Georgia State University Foundation

Financial Audit Report
June 30, 2016

GEORGIA STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

FINANCIAL REPORT
JUNE 30, 2016

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Georgia State University Foundation, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of the **Georgia State University Foundation, Inc.** (the "Foundation") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016 and 2015, and the related consolidated statement of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial position of the Georgia State University Foundation, Inc. as of June 30, 2016 and 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 19, 2016

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	**$ 5,302,568**	$ 3,870,771
Pledges receivable, net	**10,809,095**	10,125,786
Accounts receivable and other assets	**334,280**	15,595
Investments	**216,389,456**	208,059,236
Net investment in direct financing leases	**155,485,809**	85,419,375
Restricted assets	**26,247,991**	19,257,954
Cash surrender value of life insurance	**1,408,268**	1,353,596
Property and equipment, net	**10,588,827**	8,254,751
Assets held for affiliates	**1,731,585**	2,017,307
Total assets	**$ 428,297,879**	$ 338,374,371
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 1,662,864**	$ 973,765
Deferred revenue	**18,675,756**	20,001,563
Deferred lease cost	**7,844,977**	6,961,645
Obligation under split-interest agreements	**1,907,385**	2,155,445
Obligation under leases	**1,761,850**	2,296,250
Bonds payable	**140,512,041**	75,527,116
Accrued interest on bonds payable	**1,998,332**	1,847,805
Assets held for affiliates	**1,731,585**	2,017,307
Liability of interest rate swap agreement	**15,837,801**	-
Total liabilities	**191,932,591**	111,780,896
Net assets		
Unrestricted	**39,056,816**	48,040,956
Temporarily restricted	**85,589,213**	70,164,396
Permanently restricted	**111,719,259**	108,388,123
Total net assets	**236,365,288**	226,593,475
Total Liabilities and Net Assets	**$ 428,297,879**	$ 338,374,371

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Revenue, gains, and other support					
Contributions	$ 2,278,035	$ 22,190,909	$ 2,363,480	$ 26,832,424	$ 15,555,129
Rental income	3,984,686	3,543,388	-	7,528,074	5,974,217
Income from investment in direct financing leases	10,575,436	-	-	10,575,436	16,987,694
Net investment return	826,805	2,346,841	3,463,345	6,636,991	3,823,305
Realized gains on sale of property	-	-	-	-	161,049
Change in:					
Value of split-interest agreements	-	303,048	-	303,048	234,420
Cash surrender value of life insurance	970	53,702	-	54,672	55,082
Other income	151,170	951,454	-	1,102,624	574,954
Total revenues and gains	17,817,102	29,389,342	5,826,825	53,033,269	43,365,850
Net assets released from restrictions	19,500,069	(15,549,749)	(3,950,320)	-	-
Total revenues, gains, and other support	37,317,171	13,839,593	1,876,505	53,033,269	43,365,850
Expenses					
Program services					
Capital projects, equipment, and repairs	15,497,083	-	-	15,497,083	18,636,555
Operations	8,267,373	-	-	8,267,373	8,474,165
Faculty and staff	3,727,659	-	-	3,727,659	3,521,515
Scholarships and awards	7,620,901	-	-	7,620,901	5,943,435
Total program services	35,113,016	-	-	35,113,016	36,575,670
Management and general	3,438,892	-	-	3,438,892	3,261,365
Fundraising	1,194,423	-	-	1,194,423	1,066,947
Total expenses	39,746,331	-	-	39,746,331	40,903,982
					-
Excess (deficit) of revenues over expenses	(2,429,160)	13,839,593	1,876,505	13,286,938	2,461,868
Gain on bond defeasance	-	-	-	-	1,475,567
Change in value of interest rate swap	(1,104,077)	-	-	(1,104,077)	-
Excess (deficit) of assets acquired over liabilities assumed in acquisition of Georgia Perimeter College Foundation, Inc.	(5,450,903)	1,585,224	1,454,631	(2,411,048)	-
Change in net assets	(8,984,140)	15,424,817	3,331,136	9,771,813	3,937,435
Net assets at beginning of year	48,040,956	70,164,396	108,388,123	226,593,475	222,656,040
Net assets at end of year	$ 39,056,816	$ 85,589,213	$ 111,719,259	$ 236,365,288	$ 226,593,475

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Contributions	$ 2,153,054	$ 9,639,182	$ 3,762,893	$ 15,555,129
Rental income	4,198,082	1,776,135	-	5,974,217
Income from investment in direct financing leases	16,987,694	-	-	16,987,694
Net investment (loss) return	(300,273)	2,006,084	2,117,494	3,823,305
Realized gains on sale of property	161,049	-	-	161,049
Change in:				
Value of split-interest agreements	196,047	38,373	-	234,420
Cash surrender value of life insurance	964	54,118	-	55,082
Other income	161,745	413,209	-	574,954
Total revenues and gains	23,558,362	13,927,101	5,880,387	43,365,850
Net assets released from restrictions	17,198,442	(13,298,849)	(3,899,593)	-
Total revenues, gains, and other support	40,756,804	628,252	1,980,794	43,365,850
Expenses				
Program services				
Capital projects, equipment, and repairs	18,636,555	-	-	18,636,555
Operations	8,474,165	-	-	8,474,165
Faculty and staff	3,521,515	-	-	3,521,515
Scholarships and awards	5,943,435	-	-	5,943,435
Total program services	36,575,670	-	-	36,575,670
Management and general	3,261,365	-	-	3,261,365
Fundraising	1,066,947	-	-	1,066,947
Total expenses	40,903,982	-	-	40,903,982
Excess (deficit) of revenues over expenses	(147,178)	628,252	1,980,794	2,461,868
Gain on bond defeasance	1,475,567	-	-	1,475,567
Change in net assets	1,328,389	628,252	1,980,794	3,937,435
Net assets at beginning of year	46,712,567	69,536,144	106,407,329	222,656,040
Net assets at end of year	$ 48,040,956	$ 70,164,396	$ 108,388,123	$ 226,593,475

