College of Charleston Foundation and Subsidiary

Consolidated Financial Statements

June 30, 2014 and 2013

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of College of Charleston Foundation and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of College of Charleston Foundation and Subsidiary as of June 30, 2014, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the College of Charleston Foundation's 2013 financial statements, and our report dated September 5, 2013, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

September 9, 2014
Charleston, South Carolina

	2014	2013
Assets		
Cash and cash equivalents	$ 509,572	$ 402,093
Accounts receivable	50,754	50,560
Prepaid expenses	78,648	65,485
Other assets	1,011,474	90,668
Unconditional promises to give, net	7,322,202	7,666,861
Investments	82,896,547	74,858,872
Property and equipment, net	5,572,848	5,312,438
Collections	7,494,466	7,482,163
Total assets	$ 104,936,511	$ 95,929,140
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 358,983	$ 325,491
Accrued liabilities	272,400	69,716
Line of credit	900,000	-
Annuities payable	240,952	255,359
Marine genomics grant payable	1,369,095	1,333,880
Total liabilities	3,141,430	1,984,446
Net Assets:		
Unrestricted:		
Board-designated quasi-endowment	1,159,417	1,061,695
Undesignated	9,088,305	8,955,674
	10,247,722	10,017,369
Temporarily Restricted:		
Program expenses	14,060,168	13,521,997
Portion of endowment subject to restriction under UPMIFA and with purpose restrictions	36,915,238	31,121,922
Investment in property	5,379,634	5,179,334
	56,355,040	49,823,253
Permanently Restricted:		
Donor-restricted permanent endowments	35,192,319	34,104,072
Total net assets	101,795,081	93,944,694
Total liabilities and net assets	$ 104,936,511	$ 95,929,140

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

	2014				2013
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Revenues, gains, (losses) and other support:					
Contributions	$ 997,847	$ 7,568,298	$ 1,120,047	$ 9,686,192	$ 13,088,447
Rental income	820,841	-	-	820,841	820,841
Net interest and dividend income	819,836	4,386,693	-	5,206,529	2,085,530
Net realized and unrealized gains (losses) on investments	236,508	2,735,616	-	2,972,124	5,744,248
Special events	-	85,305	-	85,305	52,364
Other income	17,080	205,447	-	222,527	243,161
Changes in value of split-interest agreements	-	(32,170)	-	(32,170)	(18,480)
	2,892,112	14,949,189	1,120,047	18,961,348	22,016,111
Net assets released from restrictions					
Program restrictions satisfied	7,663,460	(7,663,460)	-	-	-
Administration surcharges	785,742	(785,742)	-	-	-
Transfers based on changes in donor intent	-	31,800	(31,800)	-	-
	8,449,202	(8,417,402)	(31,800)	-	-
Total revenue, gains, (losses) and other support	11,341,314	6,531,787	1,088,247	18,961,348	22,016,111
Expenses:					
Program:					
Student aid and recognition	3,141,803	-	-	3,141,803	2,759,258
Programs of education, research, and student and faculty enrichment	5,732,230	-	-	5,732,230	5,231,184
Total program expenses	8,874,033	-	-	8,874,033	7,990,442
Supporting Services:					
General and administrative	677,933	-	-	677,933	636,024
Fundraising	1,558,995	-	-	1,558,995	1,463,492
Total supporting services	2,236,928	-	-	2,236,928	2,099,516
Total expenses	11,110,961	-	-	11,110,961	10,089,958
Change in net assets	230,353	6,531,787	1,088,247	7,850,387	11,926,153
Net assets, beginning of year	10,017,369	49,823,253	34,104,072	93,944,694	82,018,541
Net assets, end of year	$ 10,247,722	$ 56,355,040	$ 35,192,319	$ 101,795,081	$ 93,944,694

