GEORGIA STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

GEORGIA STATE UNIVERSITY FOUNDATION, INC.

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying consolidated financial statements of Georgia State University Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audits. We conducted our audits 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 Foundation'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Atlanta, Georgia
October 17, 2014

GEORGIA STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 4,158,402	$ 3,288,663
Pledges receivable, net (Note 3)	12,817,363	9,658,891
Accounts receivable	1,088,833	218,410
Investments (Note 4)	202,082,727	178,933,908
Net investment in direct financing leases (Note 6)	235,311,519	240,553,448
Restricted assets (Note 7)	27,206,901	26,246,077
Capitalized bond issuance cost (Note 8)	3,355,403	3,572,705
Bond funded projects	1,067,951	-
Cash surrender value of life insurance (Note 9)	1,330,793	1,267,990
Prepaid expenses and other assets	135,737	232,475
Property and equipment, net (Note 10)	10,626,301	10,262,417
Investments held for affiliates (Note 11)	5,882,628	5,235,644
Total Assets	$ 505,064,558	$ 479,470,628
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 1,669,117	$ 1,541,456
Deferred revenue	22,484,192	23,277,684
Deferred lease cost	4,342,543	-
Obligation under split-interest agreements	1,739,768	248,670
Obligation under leases (Note 12)	2,813,950	3,310,775
Bonds payable (Note 13)	239,478,287	247,313,317
Accrued interest on bonds payable	3,998,033	2,785,926
Investments held for affiliates (Note 11)	5,882,628	5,235,644
Total Liabilities	282,408,518	283,713,472
NET ASSETS		
Unrestricted (Note 16)	46,712,567	42,449,525
Temporarily restricted (Note 16)	69,536,144	61,306,474
Permanently restricted (Note 16)	106,407,329	92,001,157
Total Net Assets	222,656,040	195,757,156
Total Liabilities and Net Assets	$ 505,064,558	$ 479,470,628

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

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Revenues, gains and other support					
Contributions	$ 1,036,038	$ 13,957,689	$ 7,502,392	$ 22,496,119	$ 11,988,538
Rental income	12,231,587	-	-	12,231,587	4,198,204
Income from investment in direct financing leases	16,397,797	-	-	16,397,797	18,247,247
Interest and dividend income	203,357	801,997	-	1,005,354	1,027,358
Realized gains (losses) on investments	134,063	2,160,572	(710)	2,293,925	18,186,631
Unrealized gains (losses) on investments	(4,503,033)	2,199,059	10,835,849	8,531,875	(7,678,773)
Change in:					
Value of split-interest agreements	-	66,853	-	66,853	67,582
Cash surrender value of life insurance	2,570	60,234	-	62,804	264,122
Other income	56,619	176,288	-	232,907	376,824
Total revenues and gains	25,558,998	19,422,692	18,337,531	63,319,221	46,677,733
Net assets released from restrictions	15,124,381	(11,193,022)	(3,931,359)	-	-
Total revenues, gains and other support	40,683,379	8,229,670	14,406,172	63,319,221	46,677,733
Expenses					
Program services					
Capital projects, equipment and repairs	21,130,399	-	-	21,130,399	15,973,164
Operations	5,154,104	-	-	5,154,104	9,151,734
Faculty and staff	2,738,234	-	-	2,738,234	3,603,429
Scholarships and awards	5,182,491	-	-	5,182,491	4,485,214
Total program services	34,205,228	-	-	34,205,228	33,213,541
Management and general	1,315,943	-	-	1,315,943	1,250,991
Fundraising	899,166	-	-	899,166	749,493
Total expenses	36,420,337	-	-	36,420,337	35,214,025
Excess of revenues over expenses	4,263,042	8,229,670	14,406,172	26,898,884	11,463,708
Gain on bond refinancing	-	-	-	-	10,934,660
Change in net assets	4,263,042	8,229,670	14,406,172	26,898,884	22,398,368
Net assets, beginning of year	42,449,525	61,306,474	92,001,157	195,757,156	173,358,788
Net assets, end of year	$ 46,712,567	$ 69,536,144	$ 106,407,329	$ 222,656,040	$ 195,757,156