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	**$ 9,771,813**	$ 3,937,435
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Loss on acquisition of net assets of nonprofit organization	**2,411,048**	-
Facilities enhancement projects transferred to the University	**7,411,782**	4,270,117
Contributions restricted for investment endowment	**(2,363,480)**	(3,762,893)
Depreciation and amortization	**689,656**	961,475
Gain on extinguishment of bond debt	**-**	(1,475,567)
Amortization of deferred revenue	**(1,325,807)**	(2,482,629)
Amortization of original bond issue premium	**455,638**	(2,469,342)
Change in the value of split-interest agreements	**(302,732)**	392,874
Net realized and unrealized gains on investments	**(4,277,087)**	(2,195,042)
Gain on sale of property and equipment	**-**	(261,042)
Decrease (increase) in pledges receivable	**(472,573)**	2,691,577
Decrease (increase) in accounts receivable and other assets	**860,475**	1,208,975
Increase in bond funded projects	**(10,736,373)**	(4,701,128)
(Decrease) increase in accounts payables and accrued expenses	**344,329**	(1,499,130)
Increase in deferred lease cost	**883,332**	2,619,102
Increase in liability of interest rate swap agreement	**1,104,077**	-
Net cash provided by (used in) operating activities	**4,454,098**	(2,765,218)
INVESTING ACTIVITIES		
Principal received on net investments and direct financing leases	**4,162,689**	5,696,349
Proceeds on sale of investments	**161,746,131**	103,501,643
Purchases of investments	**(165,799,264)**	(107,283,110)
Purchases of property and equipment	**(1,131,744)**	(1,347,883)
Sale proceeds on disposal of property and equipment	**28,140**	3,585,642
Net cash received in acquisition of nonprofit organization	**3,695,549**	-
Net cash provided by investing activities	**2,701,501**	4,152,641
FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	**2,363,480**	3,762,893
Payments on capital lease obligations	**(534,400)**	(517,700)
Payments on bonds payable	**(5,959,400)**	(7,137,700)
Net proceeds from restricted assets held by Trustee	**(1,593,482)**	2,217,453
Net cash (used in) financing activities	**(5,723,802)**	(1,675,054)
Net increase (decrease) in cash and cash equivalents	**1,431,797**	(287,631)
Cash and cash equivalents at beginning of year	**3,870,771**	4,158,402
Cash and cash equivalents at end of year	**$ 5,302,568**	$ 3,870,771
ACQUISITION OF NONPROFIT ORGANIZATION		
Net assets acquired (liabilities assumed)		
Pledges receivable, net	**$ 210,736**	$ -
Accounts receivable	**1,179,160**	-
Restricted assets	**2,071,964**	-
Land	**1,750,000**	-
Net investment in direct financing leases	**74,229,124**	-
Accrued interest payable	**(495,297)**	-
Liability of interest rate swap agreement	**(14,733,724)**	-
Bonds payable, net	**(70,318,560)**	-
	(6,106,597)	-
Net cash received from acquired nonprofit organization	**3,695,549**	-
	$ (2,411,048)	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the year	**$ 4,332,348**	$ 10,236,934
Defeasance of Series 2005 and 2013 bonds payable liability		
Reduction of restricted assets held by Trustee	**$ -**	$ 7,230,456
Reduction of the net investment in direct financing leases	**$ -**	$ 144,195,795
Reduction of the bonds payable	**$ -**	$ (143,070,000)

See Notes to Consolidated Financial Statements.

NOTE 1. ORGANIZATION

Organization

The Georgia State University Foundation, Inc. (the “Foundation”) was incorporated in the State of Georgia in 1958 as a non-profit corporation and a 501(c)(3) tax exempt organization. The Foundation serves as the official fund-raising and fund-management organization for Georgia State University (the “University”) and is committed to supporting and assisting the University in achieving its mission through the identification, cultivation, solicitation and stewardship of gifts, and by collaborating and advising on activities for the benefit and advancement of the University.

In 1992, the Foundation formed the Georgia State University Building Foundation (the “Building Foundation”) as a non-profit corporation. The Building Foundation was formed to purchase a building in downtown Atlanta, Georgia, in order to lease office and classroom facilities to the University and the Foundation as its primary tenants. The Foundation appoints the Board of Directors of the Building Foundation.

During the fiscal year 2001, the Foundation formed the University Lofts, LLC (the “Lofts”), with the Foundation as the sole member. The Lofts were created for the purpose of building a student housing facility for the University.

During the fiscal year 2003, the Foundation formed Piedmont/Ellis, LLC (“Piedmont/Ellis”), with the Foundation as the sole member. Piedmont/Ellis was created for the purpose of acquiring, developing, operating and managing certain real property for the purpose of building a student housing facility for the University.

During the fiscal year 2004, the Foundation formed Rialto Center, LLC, (the “Rialto”) with the Foundation as the sole member. The Rialto was formed to purchase and renovate the Rialto Theater for the benefit of and use by the University.

During the fiscal year 2007, the Foundation formed Panther Place, LLC (“Panther Place”), with the Foundation as the sole member. Panther Place was formed for the purpose of purchasing the SunTrust building and related property in downtown Atlanta, Georgia, to provide office and classroom facilities for the University and the Foundation.

During the fiscal year 2009, the Foundation formed, as the sole member, Panther Fields, LLC (“Panther Fields”) for the purpose of investing in the acquisition of real property to provide a practice football field and facility for the benefit of and use by the University.

During the fiscal year 2009, the Foundation formed, as the sole member, Panther Lot, LLC (“Panther Lot”) for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

During the fiscal year 2010, the Foundation formed, as the sole member, Panther Real Estate, LLC (“Panther Real Estate”) for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

During the fiscal year 2014, the Foundation formed, as the sole member, Panther Land, LLC (“Panther Land”) for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

NOTE 1. ORGANIZATION (Continued)

Organization (Continued)

During the fiscal year 2016, the Foundation formed, as the sole member, Panther Holdings, LLC ("Panther Holdings") for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

On April 1, 2016, the Foundation acquired net assets of Georgia Perimeter College Foundation, Inc., a similar nonprofit organization. Georgia Perimeter College Foundation, Inc. had two wholly owned subsidiaries, Georgia Perimeter College Foundation Real Estate Newton, LLC ("Newton") and Georgia Perimeter College Real Estate Student Support I, LLC ("Student Support I").

Cooperative Agreement - The Foundation entered into a Memorandum of Understanding Agreement (the "Agreement") with the University to operate as a Cooperative Organization under the guiding principles of that Agreement. The Agreement signed on October 23, 2008 expired and was replaced with a new five year Agreement on October 7, 2013.

Income Tax Status

The Foundation qualifies as a tax-exempt organization, exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the "Code") and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. The Foundation is classified as a public charity under sections 509(a)(1) and 170(b)(1)(A)(iv) of the Code, and therefore the Foundation is not classified as a private foundation nor a supporting organization. Contributions to the Foundation qualify for the charitable contribution deduction under section 170 of the Code, and bequests, legacies, devises, transfers, or gifts to the Foundation are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2005, 2106, and 2522 of the Code.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Foundation, the Building Foundation, the Lofts, Piedmont/Ellis, the Rialto, Panther Place, Panther Fields, Panther Lot, Panther Real Estate, Panther Land, Newton, Student Support I and Panther Holdings (collectively referred to as, the Foundation). All of the financial activities and balances of these organizations are included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Taxes

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2016 and, accordingly, no liability has been accrued.

Net Assets

The Foundation classifies net assets, revenues, and gains and losses on investments based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and are at the discretion of the Foundation's Board of Trustees.

Temporarily restricted net assets - Net assets from contributions and other inflows of assets limited by donor-imposed restrictions as to periods of time or specified purposes. Temporarily restricted net assets are released from restrictions when the related time period lapses or the restricted purpose is met. Expenditures that relate to the fulfillment of the temporary restriction are shown as a reduction in temporarily restricted revenue as net assets released from restrictions.

Permanently restricted net assets - Net assets from contributions and other inflows of assets limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Permanently restricted net assets are invested in perpetuity subject to fluctuation of investments and periodic allocations made for spending specified by donor stipulations and applicable state law.

Unrealized and realized gains and losses, and dividends and interest from investing activities may be included in any of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of financial instruments such as cash and cash equivalents, other receivables, due to/from related organizations, accounts payable and accruals approximate fair value because of the terms and relative short maturity of the financial instruments. The Foundation believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

In determining fair value, the Foundation uses various valuation approaches. The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is classified in one of the following three levels based on the inputs:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that the market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Revenue Recognition

Revenue from exchange transactions, investment activities, rental and property management activities, management fees, royalties, other fees and charges, and other non-contribution related revenue are recognized as earned.

