

**GEORGIA SOUTHERN UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Georgia Southern University Foundation, Inc. and Subsidiaries
Statesboro, Georgia**

We have audited the accompanying consolidated financial statements of **Georgia Southern University Foundation, Inc.** (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2015, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 financial position of Georgia Southern University Foundation, Inc. and Subsidiaries as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 14, 2015

**GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS

Cash	\$	200,835
Investments		57,157,891
Accrued interest receivable		2,898
Contributions receivable, net		1,742,490
Other receivable		25,000
Cash value of insurance on lives of donors		137,012
Property held for sale		145,500
Land		395,861
Buildings, net of accumulated depreciation of \$135,728		395,694
		<hr/>
Total assets	\$	<u><u>60,203,181</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	47,223
Gift annuities payable		86,149
Total liabilities		<hr/> <u>133,372</u>

Net Assets

Unrestricted		5,293,669
Temporarily restricted		19,435,555
Permanently restricted		35,340,585
Total net assets		<hr/> <u>60,069,809</u>

Total Liabilities and Net Assets	\$	<u><u>60,203,181</u></u>
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See Notes to Consolidated Financial Statements.

**GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 296,958	\$ 2,734,552	\$ 1,459,574	\$ 4,491,084
Contributed services and materials	12,556	557,195	-	569,751
Contributed salaries and benefits by				
Georgia Southern University	2,490,340	-	-	2,490,340
Interest and dividends	140,510	527,703	-	668,213
Net realized and unrealized losses on investments	(200,368)	(712,298)	-	(912,666)
Other revenue	72,391	542,599	36,864	651,854
Net assets released from restrictions:				
Satisfaction of restrictions for University support	2,212,327	(2,212,327)	-	-
Satisfaction of restrictions to pay administrative fees	498,733	(498,733)	-	-
Satisfaction of restrictions for awards and scholarships	1,146,605	(1,146,605)	-	-
Total support and revenues	<u>6,670,052</u>	<u>(207,914)</u>	<u>1,496,438</u>	<u>7,958,576</u>
EXPENSES				
Awards and scholarships	1,460,816	-	-	1,460,816
University support and operational costs	3,575,147	-	-	3,575,147
Fundraising and advancement	2,282,481	-	-	2,282,481
Total expenses	<u>7,318,444</u>	<u>-</u>	<u>-</u>	<u>7,318,444</u>
CHANGE IN NET ASSETS	(648,392)	(207,914)	1,496,438	640,132
NET ASSETS, BEGINNING OF YEAR, as previously stated	5,522,815	19,752,133	33,753,544	59,028,492
Restatement of buildings (See Note 10)	<u>401,185</u>	<u>-</u>	<u>-</u>	<u>401,185</u>
NET ASSETS, BEGINNING OF YEAR, as restated	5,924,000	19,752,133	33,753,544	59,429,677
Transfer of net assets due to change in donor restriction	<u>18,061</u>	<u>(108,664)</u>	<u>90,603</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 5,293,669</u>	<u>\$ 19,435,555</u>	<u>\$ 35,340,585</u>	<u>\$ 60,069,809</u>

See Notes to Consolidated Financial Statements.

**GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

OPERATING ACTIVITIES	
Change in net assets	\$ 640,132
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	17,713
Net unrealized and realized losses on investments	912,666
Contributions restricted for endowments	(1,459,574)
Bad debt write-offs	128,650
(Increase) decrease in:	
Accrued interest receivable	(92)
Contributions receivable	484,969
Other receivable	(14,167)
Cash value of insurance on lives of donors	4,500
(Decrease) in:	
Accounts payable	(148,021)
Gift annuities payable	(9,171)
Funds held for Georgia Southern University Athletic Foundation	(1,200,000)
	(642,395)
INVESTING ACTIVITIES	
Proceeds from sale of investments	7,099,760
Purchases of investments	(8,056,554)
	(956,794)
FINANCING ACTIVITIES	
Contributions restricted for endowments	1,459,574
	1,459,574
NET (DECREASE) IN CASH	(139,615)
CASH, BEGINNING OF YEAR	340,450
CASH, END OF YEAR	\$ 200,835

See Notes to Consolidated Financial Statements.

GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Georgia Southern University Foundation, Inc. (the "Foundation") is an independent nonprofit organization whose purpose is to promote academic programs for Georgia Southern University (the "University"). The Foundation is supported primarily through contributions from individuals, corporations, and other nonprofit foundations. The facilities occupied and many of the resources available to the Foundation are owned or provided for by the University. Also, all Foundation employees are paid by the University. The value of these contributions is reflected in these financial statements.

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of Georgia Southern University Foundation, Inc. and its three wholly-owned subsidiaries, Georgia Southern University Foundation Real Estate, LLC, Georgia Southern University Foundation Real Estate Holdings, LLC and Georgia Southern University Foundation Botanical Gardens Real Estate, LLC. All significant intra-organization transactions and balances have been eliminated in consolidation.

During the year ended June 30, 2015, the Foundation formed the three separate LLCs mentioned above with the intent for each to hold real estate assets in the future.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the contribution pledges are received to discount the amounts.

An allowance for uncollectible contributions receivable is provided based on management's evaluation of potential uncollectible contributions receivable at year-end.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings on endowments available for awards, scholarships, and other University support are recorded in temporarily restricted net assets until used as stipulated by the donor. When the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services and Materials

Contributed services and materials are reflected in the financial statements at the fair value of the services or materials received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Use of Estimates

The preparation of 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 and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value based on the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). Level I investments are investments for which fair value is derived from quoted prices in active markets for identical assets the Foundation has the ability to access at the measurement date. Level II investments are investments for which fair value is derived from other than quoted prices in Level I that are observable for the asset, either directly or indirectly. Level III investments are investments for which fair value is derived from significant unobservable inputs.

All investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the statements of activities based on quoted prices in active markets. Alternative investments, which are not readily marketable, are carried at estimated fair values based on information provided by external investment managers and financial information provided by the respective partnership or limited liability company investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated in the values of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's financial statements.

Administrative Fees

Administrative fees are utilized to assist with development activities and provide additional funds to the University. The fees include 1% of the fair value of the endowments annually and 5% on non-endowed revenue.

Land and Buildings

Land and buildings are recorded at cost if purchased and at fair market value if received as a contribution. The building is being depreciated using the straight-line method over thirty years. Depreciation expense included in University support and operational costs for the year ended June 30, 2015 was \$17,713.

The land and building are restricted for the following uses:

Botanical gardens	\$	683,555
Biological sciences		108,000
	\$	<u>791,555</u>

Property Held for Sale

Property held for sale represents property received from donors and is recorded at fair market value when received and subsequently reduced for any decline in its fair value. The Foundation plans to sell the property and use the proceeds as requested by the donor.

Cash Equivalents Policy

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Reclassification of Donor Intent

At times, the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net assets.

Concentration of Credit Risk

The Foundation maintains an operating cash account balance at a commercial bank which, at times, may exceed federally insured limits.

NOTE 2. INVESTMENTS

Investments are reported at fair value and are summarized as follows at June 30, 2015:

Money market funds	\$	752,479
Closed-end equity funds		950,080
U.S. equity funds		23,752,303
International equity funds		9,316,208
Fixed income funds		9,450,162
Partnership funds and private equity		11,495,907
Hedging investments		1,440,752
	\$	57,157,891

The following table summarizes the fair value measurements of certain investments that calculate net asset value per share (or its equivalent) as of June 30, 2015. The classifications stated above are for fair value purposes and the private equity or partnership funds stated below may be classified separately above:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private equity (a)	\$ 11,331,124	\$ -	Quarterly, Annually, Triennially	45, 90, 95 days
Partnership funds (b)	\$ 10,840,441	\$ 3,721,537		

- a) Private equity - multi-strategy hedge funds are private offerings and, as such, are not registered under the Securities Act. Investment activities are typically limited only by the contracts governing the particular fund. Managers invest in a wide variety of financial instruments with an orientation towards seeking primarily absolute returns with marketable securities. Funds use a wide variety of investment styles and implement complex investment strategies such as short selling, applying fund leverage, or entering into derivative contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS (Continued)