College of Charleston Foundation and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 7,850,387	$ 11,926,153
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(2,972,124)	(5,744,248)
Depreciation	284,938	268,020
Loss on disposal of equipment	-	23,095
Contributions restricted for long-term investment	(1,120,047)	(582,283)
Provision for uncollectible promises to give	319,167	522,243
Noncash contributions	(125,446)	(2,636,114)
Change in operating assets and liabilities:		
Accounts receivable	(194)	8,104
Prepaid expenses	(13,163)	(13,441)
Other assets	(920,806)	13,546
Unconditional promises to give	25,492	(970,193)
Accounts payable	33,492	(395,782)
Accrued liabilities	202,684	11,971
Deferred revenue	-	(234,145)
Net cash provided by operating activities	3,564,380	2,196,926
Cash flows from investing activities:		
Purchases of property and equipment	(557,651)	(203,974)
Purchases of investments	(41,156,607)	(8,605,000)
Proceeds from sale of investments	36,237,310	6,677,502
Net cash used by investing activities	(5,476,948)	(2,131,472)
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,120,047	582,283
Borrowings on line of credit	900,000	-
Payments on line of credit	-	(875,000)
Net cash provided (used) by financing activities	2,020,047	(292,717)
Net change in cash	107,479	(227,263)
Cash and cash equivalents, beginning of year	402,093	629,356
Cash and cash equivalents, end of year	$ 509,572	$ 402,093
Supplmental disclosures:		
Noncash transactions:		
Receipt of donated securities	$ 125,446	$ 339,257
Receipt of donated property	$ -	$ 2,296,857

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

1. Summary of Significant Accounting Policies

Nature of Activities
The College of Charleston 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 Consolidation
The consolidated financial statements include the accounts of the College of Charleston Foundation and its wholly owned subsidiary, Dixie Plantation Educational Holdings, LLC. These entities are collectively referred to herein as the College of Charleston Foundation and Subsidiary (“the Foundation”). All intercompany transactions and balances have been eliminated in consolidation.

Comparative Information
The consolidated 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, 2013, 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 3.25% 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 limited partnerships are stated at fair values based upon financial information provided by external investment partners. Because limited partnership 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 fair value of each endowment to the fair 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 management, custody, and administration expenses. For the year ended June 30, 2014, the Foundation charged administrative fees on endowed and non-endowed restricted funds of $676,176 and $109,566 respectively, for a total of $785,742. 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. 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% annually 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 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 cultural and historical treasures. 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 consolidated 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 consolidated 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 investments in limited partnerships 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 consolidated 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, 2014. Fiscal years on or after June 30, 2011 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.

2. Credit Risk

The Foundation places its cash and cash equivalents on deposit with 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, 2014, promises to give from three donors accounted for approximately 40% of the total unconditional promises to give balance. At June 30, 2013, promises to give from four donors accounted for approximately 34% of the total unconditional promises to give balance.

3. Promises to Give

Unconditional promises to give at June 30, 2014 and 2013 are as follows:

	2014	2013
Receivable in less than one year	$ 3,360,316	$ 3,401,139
Receivable in one to five years	4,719,746	4,867,514
Receivable in more than five years	200,000	593,762
	8,280,062	8,862,415
Allowance for uncollectible promises receivable	(643,271)	(824,104)
Discount to present value	(314,589)	(371,450)
Unconditional promises to give, net	$ 7,322,202	$ 7,666,861

Unconditional promises to give based on donors' intent at June 30, 2014 and 2013 are as follows:

	2014	2013
Unrestricted	$ 199,002	$ 247,158
Awards	45,847	126,847
Buildings	303,000	397,579
Chair	390,476	533,333
Programs	5,333,331	5,297,751
Scholarships	2,008,406	2,259,747
Unconditional promises to give	$ 8,280,062	$ 8,862,415

4. Investments

A summary of investments held by the Foundation as of June 30, 2014 and 2013 are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash	$ 179,310	$ 179,310	$ 144,406	$ 144,406
Equity securities	55,705	58,481	138,572	166,230
Mutual funds	19,384,585	20,573,793	47,859,519	53,736,741
Limited partnership interest	54,840,000	62,084,963	15,915,000	20,811,495
Total	$ 74,459,600	$ 82,896,547	$ 64,057,497	$ 74,858,872

