,062,135	(6,340,656)
Change in value of split interest agreements	279,149	3,281
Change in cash value of life insurance	(368)	(2,677)
Depreciation	225,770	180,168
Loss (gain) on disposal of equipment	7,416	(750)
Contributions restricted for long-term investment	(584,302)	(3,105,317)
Provision for uncollectible promises to give	4,069	778,032
Noncash contributions	(743,984)	(1,054,629)
Change in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	1,945	(11,075)
Prepaid expenses	198,163	(76,304)
Other assets	1,542	(14,563)
Unconditional promises to give	(1,752,100)	(370,928)
(Decrease) Increase in:		-
Accounts payable and accrued expenses	597,397	98,274
Deferred revenue	-	(17,092)
IRA rollover contribution payable	-	(657,601)
Net cash provided (used) by operating activities	3,604,123	(647,900)
Cash flows from investing activities:		
Purchases of property and equipment	(197,913)	(536,247)
Proceeds from sale of equipment	12,000	750
Purchases of investments	(6,789,233)	(4,323,000)
Proceeds from sale of investments	1,768,994	2,391,837
Net cash used by investing activities	(5,206,152)	(2,466,660)
Cash flows from financing activities:		
Contributions restricted for long-term investment	584,302	3,105,317
Net borrowings on line of credit	875,000	-
Net cash provided by financing activities	1,459,302	3,105,317
Net change in cash	(142,727)	(9,243)
Cash and cash equivalents, beginning of year	772,083	781,326
Cash and cash equivalents, end of year	$ 629,356	$ 772,083
Supplmental disclosures:		
Noncash transactions:		
Receipt of donated securities	$ 344,079	$ 368,309
Receipt of donated property	$ 399,905	$ 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.

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, 2011, from which the summarized information was derived.

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 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 at net realization value. 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, 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. 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 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 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. 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 accompanying 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, 2012 and 2011. Fiscal years on or after June 30, 2009 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 7, 2012, 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, 2012 and 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, 2012, promises from four donors were approximately $3,026,191 or 41% of the total unconditional promises to give balance. 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, 2012 and 2011 are as follows:

	2012	2011
Receivable in less than one year	$ 2,840,968	$ 2,292,382
Receivable in one to five years	4,878,331	3,848,867
Receivable in more than five years	168,761	76,945
	7,888,060	6,218,194
Allowance for uncollectible promises receivable	(301,861)	(297,792)
Discount to present value	(367,288)	(449,522)
Unconditional promises to give, net	$ 7,218,911	$ 5,470,880

Unconditional promises to give based on donors' intent at June 30, 2012 and 2011 are as follows:

	2012	2011
Unrestricted	$ 156,918	$ 119,565
Awards	4,000	7,110
Buildings	612,500	540,036
Chair	676,191	944,952
Programs	3,820,314	4,023,388
Scholarships	2,618,137	583,143
Unconditional promises to give, net	$ 7,888,060	$ 6,218,194

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, 2012 and 2011 follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash	$ 134,858	$ 134,858	$ 132,996	$ 132,996
Debt securities	268,961	294,125	306,545	329,932
Equity securities	174,066	191,772	206,591	239,331
Mutual funds	45,567,358	48,012,298	41,452,143	45,244,053
Alternative investments	15,915,000	18,191,920	14,915,000	16,600,280
Total	$ 62,060,243	$ 66,824,973	$ 57,013,275	$ 62,546,592

Investment return is summarized as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Interest and dividends	$ 2,114,226	$ 2,174,127
Less investment agent fees	(24,570)	(14,227)
Net realized and unrealized gains	(1,062,135)	6,340,656
Total	$ 1,027,521	$ 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 years ended June 30, 2012 and 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, the Foundation relies on the net asset value reported by the investment fund manager as a practical expedient to estimating fair value.

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, 2012:

		Fair Value at June 30, 2012		
	Total	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	8,455,471	8,455,471	-	-
Multi-asset	39,556,827	-	39,556,827	-
Alternative investments	18,191,920	-	-	18,191,920
Total assets at fair value	$ 66,824,973	$ 9,076,226	$ 39,556,827	$ 18,191,920

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 June 30, 2011		
	Total	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, 2012 and 2011:

	2012	**2011**
	Alternative Investments	Alternative Investments
Beginning balance	$ 16,600,280	$ 7,985,089
Purchases	1,000,000	7,000,000
Gains (realized/unrealized) included in changes in net assets	591,640	1,615,191
Ending balance	$ 18,191,920	$ 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, 2012:

	2012			
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**	**Redemption Terms and Restrictions**
Multi-asset fund [a]	$ 39,556,827	daily	none	.50% entry/exit fee
Multi-strategy limited partnership [b]	18,191,920	quarterly	180 days	12 month initial
	$ 57,748,747			

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:

	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 as of years ended June 30, 2012 and 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, 2012 and 2011:

	Estimated Useful Life in Years	2012	2011
Land		$ 3,043,067	$ 3,045,068
Building and building improvements	5 - 27.5	3,310,069	3,145,623
Equipment and furnishings	5 - 20	556,639	887,077
Boats	10	550,556	356,435
Horses	10	432,500	453,500
		7,892,831	7,887,703
Less: accumulated depreciation		(2,708,350)	(2,901,219)
Property and equipment, net		$ 5,184,481	$ 4,986,484

Depreciation expense for the years ended June 30, 2012 and 2011 was $225,770 and $180,168, 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 $1,500,000 with a maturity date of September 2, 2012 (see Note 16). 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, 2012 and 2011). At June 30, 2012 and 2011, the Foundation had a line of credit balance of $875,000 and $0, 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, 2012 and 2011, $81,370 and $0 funds have been disbursed to support the professorship. The marine genomics grant payable was $1,282,549 and $1,354,474 at June 30, 2012 and 2011, 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 $133,631 and $133,509 at June 30, 2012 and 2011, 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 $362,499 and $444,107 at June 30, 2012 and 2011, 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 $283,794 and $299,261 at June 30, 2012 and 2011, respectively.

