

**B U T L E R  B U R K E** LLP  
C E R T I F I E D   P U B L I C   A C C O U N T A N T S

September 21, 2017

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, 2017, and have issued our report thereon dated September 21, 2017. 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 8, 2017. 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, 2017. 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 21, 2017.

*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,

A handwritten signature in cursive script that reads "Butler & Burke, LLP".

BUTLER + BURKE, LLP

Client: 21965 - Winston-Salem State University Foundation  
 Engagement: 2017 Audit - Winston-Salem State University Foundation  
 Period Ending: 6/30/2017  
 Trial Balance: .DB - DATABASE  
 Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>MM2</b>		
To reverse activity booked directly to net asset accounts during the fiscal year.				
10000	General Checking (BB&T)		53,463.90	
30010	Operating Net Assets		691,118.55	
30040	Endowment Net Assets		201.58	
60000	Salary Expense - Staff		4,094.48	
61999	Miscellaneous Operations		47,379.01	
62725	Meals/lucheon meeting		90.85	
12100	Accounts Receivable - Other			6,919.00
12326	Interest expense students housing project			25,436.00
16751	Present value			1,500.00
20001	Other Account Payable			308,973.15
30020	General programs net assets			2,973.00
30045	Endowment Earnings			359,933.58
30060	Housing Net Assets			84,001.30
61900	Bad debt expense			6,612.34
<b>Total</b>			<b>796,348.37</b>	<b>796,348.37</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>AA3</b>		
To adjust A/P and other A/P to actual at 6/30 and adjust accrued bond interest to actual.				
20001	Other Account Payable		11,063.70	
20001	Other Account Payable		26,731.95	
20000	Accounts Payable - Vendors			26,731.95
63200	Advertising			3,200.00
63260	Travel			464.18
63270	Lodging			978.83
63500	Entertainment/Events			915.69
63725	Professional Fees			5,505.00
<b>Total</b>			<b>37,795.65</b>	<b>37,795.65</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>C4</b>		
To adjust lease obligation receivable and lease income to actual at 6/30/17.				
47000	Lease income		1,779,700.35	
17000	Lease obligation receivable, net			265,499.25
67150	Bond interest 2004			1,514,201.10
<b>Total</b>			<b>1,779,700.35</b>	<b>1,779,700.35</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>BB3.1</b>		
To properly record bond activity for CY.				
17900	Defered Fin. Cost Bonds 2006		335,509.91	
20001	Other Account Payable		6,049.00	
25300	Bond payable 2014 re-issue		305,725.00	
25401	Bond Series 2016 Refinance		2,691,164.00	
25301	REPORT ONLY BOND PREMIUM			2,429,721.40
61999	Miscellaneous Operations			29,322.27
67150	Bond interest 2004			305,724.25
67200	Bond Issuance Cost			146,959.59
67300	Bond Interest 2006			234,650.89
67400	Amortization			192,069.51
<b>Total</b>			<b>3,338,447.91</b>	<b>3,338,447.91</b>
<b>Adjusting Journal Entries JE # 5</b>		<b>AA4</b>		
To adjust intercompany accounts to zero.				
46000	Inter-programs transfers in		218,813.69	
66000	Inter-programs transfers out			218,813.69
<b>Total</b>			<b>218,813.69</b>	<b>218,813.69</b>

Client: **21965 - Winston-Salem State University Foundation**  
 Engagement: **2017 Audit - Winston-Salem State University Foundation**  
 Period Ending: **6/30/2017**  
 Trial Balance: **.DB - DATABASE**  
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 7</b>		<b>H3</b>		
To record CY amortization of deferred financing costs and loss on extinguishment of debt for 2006 bonds refunded in CY.				
17800	Deferred Financing Cost		26,428.91	
LOSS	LOSS ON EXTINGUISHMENT OF BONDS		697,644.09	
17900	Defered Fin. Cost Bonds 2006			718,802.80
67400	Amortization			5,270.20
<b>Total</b>			<b>724,073.00</b>	<b>724,073.00</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>AA3</b>		
To adjust sales tax refund to the proper account.				
49600	(Gain) Loss on asset disposal		182,702.22	
20001	Other Account Payable			182,702.22
<b>Total</b>			<b>182,702.22</b>	<b>182,702.22</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>A3.01</b>		
To adjust credit card payment made in July back into cash and credit card liability.				
10000	General Checking (BB&T)		30,713.53	
20050	Credit Card Payable			30,713.53
<b>Total</b>			<b>30,713.53</b>	<b>30,713.53</b>
<b>Adjusting Journal Entries JE # 10</b>		<b>A3.05</b>		
To reverse transfer from university that was booked twice in the general ledger.				
40100	Donor Cash/Check Gifts		41,101.43	
10050	Wachovia - Advantage			41,101.43
<b>Total</b>			<b>41,101.43</b>	<b>41,101.43</b>
<b>Adjusting Journal Entries JE # 11</b>		<b>AA2</b>		
To adjust payroll tax expense to actual at YE.				
22000	Accrued Income Tax		4,840.52	
23000	Payroll Taxes Withheld			572.95
60005	Payroll Taxes Expense			4,267.57
<b>Total</b>			<b>4,840.52</b>	<b>4,840.52</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>AA3</b>		
To reverse erroneous entry to A/P and scholarships made when client voided a check from the previous year in the CY.				
20001	Other Account Payable		48,413.14	
64000	Scholarships & Awards			48,413.14
<b>Total</b>			<b>48,413.14</b>	<b>48,413.14</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>AA3</b>		
To accrue additional payables determined by client during fieldwork.				
62725	Meals/luncheon meeting		2,298.75	
63020	Supplies (Programs)		735.12	
63270	Lodging		10,675.00	
63999	Miscellaneous Programs Operations		275.00	
20001	Other Account Payable			13,983.87
<b>Total</b>			<b>13,983.87</b>	<b>13,983.87</b>
<b>Adjusting Journal Entries JE # 14</b>		<b>B3.1</b>		
To adjust CY provision, bad debt and pledge receivable to actual.				
16752	Allowance for uncollectible pledges		461.99	
40100	Donor Cash/Check Gifts		245,761.05	
61900	Bad debt expense		188,034.96	
16750	Pledges receivable, net			434,258.00
<b>Total</b>			<b>434,258.00</b>	<b>434,258.00</b>

Client: **21965 - Winston-Salem State University Foundation**  
 Engagement: **2017 Audit - Winston-Salem State University Foundation**  
 Period Ending: **6/30/2017**  
 Trial Balance: **.DB - DATABASE**  
 Workpaper: **AJE - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 15</b>		<b>C6</b>		
To write off WSSU receivable per discussion with client.				
64500	Other Loss		428,081.00	
12100	Accounts Receivable - Other			428,081.00
<b>Total</b>			<u><u>428,081.00</u></u>	<u><u>428,081.00</u></u>

Client: **21965 - Winston-Salem State University Foundation**  
 Engagement: **2017 Audit - Winston-Salem State University Foundation**  
 Period Ending: **6/30/2017**  
 Trial Balance: **.DB - DATABASE**  
 Workpaper: **RJE - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Reclassifying Journal Entries JE # 6</b>		<b>E4.1</b>		
To reclassify unrealized loss to proper account and remove non investment activity from investment accounts.				
46175	Investment earnings / Loss		3,575.58	
46200	Unrealized Gains/(Losses)		12,564.33	
47100	Housing Investment Earnings		61,210.39	
46150	BB&T investment income			12,564.33
67300	Bond Interest 2006			64,785.97
<b>Total</b>			<b><u>77,350.30</u></b>	<b><u>77,350.30</u></b>