

MIDDLE GEORGIA STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2015

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**HOWARD, MOORE
& MCDUFFIE, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS

The Board of Trustees
Middle Georgia State University Foundation, Inc.

We have audited the accompanying financial statements of Middle Georgia State University Foundation, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Middle Georgia State University Foundation, Inc. and its subsidiaries as of December 31, 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.

Howard, Moore & McDuffie, P.C.

April 4, 2016

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	\$ 209,034
Unconditional promises to give	<u>158,627</u>
Total Current Assets	<u>367,661</u>
OTHER ASSETS	
Cash and cash equivalents - restricted for endowments	200,000
Cash surrender value of life insurance	68,892
Unconditional promises to give, net of current portion	10,862
Investments for long-term purposes	<u>10,267,004</u>
Total Other Assets	<u>10,546,758</u>
TOTAL ASSETS	<u><u>\$ 10,914,419</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 28,879
Scholarships payable	<u>151,988</u>
Total Current Liabilities	<u>180,867</u>
TOTAL LIABILITIES	<u>180,867</u>
NET ASSETS	
Unrestricted	
Undesignated	117,443
Designated	<u>182,210</u>
Total Unrestricted	299,653
Temporarily restricted	2,053,666
Permanently restricted	<u>8,380,233</u>
TOTAL NET ASSETS	<u>10,733,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,914,419</u></u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 161,781	\$ 405,590	\$ 147,795	\$ 715,166
Contributed services and materials	286,062	2,250	-	288,312
Special event income, net	92,454	(1,088)	-	91,366
Interest and dividend income, net of fees	2,302	214,721	-	217,023
Net realized and unrealized gain (loss) on investments	(2,856)	(430,240)	-	(433,096)
	<u>539,743</u>	<u>191,233</u>	<u>147,795</u>	<u>878,771</u>
Net assets released from restrictions				
Transfers	(174,747)	174,747	-	-
Restrictions satisfied by payments	876,921	(876,921)	-	-
	<u>702,174</u>	<u>(702,174)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,241,917</u>	<u>(510,941)</u>	<u>147,795</u>	<u>878,771</u>
EXPENSES				
Program services				
Scholarships	330,737	-	-	330,737
College support and enhancement	757,025	-	-	757,025
	<u>1,087,762</u>	<u>-</u>	<u>-</u>	<u>1,087,762</u>
Supporting services				
Foundation administration	308,144	-	-	308,144
Fundraising	106,826	-	-	106,826
	<u>414,970</u>	<u>-</u>	<u>-</u>	<u>414,970</u>
TOTAL EXPENSES	<u>1,502,732</u>	<u>-</u>	<u>-</u>	<u>1,502,732</u>
CHANGE IN NET ASSETS	(260,815)	(510,941)	147,795	(623,961)
NET ASSETS - BEGINNING	<u>560,468</u>	<u>2,564,607</u>	<u>8,232,438</u>	<u>11,357,513</u>
NET ASSETS - ENDING	<u>\$ 299,653</u>	<u>\$ 2,053,666</u>	<u>\$ 8,380,233</u>	<u>\$ 10,733,552</u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ (623,961)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Unrealized gain on investments reported at fair value	377,069
Realized gain on investments	56,027
Contributions restricted for long-term purposes	(146,927)
Reinvestment of interest and dividends	(211,351)
Increase in surrender value of life insurance	(2,297)
Amortization of discount on promises to give	(868)
Uncollectible promises to give	9,672
(Increase) decrease in	
Promises to give, net	135,855
Increase (decrease) in	
Accounts payable	11,423
Scholarships payable	31,975
NET CASH USED BY OPERATING ACTIVITIES	<u>(363,383)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Purchase of investments	5,658,464
Proceeds from sale of investments	<u>(5,381,848)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>276,616</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Collection of contributions restricted for long-term purposes	<u>22,978</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>22,978</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63,789)
BEGINNING CASH AND CASH EQUIVALENTS	<u>272,823</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 209,034</u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

Middle Georgia State University Foundation, Inc. (the Foundation) is a nonprofit corporation existing to support and enhance public higher education in the middle Georgia area. Primarily, it serves to support its affiliate, Middle Georgia State University (the University). The Foundation also awards scholarships to students who are enrolled or plan to enroll in Middle Georgia State University. Support for the Foundation comes from public donations and various fundraising events.

The consolidated financial statements of the Foundation include the accounts of Middle Georgia State University Foundation, Inc.; Romeiser Properties I, LLC; Romeiser Properties II, LLC; Romeiser Properties III, LLC; and Romeiser Properties IV, LLC. Each of the four Romeiser Properties LLC's were formed for the sole purpose of purchasing land surrounding the perimeter of the campus of the University and were dormant as of and for the year ended December 31, 2015. All significant intercompany accounts and transactions have been eliminated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Codification Topic No. ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Foundation or the passage of time. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation.