Cash and Cash Equivalents

The Foundation's management considers cash and cash equivalents to include demand deposits, money market accounts and other assets of high liquidity except those amounts designated and classified as investments. The Federal Deposit Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments. Management recognizes this risk as a cost of doing business and manages risk through the investment policy objectives and asset allocation strategy as adopted by the Foundation.

Investments

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 consolidated statements of activities based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by external investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in estimating the fair value of the alternative investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 consolidated financial statements.

The Foundation's Board of Trustees approved investment policy defines the asset allocation for the operating and endowment investment pools and also the spending allocation from the endowment investment pool. With the exception of certain restricted contributions that are separately invested, all restricted endowment contributions are invested on a pooled accounting basis.

Based on the interpretation of donor-imposed restrictions and applicable state law, the endowment investment pool total investment return including appreciation, depreciation, income, expenses and fees is allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment investment pool. The approved endowment spending allocation is defined in greater detail in Note 5.

The Foundation has ownership of certain cash equivalents that are not in the possession of the Foundation but are held, along with other investment securities, by outside investment managers. Although these cash equivalents are readily available, it is the intent of the Foundation to hold these cash equivalents for investment purposes and therefore has classified them as investments.

Investment in Direct Financing Lease

The Foundation leases real estate to the Board of Regents of University System of Georgia. The present value of the minimum lease payments is recorded as an asset and is amortized as payments are received. The difference between gross minimum lease payments and the present value of the gross minimum lease payments is netted as unearned income and is amortized as payments are received. In accordance with its stated purpose as a not-for-profit organization, the Foundation structures its leases agreement to provide rental proceeds to meet related debt service, interest expenses, and administrative and operating expenses provided all renewal terms are exercised. The terms of these lease agreements are considered more favorable than commercial terms on similar facilities. These leases are responsible for the payment of property taxes, routine maintenance, insurance, and other costs incidental to the use of the facilities. These lease agreements generally provide for an initial rental period with renewable terms that extend over the term of the debt financing the leased property. The lease agreements are cancelable by the lessees at specified times during the lives of the leases. Leases with agencies of the State of Georgia are for no longer than one year, with renewable options.

Administrative Fees

Administrative fees are utilized to cover operating costs of the Foundation, assist with development activities and provide additional funds to the University. The fees are calculated as to include 1% of the fair value of endowments annually plus the net income earned from the operating investment portfolio.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

From time to time the Foundation may make a contribution to the University. During the fiscal year 2016, the Foundation contributed $5,665,950 of completed renovations projects for the Student Recreation Center, the Panther Place office and classroom facilities, and athletics football weight room. During the fiscal year 2015, the Foundation contributed $6,327,914 of completed renovations projects for the Student Recreation Center, the University Commons dormitory, and the Panther Place office and classroom facilities. These contributions are included in the unrestricted operations line item of program services expense in the accompanying Consolidated Statement of Activities.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenue and assets in the period the promise is received. Pledges receivable are recorded at their net realizable value. Pledges expected to be collected in future years are discounted based on the present value of the estimated future cash flows. The discounts on those amounts are computed using estimated risk-free interest rates. An allowance for uncollectable pledges is estimated based on the Foundation's collection history and is netted against the gross pledges receivable.

Contributed Goods and Services

Contributions of securities, land, buildings and other nonmonetary assets which can be objectively measured are recorded at their fair value at the date of contribution. Certain nonmonetary assets such as art objects, equipment and books that are donor designated for the direct use by the University or one of its departments are not included in the Foundation consolidated financial statements.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as required by FASB's Not-for-Profit presentation and disclosure guidance.

Contributed services which represents salaries and benefits paid by the University on behalf of the Foundation, are included in the contribution revenue and in management and general expenses in the consolidated statement of activities. Contributed services totaled $2,117,560 and $1,950,333 for the years ended June 30, 2016 and 2015, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Life Insurance

Life insurance consists of life insurance policies purchased by the donor where the Foundation is named as owner and beneficiary of the policy. The assets contributed under these life insurance policies are carried at fair value approximated by the cash surrender value, net of any policy loans.

The life insurance policy cash surrender value is updated annually and changes in value are recorded as a change in cash surrender value of life insurance in the consolidated statements of activities.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 45 years. Equipment, betterments or renewals in excess of $10,000 are capitalized. Normal repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Foundation reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. Management does not believe there are any indications of impairment of any long-lived property and equipment at June 30, 2016.

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.

New Accounting Pronouncements

In 2016, the Foundation adopted Accounting Standards Updated 2015-03, which is available to private companies to simplify the presentation of debt issuance costs. Under the newly adopted standard, the Foundation now presents debt issuance costs as a direct deduction from the debt liability. The effect of adopting the new standard changes the presentation on the statement of financial position and the details in Note 12 and is retrospectively applied to the year ending June 30, 2015.

In 2016, the Foundation adopted Accounting Standards Update 2015-07 which is available to private companies for the disclosure of investments for which fair value is measured using the net asset value per share (or its equivalent) practical expedient. Under the newly adopted standard, the Foundation is no longer required to categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient. The effect of adopting the new standard changes the presentation of the fair value hierarchy located in Note 4 and is retrospectively applied to the year ending June 20, 2015.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements

The Foundation is trustee for three types of split-interest agreements, irrevocable charitable remainder trusts, charitable gift annuities, and an irrevocable trust, whereby donors contribute assets to the Foundation in exchange for the right of a named beneficiary to receive a fixed dollar amount or a specific percentage of the fair value of the trust assets during the beneficiary's lifetime.

The contributed assets are recorded at fair value when received and a liability is recognized at the present value of future cash flows expected to be paid to the beneficiary. The amount in which the fair value of assets at the date received exceeds the payment liability is recognized as a contribution in accordance with the intent expressed in the agreement.

The assets in the split-interest agreements are invested in common trust funds classified as Level 2 investments stated at fair value and included in investments in the consolidated statements of financial position. The liability in the split-interest agreements is reviewed and revalued annually based on actuarially computed present values and reported as obligation under split-interest agreements in the consolidated statement of financial position, with the resulting actuarial gain (loss) recorded as a change in value of split-interest agreements in the consolidated statements of activities.

The assets of each charitable remainder trust and irrevocable trust may be invaded in cases where investment earnings are not sufficient to make the required periodic payments. If the assets of the charitable remainder trust are invaded to the extent that it is depleted, the Foundation has no further financial obligation to the donors, beneficiaries or other remaindermen, if any. When the trust matures, any remaining assets of the trust revert to the Foundation as specified in each agreement.

The charitable gift annuities consist of assets donated to the Foundation through an agreement under which the Foundation is obligated to pay the beneficiary a fixed amount for the remainder of their lives even if the assets of the charitable gift annuity have been depleted.

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2016 and 2015 consists of the following:

	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	**$ 4,023,778**	$ 5,043,263
Two to five years	**7,017,163**	5,476,281
More than five years	**28,000**	30,000
Total unconditional promises to give	**11,068,941**	10,549,544
Less discounts to net present value discount (rate 1.01% in 2016, 1.58% in 2015)	**(141,203)**	(288,532)
Less allowance for uncollectible promises to give	**(118,643)**	(135,226)
Net pledges receivable	**$ 10,809,095**	$ 10,125,786

NOTE 3. PLEDGES RECEIVABLE (Continued)

The Foundation's pledges receivables recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2). All valuations are classified as Level 3 within the fair value hierarchy based on observable and unobservable inputs. The Foundation took into account historical and projected cash flow, collectability and default rates.