- b) Private capital refers to securities acquired in privately negotiated transactions. There are various types of private capital strategies: Venture Capital - privately negotiated investments in development stage companies. Private Equity - privately negotiated investments in established companies. Mezzanine - subordinated debt often with equity warrants. Distressed - unsecured high yield debt and/or public equity. Special Situations - various, including infrastructure and single-sector funds. Private Real Estate Partnerships - acquire and administer land or developed property, including residential, office, industrial, and retail properties.

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy (see Note 1). The following tables summarize the valuation of the Foundation's investments measured at fair value as of June 30, 2015:

Fair value measurements at June 30, 2015:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Money market funds	\$ 752,479	\$ -	\$ -	\$ 752,479
Closed-end equity funds	950,080	-	-	950,080
U.S. equity funds	20,587,489	-	-	20,587,489
Fixed income funds	7,830,448	260,264	-	8,090,712
Partnership funds & private equity:				
U.S. equity funds	-	3,164,814	2,095,984	5,260,798
International equity funds	-	12,036,687	1,643,151	13,679,838
Fixed income funds	-	1,359,450	-	1,359,450
Real estate funds	-	-	216,715	216,715
Energy funds	-	-	447,069	447,069
Blended funds	-	-	4,372,509	4,372,509
Total partnership funds & private equity	-	16,560,951	8,775,428	25,336,379
Hedging investments	-	-	1,440,752	1,440,752
	<u>\$ 30,120,496</u>	<u>\$ 16,821,215</u>	<u>\$ 10,216,180</u>	<u>\$ 57,157,891</u>

The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2015:

<u>Description</u>	<u>Beginning Balance</u>	<u>Realized and Unrealized Gains (Losses)</u>	<u>Purchases and Sales</u>	<u>Ending Balance</u>
Partnership funds & private equity	\$ 8,128,172	\$ 406,794	\$ 240,462	\$ 8,775,428
Hedging investments	1,385,807	54,945	-	1,440,752
	<u>\$ 9,513,979</u>	<u>\$ 461,739</u>	<u>\$ 240,462</u>	<u>\$ 10,216,180</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2015 are as follows:

Receivable in less than one year	\$ 997,048
Receivable in one to five years	774,547
Receivable in more than five years	<u>115,000</u>
Total contributions receivable	1,886,595
Less discounts to net present value at 5%	(15,455)
Less allowance for uncollectibles	<u>(128,650)</u>
Net contributions receivable	<u><u>\$ 1,742,490</u></u>

NOTE 4. CONTRIBUTED SERVICES AND MATERIALS

Contributed services and materials were used for the following purposes for the years ended June 30, 2015:

University support and operational costs	\$ 557,195
Fundraising and advancement	<u>12,556</u>
	<u><u>\$ 569,751</u></u>

NOTE 5. CASH VALUE OF INSURANCE ON LIVES OF DONORS

The Foundation has a program of encouraging donors to purchase life insurance policies naming the Foundation as the owner and beneficiary. At June 30, 2015, the death benefits of these policies totaled \$1,174,379. The increase in cash values of such policies is recognized as income each year. The cash value of the policies is \$137,012 at June 30, 2015. No recognition is given to the deferred support attributable to death benefits because there is no objective measurement to determine how much will ultimately be collected.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Awards/scholarships	\$ 5,384,577
University support	14,050,978
	<u>\$ 19,435,555</u>

Temporarily restricted net assets are included in cash, investments, and contributions receivable on the consolidated statement of financial position.

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Net assets are permanently restricted for the following purposes:

Awards/scholarships	\$ 16,310,718
University support	19,029,867
	<u>\$ 35,340,585</u>

Investment income from endowments that are restricted for awards/scholarships and University support is reported in temporarily restricted net assets.

