

September 26, 2016

Audit Committee
Winston-Salem State University Foundation
Winston-Salem, North Carolina

We have audited the financial statements of Winston-Salem State University Foundation (“the Foundation”) for the year ended June 30, 2016, and have issued our report thereon dated September 26, 2016. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management’s estimate of amortization expense is based upon the costs of financing bonds issued for the construction of student housing facilities, and amortizing the costs over the life of those bonds.
- Management’s estimate of present value of promises to give is based on a risk free rate of interest commensurate with the risks associated with the collectability of the outstanding promises to give.
- Management’s estimate of an allowance for uncollectible pledges is based on the age of the outstanding pledge receivable and the history on the collection of these pledges.
- Management’s estimate of the fair market value of the investment securities is based on independent valuations from financial advisors outside of the Foundation. The valuations are based on professional experience and fair market values of the underlying investments at year end.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The misstatements detected as a result of audit procedures are summarized in a report attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we inquired of management about prior year deficiencies in internal control that were identified, other than significant deficiencies or material weaknesses, and other matters that were opportunities for strengthening internal controls and operating efficiency:

- **Tracking check sequences** – Procedures have been updated to ensure that the check sequence is being tracked and any discrepancies are investigated.
- **Review of bank statements and reconciliations** – Procedures have been updated to ensure that a member of management is reviewing bank statements and reconciliations are prepared by a separate employee, a member of staff.

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This information is intended solely for the use of the Audit Committee, Finance Committee, the Board of Directors, and management of Winston-Salem State University Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Butler + Burke, LLP". The signature is written in black ink and is positioned above the typed name of the firm.

BUTLER + BURKE, LLP

Client: 21965 - Winston-Salem State University Foundation
 Engagement: 31965 - Winston-Salem State University Foundation
 Period Ending: 6/30/2016
 Trial Balance: DB - DATABASE
 Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		H2		
To properly record PY loss on extinguishment of bonds and adjust opening balances to actual.				
30010	Operating Net Assets		952,625.45	
17800	Deferred Financing Cost			8,080.71
17900	Defered Fin. Cost Bonds 2006			944,544.74
Total			952,625.45	952,625.45
Adjusting Journal Entries JE # 3		H2		
To record PY AJEs #18, 28				
14000	Prepaid Expenses		10,000.00	
30010	Operating Net Assets		4,000.00	
16751	Present value			4,000.00
30010	Operating Net Assets			10,000.00
Total			14,000.00	14,000.00
Adjusting Journal Entries JE # 4		H4		
To expense 6/30/15 prepaid expense				
60004	Professional Fees		23,750.00	
60010	Health Insurance		10,123.10	
14000	Prepaid Expenses			33,873.10
Total			33,873.10	33,873.10
Adjusting Journal Entries JE # 6		AA2		
To adjust other A/P to actual per PY adjustments				
20001	Other Account Payable		170,149.37	
30010	Operating Net Assets			170,149.37
Total			170,149.37	170,149.37
Adjusting Journal Entries JE # 7		PY		
To adjust opening balance of IRS receivable to the proper amount.				
22000	Accrued Income Tax		20,087.00	
30010	Operating Net Assets			20,087.00
Total			20,087.00	20,087.00
Adjusting Journal Entries JE # 8		AA2		
To adjust receivable to actual for 86k payment made in Decemnr, 2015				
12325	Student Housing Receivable Project FY 2011-12		86,161.30	
20000	Accounts Payable - Vendors			86,161.30
Total			86,161.30	86,161.30
Adjusting Journal Entries JE # 9		C7		
To adjust other receivable to 6/30/15 balance plus CY unadjusted activity.				
30010	Operating Net Assets		464,524.56	
12100	Accounts Receivable - Other			464,524.56
Total			464,524.56	464,524.56
Adjusting Journal Entries JE # 10		PY		
Tp properly record PY entries made by client				
30010	Operating Net Assets		1,073,877.04	
55300	Passport - Estimated Income Tax		1,098.08	
12300	Due From WSSU			233.49
22000	Accrued Income Tax			348.48
47000	Lease income			1,074,393.15
Total			1,074,975.12	1,074,975.12