The following summarizes the activities in the Level 3 pledges receivable measured at fair value for the years ended June 30, 2016 and 2015:

	2016	2015
Beginning balance	**$ 10,125,786**	$ 12,817,363
New pledges	**6,946,574**	4,060,357
Pledge payments	**(6,427,177)**	(7,051,962)
Net present value adjustment	**147,329**	344,092
Net allowance adjustment	**16,583**	(44,064)
Total Level 3 pledges receivable	**$ 10,809,095**	$ 10,125,786

NOTE 4. INVESTMENTS

Investments are comprised of the following balances as of June 30, 2016 and 2015:

	Fair Value				
	Endowment Pool	Operating Pool	Other Investments	Total Fair Value	Cost
June 30, 2016					
Money market funds	**$ 479,041**	**$ 32,766,408**	**$ 11,845,764**	**$ 45,091,213**	**$ 45,091,217**
U.S. equity funds	**38,255,254**	**-**	**2,149,816**	**40,405,070**	**28,521,901**
Non U.S. equity funds	**39,481,575**	**-**	**278,920**	**39,760,495**	**35,398,551**
Fixed income securities and funds	**27,608,315**	**33,523,674**	**570,883**	**61,702,872**	**59,081,471**
Hedge funds	**10,181,509**	**-**	**-**	**10,181,509**	**11,236,913**
Venture capital-private equity funds	**7,644,174**	**-**	**-**	**7,644,174**	**10,049,059**
Real estate investment trust funds	**7,215,048**	**-**	**104,094**	**7,319,142**	**4,928,595**
Commodity funds	**4,236,560**	**-**	**48,421**	**4,284,981**	**5,370,109**
Total investments	**$ 135,101,476**	**$ 66,290,082**	**$ 14,997,898**	**$ 216,389,456**	**$ 199,677,816**

NOTE 4. INVESTMENTS (Continued)

	Fair Value				
	Endowment Pool	Operating Pool	Other Investments	Total Fair Value	Cost
June 30, 2015					
Money market funds	$ 469,898	$ 31,090,103	$ 12,814,544	$ 44,374,525	$ 44,374,525
U.S. equity funds	36,107,626	-	1,316,608	37,424,234	29,110,363
Non U.S. equity funds	37,082,979	-	-	37,082,979	32,426,766
Fixed income securities and funds	26,137,089	30,547,975	531,815	57,216,879	55,277,877
Hedge funds	12,339,145	-	-	12,339,145	10,854,524
Venture capital-private equity funds	8,152,760	-	-	8,152,760	10,118,015
Real estate investment trust funds	6,036,441	-	-	6,036,441	5,123,794
Real estate	-	-	1,600,000	1,600,000	2,300,000
Commodity funds	3,832,273	-	-	3,832,273	4,621,688
Total investments	$ 130,158,191	$ 61,638,078	$ 16,262,967	$ 208,059,236	$ 194,207,552

A summary of the net investment return which includes interest and dividends, realized and unrealized gains and losses as of June 30, 2016 and 2015 are as follows:

	Endowment Pool	Operating Pool	Other Investments	Total
June 30, 2016				
Dividends and interest income	**$ 1,520,152**	**$ 524,227**	**$ 297,936**	**$ 2,342,315**
Net realized gains (losses)	**3,617,535**	**(19,977)**	**19,508**	**3,617,066**
Net unrealized gains (losses)	**1,201,207**	**297,625**	**59,982**	**1,558,814**
Investment management fees	**(644,557)**	**(152,970)**	**(83,677)**	**(881,204)**
Total net investment return (loss)	**$ 5,694,337**	**$ 648,905**	**$ 293,749**	**$ 6,636,991**

	Endowment Pool	Operating Pool	Other Investments	Total
June 30, 2015				
Dividends and interest income	$ 1,668,505	$ 596,727	$ 157,698	$ 2,422,930
Net realized gains	2,847,381	161,554	57,919	3,066,854
Net unrealized gains (losses)	153,019	(329,509)	(695,322)	(871,812)
Investment management fees	(626,167)	(168,500)	-	(794,667)
Total net investment return (loss)	$ 4,042,738	$ 260,272	$ (479,705)	$ 3,823,305

The following tables summarize the fair value measurements of certain investments that calculate net asset value per share (or its equivalent) as June 30, 2016 and 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
June 30, 2016				
Hedge funds (a)	**$ 10,181,508**	**$ -**	**Quarterly, Annually**	**60 days**
Venture capital-private equity (b)	**62,503,543**	**1,148,929**	**None**	**-**
Real estate investment trust funds (c)	**20,373**	**221,910**	**None**	**-**
Total	**$ 72,705,424**	**$ 1,370,839**		

NOTE 4. INVESTMENTS (Continued)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
June 30, 2015				
Hedge funds (a)	$ 12,339,145	$ -	Quarterly, Annually	60 days
Venture capital-private equity (b)	59,520,458	1,767,361	None	-
Real estate investment trust funds (c)	22,321	221,910	None	-
Total	$ 71,881,924	$ 1,989,271		

(a) This category employs a fund of hedge funds portfolio construction. This category invests in multiple strategy hedge funds to add diversification and reduce volatility of the portfolio. The fund of fund managers allocate across a broad range of hedge fund categories including long/short, event driven and arbitrage strategies that provide low correlation to other asset classes in the portfolio. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(b) This category includes several private equity funds that employ a fund of funds approach that invests both domestically and internationally in venture capital, buyouts, mezzanine, secondary markets and other areas within private equity. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2016, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation's ownership interest in partner' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transaction information for similar investments.

(c) This category includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Pursuant to the terms of rental agreements with the Board of Regents on behalf of the University and the related capital lease arrangements, the Foundation is required to maintain amounts to fund repairs and replacements for the facilities under lease. The value of the repair and replacement funds as of June 30, 2016 and 2015 was $740,565 and $558,347, respectively for the Alpharetta Campus Facilities Lease and $3,505,829 and $4,747,923, respectively for the Student Recreation Center Facilities. These funds are invested in cash equivalent money market funds.

NOTE 4. INVESTMENTS (Continued)

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2). The following tables summarize the valuation of the Foundation's financial investment assets measured at fair value as of June 30, 2016 and 2015:

Fair Value Measurements at June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	**$ 45,091,217**	**$ -**	**$ -**	**$ 45,091,217**
U.S. equity funds	**2,149,817**	**-**	**-**	**2,149,817**
Non U.S. equity funds	**23,156,377**	**-**	**-**	**23,156,377**
Fixed income securities and funds	**10,581,551**	**51,121,320**	**-**	**61,702,871**
Real estate investment trust funds	**104,094**	**7,194,675**	**-**	**7,298,769**
Commodity funds	**-**	**4,284,981**	**-**	**4,284,981**
Sub-total	**81,083,056**	**62,600,976**	**-**	**143,684,032**
Other investments measured at net asset value				**72,705,424**
Total	**$ 81,083,056**	**$ 62,600,976**	**$ -**	**$ 216,389,456**