NOTE 8. ENDOWMENTS

The Foundation's endowments consist of approximately four hundred thirty-five individual funds established primarily for scholarships and University support. Its endowments include only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State of Georgia's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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 organization
7. The investment policies of the organization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (14,607)	\$ 10,967,034	\$ 35,070,085	\$ 46,022,512

Changes in Endowment Net Assets for the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment of net assets, beginning of year	\$ -	\$ 12,710,522	\$ 33,483,044	\$ 46,193,566
Investment return:				
Investment income	-	522,958	-	522,958
Realized and unrealized losses below the permanent corpus	(14,607)	14,607	-	-
Net depreciation (realized and unrealized)	-	(720,980)	-	(720,980)
Total investment return	(14,607)	(183,415)	-	(198,022)
Contributions	-	529,188	1,459,574	1,988,762
Other revenue	-	1,013	36,864	37,877
Administrative fees	-	(428,064)	-	(428,064)
Appropriation of endowment assets for expenditure	-	(1,108,198)	-	(1,108,198)
Other changes: Transfers	-	(554,012)	90,603	(463,409)
Endowment net assets, end of year	\$ (14,607)	\$ 10,967,034	\$ 35,070,085	\$ 46,022,512

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA

\$ 35,070,085

Total endowment funds classified as permanently restricted net assets

\$ 35,070,085

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time or or purpose restriction under UPMIFA:

Without purpose restrictions

\$ -

With purpose restrictions

10,967,034

Total endowment funds classified as temporarily restricted net assets

\$ 10,967,034

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$14,607 as of June 30, 2015. Deficiencies have resulted from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and from continued appropriation for certain programs that were committed prior to unfavorable market fluctuations.

Return Objectives and Risk Parameters

The investment objective of the Foundation assets (collectively, the “Fund”) is to preserve its purchasing power while providing a continuing and stable funding source. Long term, the Fund seeks to generate a total return that will exceed its expenses and the eroding effects of inflation. Over time, the spending rate is anticipated to be in the range of three percent to six percent of the three-year moving average of the market value. Risk is controlled primarily through diversification across and within asset classes. Appropriate liquidity is maintained to fund withdrawals without impairing the investment process.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, a total return strategy is employed that relies on both capital appreciation and current income. The Fund is well diversified within global equities, hedge funds, fixed income, real assets, and private capital.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.25 percent of its endowment fund’s average fair value over the three years prior, one year lagging. In establishing this policy, the Foundation considered the long-term 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 three percent annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Foundation has future commitments with various limited partnership agreements with investment managers of real assets and private capital funds for the endowment portfolio. Payments under the various partnership agreements are made over a period of years based on specified capital calls by the respective partnerships. The purpose of these agreements is to provide endowments funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make capital investments primarily in international private equity, buyouts, distressed opportunities, venture capital, real estate, and natural resource investments that are generally not actively traded at the time of the investment with the objective of obtaining long-term growth of capital. Capital calls are drawn from other liquid assets of the endowment investment pool as part of the asset allocation process. As the underlying investments mature over time, the partnerships may receive income from the investments and will eventually sell them to other investors either through private sale or initial public offering. The proceeds received from these transactions will be distributed to the partners. This will happen periodically throughout the remaining life of the partnership until all the underlying investments have been liquidated. Unfunded investment commitments as of June 30, 2015 totaled \$3,721,537.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. RESTATEMENT

During the year ended June 30, 2009, the Foundation acquired ownership of a pavilion at the Botanical Gardens that was constructed during that year. The original agreement called for the University to construct and pay for the building and the Foundation to then reimburse the University for the construction costs, which it did. However, it was understood at that time that the University owned the pavilion. It was discovered during the year ended June 30, 2015 that the Foundation in fact owned the pavilion. The original cost of the pavilion was \$481,422 and accumulated depreciation was \$80,237 through June 30, 2014. Therefore, the beginning balance in unrestricted net assets and total net assets has been increased by \$401,185 as of June 30, 2014.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated events occurring through September 14, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