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

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	$ 195,176	$ 10,587,430	$ 1,205,932	$ 11,988,538
Rental income	3,946,204	252,000	-	4,198,204
Income from investment in direct financing leases	18,247,247	-	-	18,247,247
Interest and dividend income	534,249	493,109	-	1,027,358
Realized gains (losses) on investments	857,281	17,332,244	(2,894)	18,186,631
Unrealized gains (losses) on investments	(581,710)	(14,428,744)	7,331,681	(7,678,773)
Change in:				
Value of split-interest agreements	-	67,582	-	67,582
Cash surrender value of life insurance	2,590	261,532	-	264,122
Other income	216,635	160,189	-	376,824
Total revenues and gains	23,417,672	14,725,342	8,534,719	46,677,733
Net assets released from restrictions	16,765,051	(13,338,927)	(3,426,124)	-
Total revenues, gains and other support	40,182,723	1,386,415	5,108,595	46,677,733
Expenses				
Program services				
Capital projects, equipment and repairs	15,973,164	-	-	15,973,164
Operations	9,151,734	-	-	9,151,734
Faculty and staff	3,603,429	-	-	3,603,429
Scholarships and awards	4,485,214	-	-	4,485,214
Total program services	33,213,541	-	-	33,213,541
Management and general	1,250,991	-	-	1,250,991
Fundraising	749,493	-	-	749,493
Total expenses	35,214,025	-	-	35,214,025
Excess of revenues over expenses	4,968,698	1,386,415	5,108,595	11,463,708
Gain on bond refinancing	10,934,660	-	-	10,934,660
Change in net assets	15,903,358	1,386,415	5,108,595	22,398,368
Net assets, beginning of year	26,546,167	59,920,059	86,892,562	173,358,788
Net assets, end of year	$ 42,449,525	$ 61,306,474	$ 92,001,157	$ 195,757,156

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	$ 26,898,884	$ 22,398,368
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Facilities enhancement projects transferred to the University	3,857,100	-
Contributions restricted for long-term investment	(4,095,520)	(1,612,745)
Donated real estate	(2,300,000)	-
Depreciation and amortization	806,679	465,130
Gain on bond refinancing	-	(10,934,660)
Amortization of deferred lease cost	(287,125)	-
Amortization of deferred revenue	(793,492)	(769,539)
Amortization of bond premium and discount	(1,770,030)	(656,756)
Change in the value of contributions from split-interest agreements	(66,853)	(67,582)
Unrealized (gains) losses on investments	(8,531,875)	7,678,773
Realized gains on investments	(2,293,925)	(18,192,291)
Increase in pledges receivable	(3,158,472)	(683,600)
Increase in accounts receivable	(870,423)	-
Decrease (increase) in other assets	33,935	(152,543)
Increase in bond funded projects	(1,067,951)	-
Increase in obligations under split-interest agreements	1,557,951	-
Increase (decrease) in accounts payables and other liabilities	1,339,766	(1,619,589)
Increase in deferred lease cost	4,629,668	-
Net cash provided by (used in) operating activities	13,888,317	(4,147,034)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(4,810,362)	(2,747,260)
Purchase of investment in real estate	-	(33,572,984)
Principal payments received on direct financing leases	5,241,929	4,449,459
Purchases of investments	(56,123,930)	(103,066,954)
Proceeds on sale of investments	46,100,914	138,222,458
Decrease (increase) in restricted assets	(960,824)	12,013,535
Net cash (used in) provided by investing activities	(10,552,273)	15,298,254
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for long-term investment	4,095,520	1,612,745
Payments on capital lease obligations	(496,825)	(480,125)
Payments for bond issuance costs	-	(1,141,910)
Payments on revenue bonds payable	(6,065,000)	(164,651,966)
Proceeds from issuance of bonds	-	153,842,195
Net cash used in financing activities	(2,466,305)	(10,819,061)
Net Increase in Cash and Cash Equivalents	869,739	332,159
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,288,663	2,956,504
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,158,402	$ 3,288,663
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 9,244,266	$ 11,522,784

The accompanying notes to the consolidated financial statements are an integral part of these 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 goals and objectives through soliciting and managing private gifts and 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.

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.

Note 1—Organization (continued)

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 and Panther Land (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.

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, 2014 and, accordingly, no liability has been accrued. Management believes it is no longer subject to tax examinations for the years prior to 2011.

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.

Note 2—Summary of significant accounting policies (continued)

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.

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 Values 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. 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.

Note 2—Summary of significant accounting policies (continued)

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.

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.

Note 2—Summary of significant accounting policies (continued)

Cost of Services - The cost of services rendered by the Development Division of the University for fundraising activities is borne both by the Foundation and the University. The portion of the costs borne by the University is not included in the Foundation's consolidated financial statements, as these costs would have been incurred by the University even if the Foundation did not exist. The cost of services provided by the University was $5,223,302 and $5,149,172 for the years ended June 30, 2014 and 2013, respectively.