Client: **21965 - Winston-Salem State University Foundation**
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 Period Ending: **6/30/2016**
 Trial Balance: **DB - DATABASE**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 12		AA2		
To adjust A/P balance to PY balance that was not reversed by client as well as CY June entries made by client.				
30010	Operating Net Assets		300,926.85	
20000	Accounts Payable - Vendors			300,926.85
Total			<u>300,926.85</u>	<u>300,926.85</u>
Adjusting Journal Entries JE # 13		BB3.1		
To reverse PY accrued bond interest				
20000	Accounts Payable - Vendors		158,951.00	
67150	Bond interest 2004			102,900.00
67300	Bond Interest 2006			56,051.00
Total			<u>158,951.00</u>	<u>158,951.00</u>
Adjusting Journal Entries JE # 14		BB3.1		
To record CY accrued bond interest				
67150	Bond interest 2004		100,712.50	
67300	Bond Interest 2006		54,519.83	
20000	Accounts Payable - Vendors			155,232.33
Total			<u>155,232.33</u>	<u>155,232.33</u>
Adjusting Journal Entries JE # 15		AA2		
To reverse PY A/P				
20000	Accounts Payable - Vendors		97,646.91	
61600	Printing expense			1,009.86
62725	Meals/luncheon meeting			1,195.42
62900	Computer Software			840.00
63030	Camp Fees			2,530.86
63270	Lodging			6,069.00
63300	Equipment/tools			15,592.87
63325	Trophies/awards			1,996.74
63325	Trophies/awards			6,995.70
63350	Banquets/catering			3,290.46
63500	Entertainment/Events			1,782.00
63600	Repairs/improvements			2,150.00
63999	Miscellaneous Programs Operations			1,400.00
64000	Scholarships & Awards			52,794.00
Total			<u>97,646.91</u>	<u>97,646.91</u>
Adjusting Journal Entries JE # 16		C2		
To adjust balance to PY adjusted plus CY activity.				
30010	Operating Net Assets		26,181.56	
12050	Program's Fees Transferable			26,181.56
Total			<u>26,181.56</u>	<u>26,181.56</u>
Adjusting Journal Entries JE # 18		TB		
To adjust intercompany accounts to zero and correct entries made by client to net assets.				
30010	Operating Net Assets		84,574.82	
46000	Inter-programs transfers in			6,172.38
66000	Inter-programs transfers out			78,402.44
Total			<u>84,574.82</u>	<u>84,574.82</u>
Adjusting Journal Entries JE # 19		BB6.1		
To record pay-off of construction N/P by WSSU.				
22327	Construction loan (Bank of America)		14,500,000.00	
12325	Student Housing Receivable Project FY 2011-12			14,500,000.00
Total			<u>14,500,000.00</u>	<u>14,500,000.00</u>

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 Period Ending: 6/30/2016
 Trial Balance: DB - DATABASE
 Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit	
Adjusting Journal Entries JE # 21		MM2			
To adjust net assets to actual.					
30010	Operating Net Assets		3,598.09		
49000	Other Income			3,598.09	3,598.09
Total			<u>3,598.09</u>	<u>3,598.09</u>	
Adjusting Journal Entries JE # 22		C3			
To adjust lease obligation receivable and lease income by bond principal payments as well as current year interest and bond par value amortization.					
17000	Lease obligation receivable, net		294,925.03		
47000	Lease income		49,318.18		
47000	Lease income		1,365,000.00		
17000	Lease obligation receivable, net			49,318.18	
17000	Lease obligation receivable, net			1,365,000.00	
47000	Lease income			294,925.03	
Total			<u>1,709,243.21</u>	<u>1,709,243.21</u>	
Adjusting Journal Entries JE # 23		C7			
To adjust student housing project management fee receivable for CY activity.					
61999	Miscellaneous Operations		3,467.49		
12100	Accounts Receivable - Other			3,467.49	
Total			<u>3,467.49</u>	<u>3,467.49</u>	
Adjusting Journal Entries JE # 24		H3			
To record amortization of deferred financing costs on bonds.					
67400	Amortization		42,225.70		
17800	Deferred Financing Cost			7,654.75	
17900	Defered Fin. Cost Bonds 2006			34,570.95	
Total			<u>42,225.70</u>	<u>42,225.70</u>	
Adjusting Journal Entries JE # 25		BB3.4			
To record amortization of bond premium.					
25300	Bond payable 2014 re-issue		30,694.98		
67400	Amortization			30,694.98	
Total			<u>30,694.98</u>	<u>30,694.98</u>	
Adjusting Journal Entries JE # 28		BB2			
To adjust IRS payment on PY receivable to the proper account.					
46100	Interest/Dividend Income		20,087.00		
22000	Accrued Income Tax			20,087.00	
Total			<u>20,087.00</u>	<u>20,087.00</u>	
Adjusting Journal Entries JE # 30		AA3.2			
To accrue additional receivables found in liability testing.					
63200	Advertising		3,200.00		
63260	Travel		464.18		
63270	Lodging		978.83		
63500	Entertainment/Events		915.69		
63725	Professional Fees		5,505.00		
20000	Accounts Payable - Vendors			11,063.70	
Total			<u>11,063.70</u>	<u>11,063.70</u>	
Adjusting Journal Entries JE # 31		H4			
To adjust prepaid expense to actual at 6/30.					
14000	Prepaid Expenses		1,903.93		
60010	Health Insurance			1,903.93	
Total			<u>1,903.93</u>	<u>1,903.93</u>	

