

September 25, 2015

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, 2015, and have issued our report thereon dated September 25, 2015. 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 June 4, 2015. 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, 2015. 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 25, 2015.

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.

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,



BUTLER + BURKE, LLP

Client: **21965 - Winston-Salem State University Foundation**
 Engagement: **21965 - Winston-Salem State University Foundation**
 Period Ending: **6/30/2015**
 Trial Balance: **DATABASE**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To eliminate inter-program transfers in and out				
46000	Inter-programs transfers in		109,047.13	
66000	Inter-programs transfers out			109,047.13
Total			109,047.13	109,047.13
Adjusting Journal Entries JE # 2				
To reverse the effect PY AJE 20 (payments should have been relieved from A/P when made)				
20001	Other Account Payable	PY	512,275.99	
12100	Accounts Receivable - Other			478,280.36
61325	Association Fees			1,386.33
62100	Salaries Programs			4,666.64
62300	Printing/Engraving			1,815.00
62725	Meals/luncheon meeting			2,179.12
63020	Supplies (Programs)			219.56
63260	Travel			624.77
63270	Lodging			1,148.00
63300	Equipment/tools			9,955.86
63350	Banquets/catering			1,677.35
63725	Professional Fees			10,323.00
Total			512,275.99	512,275.99
Adjusting Journal Entries JE # 3				
To properly reverse PY AJE 18				
30010	Operating Net Assets	PY	45,816.12	
20001	Other Account Payable			45,816.12
Total			45,816.12	45,816.12
Adjusting Journal Entries JE # 5				
To adjust lease obligation receivable and lease income by bond principal payments as well as unamortized interest income from the gain recognized on the				
17000	Lease obligation receivable, net	C3	294,925.03	
47000	Lease income		49,318.18	
47000	Lease income		1,320,000.00	
17000	Lease obligation receivable, net			49,318.18
17000	Lease obligation receivable, net			1,320,000.00
47000	Lease income			294,925.03
Total			1,664,243.21	1,664,243.21
Adjusting Journal Entries JE # 6				
To adjust net assets to actual				
61999	Miscellaneous Operations	MM2	1,302.22	
30010	Operating Net Assets			1,302.22
Total			1,302.22	1,302.22
Adjusting Journal Entries JE # 7				
To reclass balance sheet accounts to get due to/from balance to zero				
20001	Other Account Payable	AA2	254.00	
12300	Due From WSSU			254.00
Total			254.00	254.00

Client: **21965 - Winston-Salem State University Foundation**
 Engagement: **21965 - Winston-Salem State University Foundation**
 Period Ending: **6/30/2015**
 Trial Balance: **DATABASE**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8		F3-1		
To record CY depreciation expense				
67401	Depreciation expense		1,131.85	
18999	Accumulated Depreciation			1,131.85
Total			1,131.85	1,131.85
Adjusting Journal Entries JE # 9		H4		
To expense PY prepaid expenses and record CY prepaid expenses				
14000	Prepaid Expenses		10,123.10	
55250	Health insurance passport office		3,923.62	
60010	Health Insurance		5,584.10	
14000	Prepaid Expenses			9,507.72
60010	Health Insurance			10,123.10
Total			19,630.82	19,630.82
Adjusting Journal Entries JE # 10		C5.1-3		
To correct admin fee revenue that was previously recorded improperly				
48250	Program fees - Income		14,484.50	
67000	Foundation Administration Fees		18,542.51	
48250	Program fees - Income			18,542.51
67000	Foundation Administration Fees			14,484.50
Total			33,027.01	33,027.01
Adjusting Journal Entries JE # 12		BB3.1		
To record bond premium and capitalize bond issuance costs related to new Series 2014 bonds issued in Aug 2014				
17800	Deferred Financing Cost		139,369.35	
17800	Deferred Financing Cost		185,000.00	
47200	Interest from housing		1,158,557.55	
REPORT ONLY	BOND PREMIUM		8,755.00	
61300	Legal			123,866.65
61340	Consultation Fees			46,700.00
61999	Miscellaneous Operations			14,433.15
67400	Amortization			8,755.00
REPORT ONLY	BOND PREMIUM			1,297,927.10
Total			1,491,681.90	1,491,681.90
Adjusting Journal Entries JE # 14		H3		
To record amortization of deferred financing costs on Series 2006 bonds				
67400	Amortization		8,080.71	
67400	Amortization		34,570.95	
17800	Deferred Financing Cost			8,080.71
17900	Defered Fin. Cost Bonds 2006			34,570.95
Total			42,651.66	42,651.66
Adjusting Journal Entries JE # 18		H4		
To record prepaid expense discovered during auditing procedures				
14000	Prepaid Expenses		10,000.00	
60004	Professional Fees			10,000.00
Total			10,000.00	10,000.00