Subsequent Events

Subsequent events have been evaluated through April 4, 2016, which is the date the financial statements were available to be issued.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for the purpose of the statement of cash flows.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

Investments are stated at fair value which is based on quoted market rates. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Contributed Services and Assets

The Foundation recognizes contributed services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2015, there was \$288,312 in contributed services and materials, advertising, professional services, and various items and prizes donated for the Foundation's fundraising activities. A substantial number of volunteers contribute significant amounts of time in the Foundation's program services; however, no amounts have been reported in the financial statements for this because no objective basis is available to measure the value of such contributions.

Property and Equipment

All acquisitions of property and equipment with long-term useful lives and all expenditures for repairs, maintenance, renewal and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is at least reasonably possible that a change in the estimate will occur in the near term. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no such income for the year ended December 31, 2015. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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.

NOTE 3. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2015 these policies had a cash surrender value of \$68,892 and a death benefit of \$131,779.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

Investments consisted of the following as of December 31, 2015:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Merrill Lynch			
Cash	\$ 545,653	\$ -	\$ 545,653
Equities	1,422,497	(152,854)	1,575,351
Mutual funds	7,302,643	(166,629)	7,469,272
Alternative investments	996,211	(12,537)	1,008,748
	<u>\$ 10,267,004</u>	<u>\$ (319,483)</u>	<u>\$ 9,590,276</u>

The Foundation's investments are reported at fair value. Expenses related to investment income, including custodial fees and investment advisory fees, for the year ended December 31, 2015 totaled to \$58,071. These fees have been netted with interest and dividend income in the accompanying statements of activities. Cash in the brokerage account is included in investments because it is for long-term purposes and part of the endowment. During 2015, the Foundation invested in several alternative funds that are publicly traded but do not have readily determinable market values. These funds typically invest in derivative type contracts but are not used to leverage the portfolio or for speculative investments. Realized and unrealized gains and losses are allocated monthly to individual endowments based on the relationship of the market value of each endowment to the total market value of the accounts.

NOTE 5. PROMISES TO GIVE

As of December 31, 2015, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$ 158,627
Receivable in one to five years	<u>10,862</u>
Total unconditional promises to give	<u>\$ 169,489</u>

Significant individual promises to give receivable in more than one year are discounted using the risk-free rate of return as of the year pledged. The discount rates used range from 1% to 5%.

NOTE 6. RESTRICTIONS AND LIMITATIONS ON CASH AND NET ASSETS

Designated Net Assets

The Foundation's Board of Trustees has designated \$182,210 as operating reserves as of December 31, 2015.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. RESTRICTIONS AND LIMITATIONS ON CASH AND NET ASSETS (Continued)

Restrictions on Cash

Certain restrictions have been applied to cash balances as of December 31, 2015 from donors. Restricted cash consists of two certificates of deposit of \$100,000 each held by two separate financial institutions.

Restricted Net Assets

At December 31, 2015, the Foundation's temporarily restricted net assets other than the donor-restricted endowments disclosed in NOTE 7 totaled of \$795,354. These net assets are restricted for scholarships, botanical gardens, economic development and other various university support.

NOTE 7. ENDOWMENTS

The Foundation's endowment consists of individual funds established for a variety of purposes and includes 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. The Foundation maintains master investment accounts for its donor-restricted endowments. Interest, dividends, realized and unrealized gains and losses, and investment fees from the investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. ENDOWMENTS (Continued)

In accordance with SPMIFA, the organization 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 organization 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, and
- (7) the investment policies of the organization.

Donor-Restricted Endowment Funds

The Foundation has a temporarily restricted fund that corresponds with each permanently restricted fund to account for temporarily restricted income earned on the contribution and the amounts expended from each fund. All temporarily restricted funds are subject to a time restriction with purpose restrictions under the SPMIFA. If, due to market conditions or appropriations, the temporarily restricted fund falls below zero, this amount is reclassified to unrestricted net assets until the deficiency is corrected.