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 non-endowed investment portfolio.

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. In May 2013, the Foundation contributed $4,755,000 to the University to support the construction of the College of Law building, which is included in the unrestricted operations line item of program services expense in the accompanying Consolidated Statement of Activities as of June 30, 2013.

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 consolidated financial statements. Donated services of volunteers have not been recorded in the consolidated financial statements since they do not meet the recognition criteria established in GAAP.

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

Split-Interest Agreements - The Foundation is trustee for two types of split-interest agreements which are irrevocable charitable remainder trusts and charitable gift annuities, 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.

Note 2—Summary of significant accounting policies (continued)

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 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.

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.

Bond Funded Projects - During the fiscal year 2014, the Foundation began various projects for the repair or replacement of facilities with funds from bond funded restricted assets pursuant to the requirements contained in the related bond documents and in accordance with the Foundation's policies. These partially completed bond funded projects include $476,753 for the Student Recreation Center, $438,313 for Piedmont Ellis, and $152,885 for Panther Place. 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.

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, 2014.

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.

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncements – In October 2012, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (ASU) 2012-05, *Not for Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* This ASU requires a Not for Profit entity to classify cash receipts from the sale of donated financial assets as cash flows from operating activities, provided the financial assets were directed upon receipt without any limitations for sale and were converted nearly immediately to cash. In the presence of long term donor restrictions, the cash receipts should be classified as financing activities; otherwise the cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. On July 1, 2013 the Foundation adopted ASU 2012-05; the adoption was not material to the consolidated financial statements.

Note 3—Pledges receivable

Pledges receivable at June 30, 2014 and 2013 consists of the following:

	2014	2013
Unconditional promises expected to be collected in:		
Less than one year	$ 2,798,598	$ 6,253,082
One to five years	9,553,216	3,892,530
More than five years	1,189,333	96,429
Total unconditional promises to give	13,541,147	10,242,041
Less discounts to net present value discount (rate 1.64% in 2014, 3.12% in 2013)	(632,622)	(465,389)
Less allowance for uncollectable promises to give	(91,162)	(117,761)
Net pledged receivable	$ 12,817,363	$ 9,658,891

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, 2014 and 2013:

	2014	2013
Beginning balance	$ 9,658,891	$ 8,930,076
New pledges	9,204,875	4,544,200
Pledge payments	(5,905,769)	(3,497,304)
Net present value adjustment	(167,233)	(319,350)
Net allowance adjustment	26,599	1,269
Total Level 3 pledges receivable	$ 12,817,363	$ 9,658,891

Note 4—Investments

A summary of the aggregate cost and fair value of investment securities as of June 30, 2014 and 2013 (exclusive of securities held in agency accounts) and realized and unrealized gains and losses are as follows:

	June 30, 2014		June 30, 2013	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 28,038,622	$ 28,038,622	$ 19,709,680	$ 19,709,680
U.S. equity funds	30,571,871	36,076,710	32,142,303	32,267,800
Non U.S. equity funds	30,571,094	36,611,748	31,279,795	32,147,808
Fixed income securities and funds	36,456,175	40,011,090	30,544,337	34,166,608
Hedge funds	10,536,296	11,957,191	10,231,010	11,340,689
Venture capital - private equity funds	9,719,192	7,926,400	8,875,834	6,911,740
Real estate investment trust funds	5,433,015	6,524,656	5,233,015	5,567,444
Real estate	35,872,984	31,200,000	33,572,984	33,572,984
Commodity funds	3,619,454	3,736,310	3,419,454	3,249,155
	$ 190,818,703	$ 202,082,727	$ 175,008,412	$ 178,933,908

	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Realized Gains/(Losses)	Unrealized Gains/(Losses)
U.S. equity funds	$ 221,928	$ 5,406,601	$ 13,559,883	$ (6,115,280)
Non U.S. equity funds	783,471	4,622,639	165,222	936,403
Fixed income securities and funds	541,237	1,523,609	1,391,694	(836,154)
Hedge funds	747,289	287,155	-	552,474
Venture capital - private equity funds	-	332,255	595,427	(138,046)
Real estate investment trust funds	-	757,212	2,955,988	(2,260,342)
Real estate	-	(4,708,812)	-	-
Commodity funds	-	311,216	(481,583)	182,172
	$ 2,293,925	$ 8,531,875	$ 18,186,631	$ (7,678,773)