Investment return is summarized as follows for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends	$ 5,405,990	$ 2,112,181
Less investment agent fees	(199,461)	(26,651)
Net realized and unrealized gains (losses)	2,972,124	5,744,248
Total	$ 8,178,653	$ 7,829,778

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. Disclosure of unobservable inputs to fair value measurement has not been included for the investment in limited partnership because quantitative unobservable inputs are not developed by the Foundation when measuring fair value and have not been made available to the Foundation by the fund manager. There have been no changes in the methodologies used in the years ended June 30, 2014 and 2013.

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.

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, 2014:

		Fair Value at June 30, 2014		
	Total	Level 1	Level 2	Level 3
Cash	$ 179,310	$ 179,310	$ -	$ -
Equity securities	58,481	58,481	-	-
Mutual funds:				
Fixed income	2,272,245	-	2,272,245	-
Multi-asset	18,301,548	-	18,301,548	-
Limited partnership interest	62,084,963	-	-	62,084,963
Total assets at fair value	$ 82,896,547	$ 237,791	$ 20,573,793	$ 62,084,963

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:

		Fair Value at June 30, 2013		
	Total	Level 1	Level 2	Level 3
Cash	$ 144,406	$ 144,406	$ -	$ -
Equity securities	166,230	166,230	-	-
Mutual funds:				
Fixed income	2,239,398	-	2,239,398	-
Multi-asset	51,497,343	-	51,497,343	-
Limited partnership interest	20,811,495	-	-	20,811,495
Total assets at fair value	$ 74,858,872	$ 310,636	$ 53,736,741	$ 20,811,495

The following table summarizes the activity of the limited partnership interest classified as Level 3 and measured at fair value on a recurring basis for the year ended June 30, 2014 and 2013:

	2014	**2013**
Beginning balance	$ 20,811,495	$ 18,191,920
Purchases	37,945,757	400,000
Gains (realized/unrealized) included in changes in net assets	3,327,711	2,219,575
Ending balance	$ 62,084,963	$ 20,811,495

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, 2014:

	2014			
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**	**Redemption Terms and Restrictions**
Multi-asset fund [(a)]	$ 18,301,548	daily	none	.50% entry/exit fee
Multi-strategy limited partnership [(b)]	62,084,963	quarterly	180 days	12 month initial
	$ 80,386,511			

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
	$ 72,308,838			

There were no unfunded commitments outstanding as of years ended June 30, 2014 and 2013.

(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.

<u>Fair Value of Financial Instruments</u>
The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value due to their respective terms and relatively short maturity of those financial instruments. Unconditional promises to give and annuities payable are reported at the discounted present value, which approximates fair value. The carrying value of the line of credit obligation approximates fair value based on current borrowing rates available to the Foundation.

6. Property and Equipment

Major classifications of property and equipment consist of the following as of June 30, 2014 and 2013:

	Estimated Useful Life in Years	2014	2013
Land		$ 3,053,911	$ 3,068,295
Land improvements	15 - 20	145,884	-
Building and building improvements	5 - 27	3,378,242	3,418,961
Equipment and furnishings	5 - 20	826,076	701,763
Boats	10	884,806	554,556
Horses	10	508,750	508,750
		8,797,669	8,252,325
Less: accumulated depreciation		(3,224,821)	(2,939,887)
Property and equipment, net		$ 5,572,848	$ 5,312,438

Depreciation expense for the years ended June 30, 2014 and 2013 was $284,938 and $268,020, 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 November 30, 2015. Interest is payable monthly based on the one month LIBOR rate plus 1.2% (1.34% at June 30, 2014). At June 30, 2014 and 2013, the Foundation had a line of credit balance of $900,000 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. During the years ended June 30, 2014 and 2013, $95,751 and $91,323 of funds were disbursed to support the professorship. The marine genomics grant payable was $1,369,095 and $1,333,880 at June 30, 2014 and 2013, 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. No such contributions were received in the years ended June 30, 2014 and 2013.