Donor-restricted endowment funds consist of the following as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Peyton Anderson Endowed Chairs	\$ -	\$ 273,987	\$ 2,000,000
Georgia Eminent Scholar Endowed Chair	(2,342)	-	1,010,786
MSC General Endowment	-	325,801	1,507,799
Dorothy D. Brown Humanities Faculty Development	-	2,449	4,410
Barnes Book Fund	-	2,222	5,100
Invest in Success - Faculty Research and Scholarly Activity	-	10,340	14,850
Library Humanities	-	28,497	160,170
Invest in Success - Nursing Faculty	-	186,837	635,275
Carol Porter Endowed	-	2,015	11,369
Scholarship Funds:			
Junior Woman's Volunteer Network of Macon Endowed	-	653	5,450
Bobby B. Singley Memorial	-	1,262	20,125
Gail Burdsall Cowan Memorial	-	2,029	10,851

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. ENDOWMENTS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Hattie Elizabeth Wilder Endowed	\$ -	\$ 134	\$ 3,000
Jo Hammond Memorial	-	210	6,712
Louise Y. Lockhart	-	2,570	12,825
John B. Harris, Jr. Memorial	-	272	12,500
Charles H. Jones Family Foundation Presidential	-	33,481	57,500
Evelyn T. Bickford Memorial	-	2,046	21,852
Stephen Portch Study Abroad Endowed	-	4,350	27,025
Joan B. Huffman Women's Caucus	-	1,964	20,200
Jay Ragland Memorial	-	5,510	32,400
Peyton Anderson Foundation Endowed Presidential	-	106,727	522,500
Bill Elieson Scholarship for Excellence in Information Technology	-	3,628	23,153
Macon Business and Professional Women's Club	-	1,113	10,000
Gwen Sell Sorrell Study Abroad	-	4,740	36,724
Joe E. Timberlake, III Endowed	-	2,383	20,000
Community Foundation of Central Georgia Endowed Scholarship in Business	-	1,158	20,000
Billy Lee Kimbrel Memorial Endowed	-	1,890	20,000
Addie Taylor Foskey Endowed	-	945	20,000
Byrd Family Endowed	-	5,580	25,554
David R. Adams Memorial Scholarship	-	11,150	44,945
David A. Bell, PhD. Endowed	-	145	103,178
Betty and Charles Heard	-	16,883	31,776
Community Foundation of Central Georgia Kaiser Permanente Nursing	-	4,912	20,000
Dr. Barbara Thomas Frizzell	-	15,213	85,000
	-	4,022	25,106
Eugene Alvarez, Ph.D. Endowed	-	6,716	124,482
Jeremy Christian Wearn Memorial	-	3,998	30,297
1959 Class Endowed	-	8,943	42,853
Jessie S. & H. Grady Bradley Memorial	(1,503)	-	19,236
Barbara J. Stickel CGHS Endowed	-	9,577	100,000
Veterans Scholarship Endowed	-	732	3,095
State Bank & Trust Company Endowed	-	2,319	20,000
Fountain Car Wash & Lube Endowed	-	856	20,000

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. ENDOWMENTS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Mary M. Pope Memorial Endowed	\$ -	\$ 822	\$ 27,000
A. Donald Faulk, Jr. Endowed	-	864	20,000
Chandler A. Reid Endowed	-	398	24,099
Charles Quinn Endowed	-	839	19,507
Titus Family Endowed	(79)	-	4,200
Howard, Moore & McDuffie Endowed	(52)	-	20,000
Thomas Reed Park, Jr. Memorial Endowed	(1,043)	-	25,000
Moore Family Endowed	(1,679)	-	40,000
Sodexo Endowed Scholarship	-	1,520	100,000
Ginny Sonavec Memorial Endowed Scholarship	-	-	13,724
Alan Weller Endowed Aviation Scholarship	-	7	-
Atlantic Southeastern Airlines Endowed	-	47,302	50,000
Tom Porter Endowed	-	606	37,480
Ann Newton Phillips Memorial Endowed	(731)	-	70,439
Auburn & Pauline Webb Endowed	-	1,750	13,291
Bernadette K. Loftin Endowed	-	1,923	14,391
Bertie Mae Garrett Endowed	-	4,989	44,036
Betty & Ellen Evans Endowed	-	50	10,879
Carl & Edna Kuipers Endowed	-	1,707	35,052
Centennial Scholarship	-	11,249	151,994
ComSouth Corporation Endowed	-	1,622	24,999
Dublin Brick Endowed	-	2,878	28,493
Ed Allen Memorial Endowed	-	4,323	48,426
George & Maxine Lowery Endowed	(636)	-	9,692
Jacob Martin Endowed	(106)	-	3,589
Kilchriss Endowed	-	5,615	39,407
McVay Science Endowed	(355)	-	12,927
Nellie H. Allen Memorial Endowed	-	14,521	269,615
Nolan H. & Frances B. Barlow Endowed	(1,209)	-	15,196
Peacock Endowed	-	26,690	150,034
Russ Hinson Memorial Endowed	-	21,920	28,715
Russ Holder Endowed	-	4,843	27,293
W.J. Story Endowed	-	1,016	24,892
Walker-Creek Endowed	-	598	27,765
	<u>\$ (9,735)</u>	<u>\$ 1,258,311</u>	<u>\$ 8,380,233</u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. ENDOWMENTS (Continued)