Fair Value Measurements at June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 44,374,525	$ -	$ -	$ 44,374,525
U.S. equity funds	1,316,608	-	-	1,316,608
Non U.S. equity funds	21,822,905	-	-	21,822,905
Fixed income securities and funds	8,866,196	48,350,684	-	57,216,880
Real estate investment trust funds	-	6,014,121	-	6,014,121
Real estate	-	-	1,600,000	1,600,000
Commodity funds	-	3,832,273	-	3,832,273
Sub-total	76,380,234	58,197,078	1,600,000	136,177,312
Other investments measured at net asset value				71,881,924
Total	$ 76,380,234	$ 58,197,078	$ 1,600,000	$ 208,059,236

In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

NOTE 4. INVESTMENTS (Continued)

Split-Interest Agreements

The Foundation is the trustee and remainder beneficiary of certain split-interest agreements. The assets of these split-interest agreements that are invested in equities and bonds and reported as Level 2 investments and are recorded at fair value. The value of the Level 2 split interest agreements as of June 30, 2016 and 2015 were $2,726,364 and $1,346,056, respectively. In June 2014, real estate was donated to the Foundation pursuant to the donors' wishes. As of June 30, 2015, the donated real estate is included in the Level 3 category of Investments and recorded at fair value. The value of the real estate Level 3 split interest agreement as of June 30, 2015 was $1,600,000. In September 2015, the real estate was sold to fund a split-interest agreement with the Foundation as a remainder beneficiary and is reported as a Level 2 as of June 30, 2016.

Business Student Trust Fund

During 1972, a trust fund was established to allow business students regularly enrolled at the University to gain practical experience in the fields of investment analysis and management, fund management and related areas. An initial contribution of $5,000 and supplemental contributions of $15,000 were made from unrestricted resources of the Foundation for this purpose. No further contributions to this trust are required. If this trust was terminated, any funds remaining after payment of all debts would be returned to the Foundation to be used for educational purposes. The value of the trust fund as of June 30, 2016 and 2015 was $510,700 and $502,367, respectively.

NOTE 5. ENDOWMENTS

The Foundation's endowment consists of approximately 525 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 5. ENDOWMENTS (Continued)

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of 2008 as requiring the assets of an endowment fund be donor restricted until allocated for spending, unless otherwise specifically stated in the gift instrument.

The Board believes this interpretation is consistent with the long established Board approved investment and spending policy which is specifically referenced in the Foundation's endowed gift instrument. In accordance with the investment policy and UPMIFA, with the exception of certain restricted assets that are separately invested, all restricted endowment assets are invested in the endowment pool on a pooled basis until allocated for spending.

As a result of this interpretation, the Foundation classifies permanently restricted net assets as assets that, under the terms of the gift instrument, are permanent endowments not wholly expendable by the Foundation on a current basis until a portion is allocated for spending. Permanently restricted assets are invested in perpetuity in the endowment investment pool subject to periodic spending allocations where a portion of the donor-restricted endowment fund in permanently restricted nets assets is allocated and classified as temporarily restricted net assets available for spending.

The endowment investment pool also includes donor-restricted funds classified as temporarily restricted net assets, not specifically designated as permanently restricted endowment funds but they are restricted and designated for a particular college or unit of the University. From time to time the Foundation will approve requests from a college or unit to invest a portion of these funds in the endowment investment pool. These funds are designated as quasi endowments or funds functioning as endowments. The Foundation classifies these funds and the related investment return and spending allocation as temporarily restricted net assets. There are no unrestricted net assets invested in the endowment investment pool.

Based on the interpretation of the investment policy and UPMIFA, the total return of the endowment investment pool including appreciation/inflation, depreciation/deflation, income, expenses and fees shall be allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment pool and included as part of the endowment net asset classification.

Endowment Spending Policy

In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the 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 Foundation
7. The investment policies of the Foundation

NOTE 5. ENDOWMENTS (Continued)

Endowment Spending Policy (Continued)

According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distant programmatic priorities, the Board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

- 70% of spending for the prior year, adjusted for cumulative changes in inflation (as measured by CPI), plus
- 30% of Foundation's long-term spending rate (currently 4.5%) applied to the endowment's market value at the beginning of the year.

This amount is divided by the endowment market value at the beginning of the year to calculate the spending allocation rate, which was 4.14% for the year ended June 30, 2015. The spending allocation rate for the year ended June 30, 2016 of 4.19% was applied to each individual endowment based on its average market value during the year. The total endowment spending allocation distributed for the years ended June 30, 2016 and 2015 was $5,403,260 and $5,174,904, respectively. To the extent that the endowment investment pool's total return is greater or less than the allocations made for spending, the fair value of each endowment increases or decreases accordingly.

Return Objectives and Risk Parameters

The Foundation's primary long-term objective of the endowment pool is to earn an average annual total return net of fees and expenses (including advisor and Foundation fees), through appreciation and income, equal to or greater than the spending allocation rate, plus the rate of inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U), over long time periods (rolling ten or fifteen-year periods).

The Foundation understands the long-term nature of the endowment pool and believes investing in assets with higher return expectations outweighs the short-term volatility risks. In order to achieve the objectives, historically funds have had to exceed the objective substantially during some periods in order to compensate for inevitable shortfalls during other periods. Hence, the evaluation of progress toward the objectives should be made with a long-term perspective. The Foundation also recognizes the objectives to grow the endowment, produce a predictable spending allocation, and to cover fees, involves tradeoffs that must be balanced in establishing the investment and spending policies.

The Foundation stands prepared to incur risks consistent with its pursuit of the return objective set forth above, subject to two overarching limits. Its endowment pool should be deployed in a manner that reduces to tolerable levels (defined as 25% or below) the probabilities that it will suffer (1) peak-to-trough declines in endowment purchasing power exceeding 20% or (2) a shortfall exceeding 3% annualized total return relative to those of an approved peer group measured over rolling five-year periods.

NOTE 5. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 111,719,259**	**$ 111,719,259**
Quasi-endowment funds	**-**	**29,044,605**	**-**	**29,044,605**
Total endowment net assets	**$ -**	**$ 29,044,605**	**$ 111,719,259**	**$ 140,763,864**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 108,388,123	$ 108,388,123
Quasi-endowment funds	-	28,717,693	-	28,717,693
Total endowment net assets	$ -	$ 28,717,693	$ 108,388,123	$ 137,105,816

Endowment Related Activities by Type of Fund as of June 30, 2016:

	Donor Restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2015	**$ 108,388,123**	**$ 28,717,693**	**$ 137,105,816**
Contributions	**2,363,480**	**500,374**	**2,863,854**
Net realized and unrealized gains	**3,463,344**	**932,657**	**4,396,001**
Allocation of endowment assets for expenditure	**(4,201,300)**	**(1,201,960)**	**(5,403,260)**
Transfers to comply with donor intent	**250,981**	**43,541**	**294,522**
Excess of assets acquired over liabilities assumed in acquisition of Georgia Perimeter College Foundation, Inc.	**1,454,631**	**52,300**	**1,506,931**
Endowment net assets, June 30, 2016	**$ 111,719,259**	**$ 29,044,605**	**$ 140,763,864**

Endowment Related Activities by Type of Fund as of June 30, 2015:

	Donor Restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2014	$ 106,407,329	$ 29,315,996	$ 135,723,325
Contributions	3,762,893	195,769	3,958,662
Net realized and unrealized gains	2,117,494	631,039	2,748,533
Allocation of endowment assets for expenditure	(3,986,376)	(1,188,528)	(5,174,904)
Transfers to comply with donor intent	86,783	(236,583)	(149,800)
Endowment net assets, June 30, 2015	$ 108,388,123	$ 28,717,693	$ 137,105,816