Client: **21965 - Winston-Salem State University Foundation**
 Engagement: **21965 - Winston-Salem State University Foundation**
 Period Ending: **6/30/2015**
 Trial Balance: **DATABASE**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 19		BB3		
To zero out items left over from bond refunding and reclassify into one account				
47200	Interest from housing		136,826.32	
49000	Other Income			136,826.32
Total			136,826.32	136,826.32
Adjusting Journal Entries JE # 20		BB4.2		
To adjust tax expense and accrual to actual				
22000	Accrued Income Tax		1,098.08	
55300	Passport - Estimated Income Tax			1,098.08
Total			1,098.08	1,098.08
Adjusting Journal Entries JE # 21		C4		
To record the final interest payment on the Series 2004 bonds received from WSSU as lease income				
47200	Interest from housing		267,088.44	
47000	Lease income			267,088.44
Total			267,088.44	267,088.44
Adjusting Journal Entries JE # 22		H3		
To write-off deferred financing costs associated with Series 2004 bonds, due to Series 2014 refunding				
REPORT ONLY	LOSS ON EXTINGUISHMENT OF BONDS		952,625.45	
17800	Deferred Financing Cost			952,625.45
Total			952,625.45	952,625.45
Adjusting Journal Entries JE # 23		H4		
To properly classify prepaid expense for a concert to take place in FY 2015-16				
14000	Prepaid Expenses		13,750.00	
12100	Accounts Receivable - Other			13,750.00
Total			13,750.00	13,750.00
Adjusting Journal Entries JE # 24		BB3.1		
To accrued for bond interest for the month of June 2015				
67150	Bond interest 2004		102,900.00	
67300	Bond Interest 2006		56,051.00	
20000	Accounts Payable - Vendors			158,951.00
Total			158,951.00	158,951.00
Adjusting Journal Entries JE # 25		B3.1		
To write-off PY allowance for doubtful accounts				
16752	Allowance for uncollectible pledges		262,705.50	
16750	Pledges receivable, net			262,705.50
Total			262,705.50	262,705.50
Adjusting Journal Entries JE # 26		B3-1		
To adjust pledges receivable to actual at year-end				
16750	Pledges receivable, net		52,064.78	
40100	Donor Cash/Check Gifts			52,064.78
Total			52,064.78	52,064.78

Client: **21965 - Winston-Salem State University Foundation**
 Engagement: **21965 - Winston-Salem State University Foundation**
 Period Ending: **6/30/2015**
 Trial Balance: **DATABASE**
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 27		B3.1		
To record current year allowance for bad debts				
61900	Bad debt expense		129,693.52	
16752	Allowance for uncollectible pledges			129,693.52
Total			129,693.52	129,693.52
Adjusting Journal Entries JE # 28		B3.3		
To record present value discount for pledge receivable balance				
40100	Donor Cash/Check Gifts		4,000.00	
16751	Present value			4,000.00
Total			4,000.00	4,000.00
Adjusting Journal Entries JE # 29		AA3.2		
To record expenses discovered during search for unrecorded liabilities				
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		2,719.00	
63270	Lodging		3,350.00	
63300	Equipment/tools		4,999.99	
63300	Equipment/tools		10,592.88	
63325	Trophies/awards		1,996.74	
63350	Banquets/catering		3,290.46	
63500	Entertainment/Events		294.00	
63500	Entertainment/Events		1,488.00	
63600	Repairs/improvements		2,150.00	
63950	Gifts, Honorariums or Benevolence		6,995.70	
63999	Miscellaneous Programs Operations		1,400.00	
63999	Miscellaneous Programs Operations		24,647.00	
63999	Miscellaneous Programs Operations		28,147.00	
20000	Accounts Payable - Vendors			97,646.91
Total			97,646.91	97,646.91
Adjusting Journal Entries JE # 30		BB4.2		
To record receivable for IRS refund received in July 2015				
22000	Accrued Income Tax		20,087.00	
49000	Other Income			20,087.00
Total			20,087.00	20,087.00

Client: **21965 - Winston-Salem State University Foundation**
 Engagement: **21965 - Winston-Salem State University Foundation**
 Period Ending: **6/30/2015**
 Trial Balance: **DATABASE**
 Workpaper: **RJE - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 4		BB3		
reclass bond payable accounts for workpaper purposes				
25300	Bond payable 2014 re-issue		27,139,999.98	
25400	Bond payable foundation height		15,835,000.00	
25200	Bond payable 2nd issue			27,139,999.98
25300	Bond payable 2014 re-issue			15,835,000.00
Total			42,974,999.98	42,974,999.98
Reclassifying Journal Entries JE # 15		E2		
To reclass investment amounts to proper accounts				
46200	Unrealized Gains/(Losses)		1,405.51	
46400	Gain/Loss on Stock Gifts		114.49	
46175	Investment earnings / Loss			1,405.51
46300	Realized Gains/(Losses)			114.49
Total			1,520.00	1,520.00
Reclassifying Journal Entries JE # 16		E4.1		
To breakout investment activity to more detail				
46150	BB&T investment income		5,295.92	
46300	Realized Gains/(Losses)		47,353.29	
46175	Investment earnings / Loss			52,649.21
Total			52,649.21	52,649.21
Reclassifying Journal Entries JE # 17		E6.1		
To record Truliant CD activity in proper account				
46200	Unrealized Gains/(Losses)		524.35	
46150	BB&T investment income			524.35
Total			524.35	524.35