Changes in donor-restricted endowment funds for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Beginning	\$ (3,032)	\$ 1,845,868	\$ 8,232,438	\$ 10,075,274
Investment return				
Investment income	995	249,866	-	250,861
Net realized and unrealized appreciation	(2,856)	(535,302)	-	(538,158)
Total investment return	(1,861)	(285,436)	-	(287,297)
Contributions and discount	-	-	147,795	147,795
Transfers	-	(25,353)	-	(25,353)
Appropriation of endowment assets for expenditure	(4,842)	(276,768)	-	(281,610)
Endowment net assets ending	\$ (9,735)	\$ 1,258,311	\$ 8,380,233	\$ 9,628,809

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 SPMIFA 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 \$9,735 as of December 31, 2015. These deficiencies resulted from continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to minimize the risk of large losses, preserve principal and increase the inflation adjusted value of the investments over time. This objective is obtained by pursuing a total return investment strategy that encompasses a level of risk consistent with the Foundation's long-term return expectations. The Foundation expects its endowment funds' annualized rate of return over a rolling five year period to provide at least 5% over the rate of inflation as measured by the Consumer Price Index to allow for the application of a prudent spending policy and to outperform a nationally recognized index of balanced fund managers.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. ENDOWMENTS (Continued)

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 a 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 distribution each year 4% to 6% of the market value of the investments at fiscal year end, averaged over a rolling three year period. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This policy 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 8. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash and cash equivalent balances in several large financial institutions and in a brokerage account. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalents held in brokerage accounts and in trust accounts may be insured by the FDIC, depending on where those funds are ultimately held. At December 31, 2015, the Foundation's uninsured cash in brokerage accounts totaled \$295,653.

NOTE 9. CONCENTRATION OF CONTRIBUTIONS

Eight contributors gave over \$15,000 and are responsible for 48% of total contributions during the year ended December 31, 2015. Additionally, 21% of promises to give as of December 31, 2015 are from nine contributors. Most contributions come from sources in the central Georgia area.

NOTE 10. COMMITMENTS

Middle Georgia State University holds an annual math tournament for high school students in the middle Georgia area. The Foundation awards scholarships to the winners of the tournament to be used toward tuition at Middle Georgia State University. The recipient of the scholarship must attend Middle Georgia State University and use the scholarship within one year of the date of graduation from high school; otherwise, the scholarship is forfeited. The amount of the scholarships outstanding as of December 31, 2015 is \$3,300.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS

FASB Codification Topic No. 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value for equities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for cash surrender value of life insurance policies is determined by the underwriter for the insurance policy, which is usually a percentage of premiums paid less any unpaid loans against the cash value portion. Fair value for alternative investments is determined by the value of underlying assets less obligations and fund fees divided by the number of issued and outstanding shares or units in the fund. Management of each fund is responsible for providing the net asset value for each reporting period.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2015 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	\$ 68,892	\$ -	\$ 68,892	\$ -
Endowment investments				
Cash and cash equivalents	545,653	545,653	-	-
Equities	1,422,497	1,422,497	-	-
Mutual funds	7,302,643	7,302,643	-	-
Alternative investments	996,211	-	-	996,211
Total endowment investments	10,267,004	9,270,793	-	996,211
	<u>\$ 10,335,896</u>	<u>\$ 9,270,793</u>	<u>\$ 68,892</u>	<u>\$ 996,211</u>

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended December 31, 2015.

	Alternative Funds
Beginning balance	\$ -
Total gains or losses (realized/unrealized)	(12,538)
Reinvested earnings	8,749
Purchases	2,000,000
Sales	(1,000,000)
Ending balance	<u>\$ 996,211</u>

NOTE 12. RELATED-PARTY TRANSACTIONS

Members of the Foundation's Board of Trustees are active in supporting the Foundation through personal donations. Donations received from trustees during the year totaled \$61,800.

Since the primary purpose of the Foundation is to support Middle Georgia State University, the amounts listed as college support in the statements of activities consist of expenses paid to or on behalf of the University and therefore are considered related-party transactions.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. RELATED-PARTY TRANSACTIONS (Continued)

The Foundation utilizes staff of the University to carry out day-to-day functions. Staff compensation not reimbursed to the University is recorded as a noncash donations by the Foundation. Total compensation of the University staff used by the Foundation for the year ended December 31, 2015 was \$307,124.