NOTE 5. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters (Continued)

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

	2016	2015
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	**$ 111,719,259**	$ 108,388,123
Total endowment funds classified as permanently restricted net assets	**$ 111,719,259**	$ 108,388,123
Temporarily Restricted Net Assets		
Quasi-endowment funds	**$ 29,044,605**	$ 28,717,693
Total endowment funds classified as temporarily restricted net assets	**$ 29,044,605**	$ 28,717,693

NOTE 6. NET INVESTMENT IN DIRECT FINANCING LEASES

The components of the net investment in direct financing leases at June 30, 2016 and 2015 are as follows:

	2016	2015
Future minimum lease receipts - Alpharetta Center	$ **5,421,045**	$ 6,734,737
Future minimum lease receipts - Student Recreation Center	**17,395,056**	20,746,282
Future minimum lease receipts - Panther Place	**144,232,433**	150,004,022
Future minimum lease receipts - Student Support I	**86,412,085**	-
Future minimum lease receipts - Newton	**28,534,878**	-
Gross investment in direct financing leases	**281,995,497**	177,485,041
Less unearned interest income	**(126,509,688)**	(92,065,666)
Net investment in direct financing leases	$ **155,485,809**	$ 85,419,375

As part of the Public-Private Partnership (P3 Program), Piedmont/Ellis, LLC and the Board of Regents entered into an agreement to sell the Piedmont/Ellis facility to Corvias Campus Living – USG, LLC. On May 14, 2015, the direct financing lease agreement between the Foundation and the Board of Regents was terminated and the tax exempt bonds defeased (see Notes 13 and 14).

As of June 30, 2016 and 2015 the unamortized deferred revenue balance of $18,675,756 and $20,001,563 arising from the Panther Place, LLC direct financing lease is shown on the consolidated statements of financial position. The deferred revenue recognized for the years ending June 30, 2016 and 2015 was $1,325,807 and $2,471,325, respectively.

NOTE 6. NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)

Future minimum net amounts receivable under direct financing leases at June 30, 2016 are as follows:

Year Ending June 30,	
2017	$ 15,811,406
2018	16,041,689
2019	16,283,644
2020	16,517,858
2021	15,369,346
2022 - 2026	61,942,985
2027 - 2031	67,227,090
2032 - 2036	64,788,668
2037	8,012,810
Gross investment in direct financing lease	281,995,496
Less unearned interest income	(126,509,687)
Net investment in direct financing leases	$ 155,485,809

NOTE 7. RESTRICTED ASSETS

Pursuant to the terms of various bonds payable and capital lease arrangements for the construction of long-lived assets and debt services requirements, the Foundation is required to maintain amounts on deposit with a trustee. Renovation and repair projects for the facilities are in progress at June 30, 2016 and June 30, 2015, funded from the amounts on deposit with the trustee pursuant to the requirements contained in the related bond documents and in accordance with Foundation policies. In addition, leasehold improvement projects were in progress at June 30, 2015, funded by tenant improvement allowances pursuant to the operating lease requirements and in accordance with Foundation policies for the Tower Place 200 facilities subleased to the University. When the projects are completed, each project will be gifted to the University for the use and benefit of the University at each facility respectively. As of June 30, 2016 and 2015 restricted assets consist of the following:

	2016	**2015**
Alpharetta Center	**$ 395,253**	$ 375,037
Student Recreation Center	**9,029,585**	7,706,359
Panther Place	**9,757,326**	9,677,597
Student Support I	**1,831,289**	-
Newton	**406,984**	-
Total amounts on deposit with trustee	**21,420,437**	17,758,993
Student Recreation Center	**224,948**	410,216
Panther Place	**4,602,606**	1,088,745
Total projects in progress	**4,827,554**	1,498,961
Total restricted assets	**$ 26,247,991**	$ 19,257,954

NOTE 8. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation is the owner and beneficiary of numerous life insurance policies. As of June 30, 2016 and 2015, the total face value of the policies was $4,102,588. Premiums on some of the policies are paid by the Foundation with the corresponding amounts received back from the donors as contributions. While the cash surrender value of the policies has been recorded in the Foundation's consolidated statements of financial position, the face value of the policies will be recognized upon receipt of the insurance proceeds. The annual change in the cash surrender value of the life insurance policies are recorded in the consolidated statements of activities. The cash surrender value of the policies as of June 30, 2016 and 2015, was $1,408,267 and $1,353,596, respectively.

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	**$ 2,533,239**	$ 811,379
Building	**5,796,210**	5,796,209
Tenant improvements	**4,085,307**	2,953,562
Property and equipment - at cost	**12,414,756**	9,561,150
Less accumulated depreciation	**(1,825,929)**	(1,306,399)
Property and equipment - net	**$ 10,588,827**	$ 8,254,751

Depreciation expense for the years ended June 30, 2016 and 2015 was $519,529 and $394,833, respectively.

NOTE 10. ASSETS HELD FOR AFFILIATES

Georgia State University Research Foundation, Inc.

During 1996, the Foundation entered into an agreement with the Georgia State University Research Foundation, Inc. (the “Research Foundation’) to provide investment management services for the Research Foundation. The Foundation was to manage the Research Foundation's investments in a manner consistent with the Foundation's investment policies and procedures for which the Research Foundation paid the Foundation a fee. During the fiscal year 2015, the Research Foundation terminated the investment management services agreement with the Foundation. Pursuant to the termination, the liquidation of investments was completed during the year ending June 30, 2016 and the funds were returned to the Research Foundation. The Research Foundation’s investment balance under management as of June 30, 2015 was $454,004.

Georgia State University Alumni Association

During 1997, the Foundation entered into an agreement with the Georgia State University Alumni Association (the “Alumni Association”) to manage investments of the Alumni Association, consistent with investment policies of the Alumni Association. The Alumni Association’s investment balances under management as of June 30, 2016 and 2015 were $1,314,681 and $1,280,652, respectively.

Panther Real Estate Lease (Panther Real Estate as Lessor)

Effective June 27, 2013, Panther Real Estate, LLC purchased an office building, located at 55 Park Place, Atlanta Georgia, and assumed various third party tenant leases. The building was purchased on behalf of the University for future use as classroom and academic office space. On July 31, 2014, Panther Real Estate, LLC sold the office building to the University and assumed a master lease from the University related only to the space subleased by the various third party tenants. Under the master lease, the Foundation manages the third party tenants on behalf of the University until their subleases expire. There are no rents due to the University under the master lease and the Foundation does not earn any rent or fee associated with the management of the third party tenant subleases. Pursuant to the master lease, the Foundation remits net rent, third party tenant rent collected less lease management and operations expenses, to the University. Panther Real Estate’s asset balance under management as of June 30, 2016 and 2015 was $416,904 and $282,650, respectively.

The total fair value of assets held for affiliates is reported as an asset and a liability in the consolidated statements of financial position. The balances as of June 30, 2016 and 2015 were $1,731,585 and $2,017,307, respectively.