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 $262,619 and $309,196 at June 30, 2014 and 2013, 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 $240,952 and $255,359 at June 30, 2014 and 2013, respectively.

10. Endowment Funds

The Foundation's endowment consists of approximately 500 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.

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, 2014:

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-designated endowment funds	$ -	$ 36,915,238	$ 35,192,319	$ 72,107,557
Board-designated endowment funds	1,159,417	-	-	1,159,417
Total funds	$ 1,159,417	$ 36,915,238	$ 35,192,319	$ 73,266,974

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning endowment net asset balance	$ 1,061,695	$ 31,121,922	$ 34,104,072	$ 66,287,689
Investment return:				
Investment income	83,501	4,305,097	-	4,388,598
Net appreciation	58,031	2,773,812	-	2,831,843
Total investment return	141,532	7,078,909	-	7,220,441
Contributions	-	2,191,696	1,120,047	3,311,743
Appropriation of endowment assets for expenditure	(43,810)	(3,610,526)	-	(3,654,336)
Changes in donor designations and transfers to the endowment pool	-	133,237	(31,800)	101,437
Total contributions	(43,810)	(1,285,593)	1,088,247	(241,156)
Ending endowment net asset balance	$ 1,159,417	$ 36,915,238	$ 35,192,319	$ 73,266,974

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 depreciation	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)
Recovery 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

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. There were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2014 and 2013.

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 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, 2014 and 2013 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 renewed in 2014 and expires in 2019, 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, 2014 are as follows:

Year ending June 30,		
2015	$	830,841
2016		160,000
2017		160,000
2018		160,000
2019		160,000
Thereafter		1,900,000
	$	3,370,841

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, 2014 is as follows:

	2014			
	Program	**General and Administrative**	**Fundraising**	**Total**
Support on behalf of the College	$ 5,489,043	$ 15,002	$ -	$ 5,504,045
Scholarships and awards for the College	3,141,803	-	-	3,141,803
Personnel	-	265,350	875,929	1,141,279
Occupancy	53,936	73,194	-	127,130
Supplies and materials	-	70,126	72,175	142,301
Professional development	-	8,175	10,434	18,609
Professional services	2,731	140,942	223,583	367,256
Depreciation	186,323	91,721	6,894	284,938
Computer expenses	-	8,626	85,384	94,010
Printing and stationery	-	4,478	74,221	78,699
Postage and shipping	197	319	21,580	22,096
Donor cultivation/stewardship	-	-	188,795	188,795
Total	$ 8,874,033	$ 677,933	$ 1,558,995	$ 11,110,961

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

	2013			
	Program	**General and Administrative**	**Fundraising**	**Total**
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

13. Related Party Transactions

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 $7,185,131 and $6,655,464 for the years ended June 30, 2014 and 2013, respectively, for personnel and other operating expenses. The Foundation has accrued expenses of $336,514 and $278,994 due to the College as of June 30, 2014 and 2013, respectively.

The Foundation has unconditional promises to give due from Board members, faculty and staff of $634,235 and $1,165,609 at June 30, 2014 and 2013, 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, 2014 and 2013.

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 has agreed to pay the Alumni Association $125,000 in fiscal year 2015 from the Annual Fund (unrestricted) proceeds.

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

Effective July 1, 2014 the Foundation formed four wholly-owned subsidiaries: Blacklock House Educational Holdings, LLC; Bull Street Student Housing, LLC; Coming, Wentworth, and King Educational Holdings, LLC; and Bull and Wentworth Student Housing, LLC (“the Entities”). The purpose of the Entities is to manage certain real property on behalf of the Foundation.

The Foundation has evaluated subsequent events through September 9, 2014, the date the consolidated financial statements were available to be issued.