	Georgia Southern University Foundation, Inc.	GSUF Real Estate, LLC	GSUF Real Estate Holdings, LLC	GSUF Botanical Gardens Real Estate, LLC	Eliminations	Totals
ASSETS						
Cash	\$ 199,335	\$ 500	\$ 500	\$ 500	\$ -	\$ 200,835
Investments	57,157,891	-	-	-	-	57,157,891
Accrued interest receivable	2,898	-	-	-	-	2,898
Contributions receivable, net	1,742,490	-	-	-	-	1,742,490
Other receivable	25,000	-	-	-	-	25,000
Cash value of insurance on lives of donors	137,012	-	-	-	-	137,012
Investment in subsidiaries	1,500	-	-	-	(1,500)	-
Property held for sale	145,500	-	-	-	-	145,500
Land	395,861	-	-	-	-	395,861
Buildings, net of accumulated depreciation of \$135,728	395,694	-	-	-	-	395,694
Total assets	<u>\$ 60,203,181</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ (1,500)</u>	<u>\$ 60,203,181</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 47,223	\$ -	\$ -	\$ -	\$ -	\$ 47,223
Gift annuities payable	86,149	-	-	-	-	86,149
Total liabilities	<u>133,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,372</u>
Net Assets						
Unrestricted	5,293,669	500	500	500	(1,500)	5,293,669
Temporarily restricted	19,435,555	-	-	-	-	19,435,555
Permanently restricted	35,340,585	-	-	-	-	35,340,585
Total net assets	<u>60,069,809</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>(1,500)</u>	<u>60,069,809</u>
Total Liabilities and Net Assets	<u>\$ 60,203,181</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ (1,500)</u>	<u>\$ 60,203,181</u>

See Notes to Consolidated Financial Statements.

**GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Georgia Southern University Foundation, Inc.		GSUF Real Estate, LLC	GSUF Real Estate Holdings, LLC	GSUF Botanical Gardens Real Estate, LLC	Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Unrestricted	Eliminations
SUPPORT AND REVENUES						
Contributions	\$ 296,958	\$ 2,734,552	\$ 1,459,574	\$ 500	\$ 500	\$ 4,491,084
Contributed services and materials	12,556	557,195	-	-	-	569,751
Contributed salaries and benefits by Georgia Southern University	2,490,340	-	-	-	-	2,490,340
Interest and dividends	140,510	527,703	-	-	-	668,213
Net realized and unrealized losses on investments	(200,368)	(712,298)	-	-	-	(912,666)
Administrative fees	498,733	-	-	-	-	(498,733)
Other revenue	72,391	542,599	36,864	-	-	651,854
Net assets released from restrictions:						
Satisfaction of restrictions for University support	2,212,327	(2,212,327)	-	-	-	-
Satisfaction of restrictions to pay administrative fees	498,733	(498,733)	-	-	-	-
Satisfaction of restrictions for awards and scholarships	1,146,605	(1,146,605)	-	-	-	-
Total support and revenues	7,168,785	(207,914)	1,496,438	500	500	7,958,576
EXPENSES						
Awards and scholarships	1,460,816	-	-	-	-	1,460,816
University support and operational costs	3,575,147	-	-	-	-	3,575,147
Administrative fees	498,733	-	-	-	-	(498,733)
Fundraising and advancement	2,282,481	-	-	-	-	2,282,481
Total expenses	7,817,177	-	-	-	-	7,318,444
CHANGE IN NET ASSETS	(648,392)	(207,914)	1,496,438	500	500	640,132
NET ASSETS, BEGINNING OF YEAR, as previously stated	5,522,815	19,752,133	33,753,544	-	-	59,028,492
Restatement of buildings (See Note 10)	401,185	-	-	-	-	401,185
NET ASSETS, BEGINNING OF YEAR, as restated	5,924,000	19,752,133	33,753,544	-	-	59,429,677
Transfer of net assets due to change in donor restriction	18,061	(108,664)	90,603	-	-	-
NET ASSETS, END OF YEAR	\$ 5,293,669	\$ 19,435,555	\$ 35,340,585	\$ 500	\$ 500	\$ 60,069,809

See Notes to Consolidated Financial Statements.