NOTE 11. OBLIGATIONS UNDER LEASES

Alpharetta Campus Facilities Lease

On September 23, 1998, $10,600,000 of revenue bonds were issued by the Development Authority of Alpharetta, Georgia, ("Development Authority") for the purpose of financing the costs of acquiring, constructing and installing educational facilities which are located in the City of Alpharetta and are leased by the Foundation. On May 12, 2009, the Series 1998 Bonds were refunded by a new lower fixed-rate bond issuance. The tax-exempt revenue bonds of $5,890,000 plus premium of $654,706 were issued by the Development Authority of Alpharetta, Georgia. Principal and interest payments schedule will remain in force as under the 1998 issuance. Interest payments will continue to be made semi-annually starting November 1, 2009 at a rate specified in the revenue bonds ranging from 3.0% to 5.0%.

The lease obligates the Foundation, on a limited recourse basis, to make lease payments sufficient to pay 83.5% of principal and interest on the bonds with the balance to be paid by the Development Authority. The Foundation in turn subleased the facilities to the Board of Regents for the use of the University. The liability of the Foundation is limited to the interest of the Foundation in the project and the rents, profits, issues, products and proceeds thereof. The City of Alpharetta is obligated to make 100% of the principal and interest payments on the bonds to the extent rental payments derived from the project are insufficient for such purposes. The Foundation has entered into a lease with the University on this property. As the lease is classified as a capital lease by the University, the Foundation has recorded the asset as a net investment in direct financing lease on the consolidated statements of financial position.

The future minimum lease payments required under the Alpharetta Campus facilities lease as of June 30, 2016, are as follows:

Year Ending June 30,	
2017	$ 633,556
2018	630,008
2019	633,348
Total minimum lease payments	1,896,912
Less amount representing interest	(135,062)
Present value of minimum lease payments	$ 1,761,850

Interest expense related to the capital lease obligation for the Alpharetta Campus for the years ended June 30, 2016 and 2015 totaled $95,663 and $116,844, respectively.

NOTE 11. OBLIGATIONS UNDER LEASES (Continued)

Rialto Ground Lease

On December 1, 2009, TUFF Rialto, LLC transferred its interest in the Rialto Theater ground lease with Rialto Center, LLC to the Foundation. The Foundation sub-leases the Rialto Theater ground lease to the University.

Future minimum lease payments under the ground lease as of June 30, 2016, are as follows:

Year Ending June 30,	
2017	$ 87,913
2018	87,913
2019	87,913
2020	87,913
2021	87,913
2022 - 2026	439,564
2027 - 2031	439,564
2032 - 2036	439,564
2037 - 2041	439,564
2042 - 2046	439,562
Total	$ 2,637,383

Lofts Lease

A rental agreement was entered into in January 2005 between the Foundation, the landlord, and the Board of Regents for and on the behalf of the University, tenant, for student housing known as the University Lofts. The lease is renewable annually through fiscal year 2033 and ends in September 2032.

Panther Place Lease (Panther Place as Lessor)

Georgia State University Research Foundation, Inc.

Effective June 1, 2012, Panther Place, LLC (current Landlord) replaced SunTrust Bank (former Landlord) per the lease agreement between SunTrust Bank and Georgia State University Research Foundation, Inc. (the Tenant) to lease certain premises consisting of approximately 18,257 square feet in the office building located at 58 Edgewood Avenue, Atlanta, Georgia, and more commonly known as the Tower Annex. Effective June 1, 2016, the Georgia State University Research Foundation, Inc. increased the leased space to approximately 45,591 square feet. For the year ending June 30, 2016, the monthly rental was $12,333 through May and $14,000 for June. For the year ending June 30, 2015, the monthly rental was $11,794.

NOTE 11. OBLIGATIONS UNDER LEASES (Continued)

Panther Place Lease (Panther Place as Lessor)

Tower Place 200 Leases

The Foundation entered into a lease July 26, 2013 with a third party for 50,676 square feet of office and classroom space located at 3348 Peachtree Road NE, Atlanta, Georgia. The leases for expansion of the original premises of 61,125 square feet commenced July 1, 2015 and of 23,323 square feet commenced July 1, 2015 at the same address. The leases for existing and expansion premises expire November 30, 2023. The leases were entered into specifically for the benefit and use of the University's College of Business programs.

Escalating rental payments in the lease agreement resulted in deferred lease cost recorded in the consolidated statements of financial position. The unamortized balance of deferred lease cost as of June 30, 2016 and 2015 was $7,844,977 and $6,961,645, respectively.

Future minimum lease payments required under the Tower Place 200 leases as of June 30, 2016, are as follows:

Year Ending June 30,	
2017	$ 3,884,815
2018	3,991,563
2019	4,101,013
2020	4,213,166
2021	4,329,373
2022 - 2024	10,976,573
Total	$ 31,496,503

Lease expense related to the operating lease for the Tower Place 200 facilities for the year ended June 30, 2016 and 2015 totaled $3,508,863 and $3,170,833, respectively.

NOTE 12. BONDS PAYABLE

Bonds payable at June 30, 2016 and 2015 consisted of the following:

Series	Original Principal Issued	Interest Rates	Balance June 30, 2016	Balance June 30, 2015
Student Recreation Center Bonds (Series 2011)	$ 16,035,000	4.00% - 5.00%	$ 6,150,000	$ 8,275,000
Panther Place Revenue Bonds (Series 2009)	73,235,000	4.00% - 6.15%	68,240,000	69,990,000
Real Estate Student Support I Bonds (Series 2010)	54,735,000	4.61%	50,510,000	-
Newton Bonds (Series 2005)	22,695,000	3.50% - 5.25%	18,140,000	-
Subtotal			143,040,000	78,265,000
Plus unamortized bond premium			218,331	254,639
Less unamortized bond discount			(1,168,192)	(1,244,297)
Less unamortized debt issuance costs			(1,578,098)	(1,748,226)
Total			$ 140,512,041	$ 75,527,116

NOTE 12. BONDS PAYABLE (Continued)

Student Recreation Center

On January 31, 2011 revenue bonds (tax-exempt $16,035,000 plus premium of $1,065,413) were issued by the Development Authority of Fulton County. Proceeds of the series 2011 bonds were used to refund the series 1998 revenue bonds. Moody's Investor Services, Inc. has assigned the Series 2011 bonds the rating of Aa3. Interest expense on the series 2011 revenue bonds for the years ended June 30, 2016 and 2015 totaled $283,938 and $488,938, respectively.

The tax exempt bond documents require the Foundation to set the Student Recreation Center lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financial lease is in effect and the Series 2011 bonds are outstanding.

Piedmont/Ellis

On May 14, 2013, a total of $139,685,000 of Student Housing Facilities Refunding Revenue Bonds was issued at a total premium of $14,157,195 by the Atlanta Development Authority (ADA) on behalf of the Foundation. The Series 2013 bond proceeds were used to advance refund the callable portion (maturities September 1, 2016 through September 1. 2036) of the Series 2005 with a current aggregate outstanding principal of $145,375,000 resulting in a gain on the refinancing of $10,934,660. Moody's Investor Services, Inc. has assigned the Series 2013 bonds the rating of Aa3.

The non-callable Series 2005 bonds not included in the 2013 advance refunding are the maturities September 1, 2013 through September 1, 2015 with a total par amount of $8,915,000 issued at a premium of $370,204. Moody's Investors Services Inc. has assigned the Series 2005 Bonds the rating of Aa3.