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 Period Ending: **6/30/2016**
 Trial Balance: **DB - DATABASE**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 32		B3.1		
To write off PY allowance				
16752	Allowance for uncollectible pledges		129,693.52	
16750	Pledges receivable, net			129,693.52
Total			<u>129,693.52</u>	<u>129,693.52</u>
Adjusting Journal Entries JE # 33		F3		
To record depreciation expense and adjust Acc. Dep to actual at 6/30/16.				
67401	Depreciation expense		1,131.85	
18999	Accumulated Depreciation			931.85
49000	Other Income			200.00
Total			<u>1,131.85</u>	<u>1,131.85</u>
Adjusting Journal Entries JE # 34		B3.1		
To record provision for uncollectible pledges				
61900	Bad debt expense		151,496.95	
16752	Allowance for uncollectible pledges			151,496.95
Total			<u>151,496.95</u>	<u>151,496.95</u>
Adjusting Journal Entries JE # 35		B3.1		
To adjust pledges receivable to actual at YE.				
40100	Donor Cash/Check Gifts		409,031.71	
16750	Pledges receivable, net			409,031.71
Total			<u>409,031.71</u>	<u>409,031.71</u>
Adjusting Journal Entries JE # 36		B3.3		
To adjust PV discount to actual.				
16751	Present value		11,000.00	
40100	Donor Cash/Check Gifts			11,000.00
Total			<u>11,000.00</u>	<u>11,000.00</u>

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 Period Ending: **6/30/2016**
 Trial Balance: **DB - DATABASE**
 Workpaper: **RJE - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 2		AA2		
To reclassify Kenya trip pmt. to proper account.				
64000	Scholarships & Awards		3,639.20	
64275	.			3,639.20
Total			3,639.20	3,639.20
Reclassifying Journal Entries JE # 5		BB3.1		
To reclassify bond interest to be consistent with PY GL accounts used.				
67150	Bond interest 2004		281,093.57	
67300	Bond Interest 2006			281,093.57
Total			281,093.57	281,093.57
Reclassifying Journal Entries JE # 11		E4.1		
To reclassify BB&T investment gains/losses to proper account.				
46200	Unrealized Gains/(Losses)		38,675.03	
46150	BB&T investment income			7,668.12
46300	Realized Gains/(Losses)			31,006.91
Total			38,675.03	38,675.03
Reclassifying Journal Entries JE # 17		BB3.4		
To reclassify bond premium to actual as of 6/30/16.				
25300	Bond payable 2014 re-issue		1,258,477.10	
BP	REPORT ONLY BOND PREMIUM			1,258,477.10
Total			1,258,477.10	1,258,477.10
Reclassifying Journal Entries JE # 20		BB6.1		
To reclassify net amount owed back to WSSU to a liability account.				
12325	Student Housing Receivable Project FY 2011-12		70,372.40	
20001	Other Account Payable			70,372.40
Total			70,372.40	70,372.40
Reclassifying Journal Entries JE # 26		E6.1		
To reclassify interest income on CD to the proper account.				
46100	Interest/Dividend Income		1,046.78	
46150	BB&T investment income			1,046.78
Total			1,046.78	1,046.78
Reclassifying Journal Entries JE # 27		E4.1		
To reclassify investment activity to the proper account.				
46300	Realized Gains/(Losses)		42,522.33	
46175	Investment earnings / Loss			42,522.33
Total			42,522.33	42,522.33

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 Trial Balance: **DB - DATABASE**
 Workpaper: **RJE - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 29		C2		
To reclassify other income to the proper account.				
60005	Payroll Taxes Expense		3,951.83	
49000	Other Income			3,951.83
Total			<u><u>3,951.83</u></u>	<u><u>3,951.83</u></u>