10. Endowment Funds

The Foundation's endowment consists of approximately 400 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.

<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. 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.

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, 2012:

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
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:

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning endowment net asset balance (as restated)	$ 436,461	$ 22,434,943	$ 33,305,048	$ 56,176,452
Investment return:				
Investment income	23,786	1,745,950	-	1,769,736
Net appreciation (depreciation)	(2,671)	(942,238)	-	(944,909)
Total investment return	21,115	803,712	-	824,827
Contributions	270,000	4,101,030	584,302	4,955,332
Appropriation of endowment assets for expenditure	-	(2,271,592)	-	(2,271,592)
Restoration of underwater endowments	(17,335)	-	-	(17,335)
Change in allowance for uncollectible promises to give of endowment assets	-	(35,469)	91,092	55,623
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

Endowment net asset composition by type of fund consists of the following as of June 30, 2011:

	2011 (As Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	$ (37,483)	$ 22,434,943	$ 33,305,048	$ 55,702,508
Board-designated endowment funds	473,944	-	-	473,944
Total funds	$ 436,461	$ 22,434,943	$ 33,305,048	$ 56,176,452

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

	2011 (As Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning endowment net asset balance	$ 41,256	$ 13,040,474	$ 32,442,505	$ 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	-	2,394,809	857,386	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	1,323,336	862,543	2,509,480
Ending endowment net asset balance	$ 436,461	$ 22,434,943	$ 33,305,048	$ 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 $55,928 and $37,483 as of June 30, 2012 and 2011, 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.

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 4.5% 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, 2012 and 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, 2012 are as follows:

Year ending June 30,		
2013	$	820,841
2014		770,841
2015		770,841
2016		100,000
2017		100,000
Thereafter		2,100,000
	$	4,662,523

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, 2012 is as follows:

	2012			
	Program	General and Administrative	Fundraising	Total
Support on behalf of the College	$ 4,406,586	$ 9,825	$ -	$ 4,416,411
Scholarships for the College	2,411,703	-	-	2,411,703
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	1,800	81,628	130,176	213,604
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	$ 695,752	$ 1,089,962	$ 8,734,413

Expense allocation for the year ended June 30, 2011 is as follows:

	2011			
	Program	General and Administrative	Fundraising	Total
Support on behalf of the College	$ 4,374,549	$ 8,957	$ -	$ 4,383,506
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	$ 6,491,863	$ 617,444	$ 899,120	$ 8,008,427

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 $4,896,222 and $5,037,502 for the years ended June 30, 2012 and 2011, respectively, for personnel and other operating expenses. The Foundation has accrued expenses of $587,716 and $354,636 due to the College as of June 30, 2012 and 2011, respectively. The Foundation has incurred deferred rent revenue of $234,145 and $0 as of June 30, 2012 and 2011, respectively.

The Foundation has unconditional promises to give due from Board members, faculty and staff of $1,117,855 and $61,794 at June 30, 2012 and 2011, 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, 2012 and 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 $3,602,000 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, 2012 is $243,000 and $245,000, respectively.

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, 2012 is $30,000.

15. Restatement

As a result of an internal review of the Foundation's donor imposed restrictions on net assets during 2012, Management determined that certain donor restricted contributions, primarily related to endowment gifts, that were recorded as permanently restricted should have been recorded as temporarily restricted net assets based on the absence of donor imposed restrictions requiring the gifts to be held in perpetuity. Accordingly, permanently restricted net assets were decreased and temporarily restricted net assets were increased by $4,396,821 as of June 30, 2011.

The effect of the restatement on the financial position and results of operations of the Foundation as of and for the year ended June 30, 2011 is summarized in the following table:

Financial position:	As Previously Reported	Adjustments	As Restated
Unrestricted	$ 10,039,855	$ -	$ 10,039,855
Temporarily restricted	29,969,526	4,396,821	34,366,347
Permanently restricted	37,701,869	(4,396,821)	33,305,048
Total net assets	$ 77,711,250	$ -	$ 77,711,250

Results of Operations:	As Previously Reported	Adjustments	As Restated
Unrestricted contributions	$ 1,186,461	$ -	$ 1,186,461
Temporarily restricted contributions	3,756,987	2,190,059	5,947,046
Permanently restricted contributions	3,105,317	(2,190,059)	915,258
Total contributions	$ 8,048,765	$ -	$ 8,048,765

These adjustments have no effect on the change in net assets.

16. Subsequent Event

On August 31, 2012, the Foundation refinanced its $1,500,000 line of credit with another financial institution. The line of credit bears interest at LIBOR plus 1.2% and matures on August 31, 2013.