As part of the Public-Private Partnership (P3 Program), Piedmont/Ellis, LLC and the Board of Regents entered into an agreement to sell the Piedmont/Ellis facility to Corvias Campus Living – USG, LLC. On May 14, 2015, all outstanding tax exempt Series 2005 and Series 2013 bonds were legally defeased and escrow funds deposited with the trustee. Total interest expense incurred for the year ended June 30, 2015 was $4,116,781.

Panther Place

On May 29, 2009 the outstanding balance of the Series 2007 bonds of $47,630,000 and the line of credit of $8,612,859 were refunded by a new fixed-rate bond issuance. Revenue bonds of $73,235,000 (tax-exempt $60,215,000 and taxable $13,020,000) net of discount of $1,654,917 were issued by the ADA on behalf of the Foundation. Principal payments are to be made annually starting July 1, 2013 and ending July 1, 2037. Interest is to be paid semi-annually starting July 1, 2009 at a rate specified in the revenue bonds ranging from 4.00% to 6.15%. Moody's Investors Services, Inc. has assigned the Series 2009 Bonds the rating of Aa3. Interest expense for the years ended June 30, 2016 and 2015 was $3,271,811 and $3,351,550, respectively.

NOTE 12. BONDS PAYABLE (Continued)

Panther Place (Continued)

The tax exempt bond documents require Panther Place to set the lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financing lease is in effect and the Series 2009 bonds are outstanding.

Student Support I

During 2007, revenue bonds were issued by the Joint Development Authority of DeKalb County, Gwinnett County and Newton County. These funds were used to construct several facilities on four campuses of Georgia Perimeter College. These bonds were reissued in May 2010 and are now owned by Wells Fargo Bank, N.A. Principal payments are to be made annually ending in 2035 at an interest rate that contains a variable component (interest rate swap) which creates a synthetic fixed rate (%). This amortization is based on a final aggregate bond issuance of $57,150,000. However, the total issuance amounted to $54,735,000. Interest expense for the three month period ending June 30, 2016 was $612,781.

The tax exempt bond documents require Student Support I to set the lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financing lease is in effect and the bonds are outstanding.

Newton

On December 29, 2005, revenue bonds (tax-exempt $22,695,000) were issued by the Newton County Industrial Revenue Authority. Proceeds of the Series 2005 bonds were used to fund the building project, which was completed in June 2007. Principal payments are to be made annually ending June 1, 2035. Interest is to be paid semi-annually on June 1 and December 1 at a rate specified in the revenue bonds ranging from 3.5% to 5.25%. Interest expense for the three month period ending June 30, 2016 was $218,680.

The tax exempt bond documents require Newton to set the lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financing lease is in effect and the bonds are outstanding.

NOTE 12. BONDS PAYABLE (Continued)

Future maturities of the Student Recreation Center, Panther Place, Newton Academic Building and Student Support I revenue bonds at June 30, 2016 are as follows:

Year Ending June 30,	Tax-Exempt	Taxable	Total
2017	$ 3,765,000	$ 1,800,000	$ 5,565,000
2018	4,185,000	1,900,000	6,085,000
2019	3,555,000	2,000,000	5,555,000
2020	2,170,000	2,100,000	4,270,000
2021	4,370,000	250,000	4,620,000
2022 – 2026	27,825,000	-	27,825,000
2027 - 2031	37,455,000	-	37,455,000
2032 - 2036	42,210,000	-	42,210,000
2037	9,455,000	-	9,455,000
Total	$ 134,990,000	$ 8,050,000	$ 143,040,000

The fair value of the bonds at June 30, 2016 and 2015 was $152,630,366 and $85,739,857, respectively.

Interest Rate Swap

In order to mitigate interest rate risk associated with the Student Support I series bonds, the Foundation entered into an interest rate swap agreement with Wells Fargo Bank, N.A. The interest rate swap agreement converted the bonds of $54,735,000 to a 3.73% fixed rate liability. The Foundation may terminate this agreement at any time upon settlement of any amounts due under the agreement.

During the three months ended June 30, 2016, the value of the interest rate swap agreement liability increased by $1,104,077. This amount is included in the accompanying consolidated statement of activities and changes in net assets.

The Foundation uses periodic valuations of the interest rate swap, which are provided by Wells Fargo Bank, N.A., to estimate the fair value of the interest rate swap. At June 30, 2016 the value was $15,837,801. At June 30, 2016, the interest rate swap has a current notional amount of $50,685,000 and matures in June 2035.

NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions for the years ended June 30, 2016 and 2015 for the following purposes:

	2016	**2015**
Management fees	**$ 1,298,325**	$ 1,292,400
Program Service - General and departmental	**9,504,554**	8,991,129
Program Service - Fundraising expenses	**187,763**	179,899
Program Service - Faculty and staff expenses	**3,227,659**	3,021,515
Program Service - Scholarships and awards	**5,281,768**	3,713,499
Total net assets released from restrictions	**$ 19,500,069**	$ 17,198,442

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Foundation has future commitments related to various limited partnership agreements with investment managers of real estate investment trusts and venture 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 endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make venture capital investments primarily in emerging growth companies, international private equity investments and in equity securities, warrants or other options that are generally not actively traded at the time of 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. Starting in fiscal year 2016, there were similar future commitments for the operating pool. Investment commitments for the years ended June 30, 2016 and 2015 totaled $1,370,839 and $1,989,271, respectively.

NOTE 15. SUMMARY OF NET ASSETS

Net assets as of June 30, 2016 and 2015, were available for the following purposes:

	2016	2015
Unrestricted Net Assets:		
General	**$ 18,701,985**	$ 23,588,059
Investment in land and buildings	**20,332,691**	24,432,854
Pledge receivables	**22,140**	20,043
Total unrestricted net assets	**39,056,816**	48,040,956
Temporarily Restricted Net Assets:		
Academic and program support and activities	**63,579,348**	50,743,298
Scholarships	**15,132,660**	15,097,081
Pledge receivables	**5,525,573**	3,319,178
Charitable trust - deferred gifts	**840,932**	502,472
Student investment portfolio	**510,700**	502,367
Total temporarily restricted net assets	**85,589,213**	70,164,396
Permanently Restricted Net Assets:		
Endowment - Scholarships	**29,833,043**	27,469,756
Endowment - Program support	**76,624,833**	74,131,802
Endowment - Pledge receivables	**5,261,383**	6,786,565
Total permanently restricted net assets	**111,719,259**	108,388,123
Total Net Assets	**$ 236,365,288**	$ 226,593,475

NOTE 16. ACQUISITION OF GEORGIA PERIMETER COLLEGE FOUNDATION, INC.

As described in Note 1, on April 1, 2016, the Foundation acquired the net assets of Georgia Perimeter College Foundation, Inc. (“GPC Foundation”). No consideration was exchanged in the transaction. Under FASB’s guidance for not-for-profit mergers and acquisitions, the transaction qualified as an acquisition of GPC Foundation by the Foundation. Therefore, the fair values of the assets acquired and the liabilities assumed were recorded as of April 1, 2016 and the excess of liabilities over the assets of $2,411,048 was recorded as non-operating revenue on the statement of activities.

NOTE 17. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 19, 2016, in connection with the preparation of these consolidated financial statements which is the date the consolidated financial statements were available to be issued.

On August 1, 2016, The Foundation entered into a purchase and sale agreement to buy land and facilities for the future development and benefit of the University.