The investment return and allocation of the endowment investment pools as of June 30, 2014 and 2013 are summarized below:

	June 30, 2014		June 30, 2013	
	Endowment Pool	Operating Pool	Endowment Pool	Operating Pool
Dividends and interest income	$ 1,336,272	$ 169,539	$ 842,237	$ 229,109
Net realized gains	1,834,522	441,728	17,304,466	854,119
Net unrealized gains (losses)	12,731,191	393,084	(7,160,316)	(581,710)
Investment management fees	(582,642)	(98,213)	(367,082)	(160,128)
Total investment return	15,319,343	906,138	10,619,305	341,390
Administrative fees	(1,222,898)	(530,205)	(1,118,840)	(289,685)
Endowment spending allocation	(4,906,074)	4,906,074	(4,505,563)	4,505,563
Net investment after fees and allocations	$ 9,190,371	$ 5,282,007	$ 4,994,902	$ 4,557,268

Note 4—Investments (continued)

The following table summarizes the fair value measurements of certain investments that calculate net asset value per share (or its equivalent) as of June 30, 2014:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds (a)	$ 11,957,191	$ -	quarterly, annually	60 days
Venture capital - private equity (b)	7,926,400	3,016,391	None	
Real estate investment trust funds (c)	23,830	215,770	None	
Total	$ 19,907,421	$ 3,232,161		

The following table summarizes the fair value measurements of certain investments that calculate net asset value per share (or its equivalent) as of June 30, 2013:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds (a)	$ 11,340,689	$ -	quarterly, annually	60 days
Venture capital - private equity (b)	6,911,740	4,635,844	None	
Real estate investment trust funds (c)	25,386	215,770	None	
Total	$ 18,277,815	$ 4,851,614		

(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, 2014, 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’s 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.

Note 4—Investments (continued)

The Foundation, through Panther Place Real Estate, LLC, purchased the building and land located at 55 Park Place in Atlanta, Georgia on June 27, 2013. The investment in real estate is recorded at fair value and is categorized as a Level 3 investment below.

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, 2014 and 2013 was $6,130,620 and $5,618,247, respectively for the Alpharetta Campus Facilities Lease and $5,474,560 and $5,908,268, respectively for the Student Recreation Center Facilities. These funds are invested in cash equivalent money market funds.

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, 2014 and 2013:

Fair Value Measurements at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ -	$ 28,038,622	$ -	$ 28,038,622
U.S. equity funds	454,765	35,621,945	-	36,076,710
Non U.S.equity funds	-	36,611,748	-	36,611,748
Fixed income securities and funds	-	40,011,090	-	40,011,090
Hedge funds	-	-	11,957,191	11,957,191
Venture capital-private equity funds	-	-	7,926,400	7,926,400
Real estate investment trust funds	-	6,500,826	23,830	6,524,656
Real estate	-	-	31,200,000	31,200,000
Commodity funds	-	3,736,310	-	3,736,310
Total	$ 454,765	$ 150,520,541	$ 51,107,421	$ 202,082,727

Fair Value Measurements at June 30, 2013:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ -	$ 19,709,680	$ -	$ 19,709,680
U.S. equity funds	371,722	31,896,078	-	32,267,800
Non U.S.equity funds	-	32,147,808	-	32,147,808
Fixed income securities and funds	-	34,166,608	-	34,166,608
Hedge funds	-	-	11,340,689	11,340,689
Venture capital-private equity funds	-	-	6,911,740	6,911,740
Real estate investment trust funds	-	5,542,058	25,386	5,567,444
Real estate	-	-	33,572,984	33,572,984
Commodity funds	-	3,249,155	-	3,249,155
Total	$ 371,722	$ 126,711,387	$ 51,850,799	$ 178,933,908

Note 4—Investments (continued)

The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2014:

Description	Beginning Balance	Realized or Unrealized Gains/(Losses)	Purchases	Donated Assets	Sales	Ending Balance
Hedge funds	$ 11,340,689	$ 311,216	$ 305,286	$ -	$ -	$ 11,957,191
Venture Capital-private equity funds	6,911,740	174,137	1,562,813	-	(722,290)	7,926,400
Real estate investment trust funds	25,386	(1,556)	-	-	-	23,830
Real estate	33,572,984	(4,708,812)	35,828	2,300,000	-	31,200,000
	$ 51,850,799	$ (4,225,015)	$ 1,903,927	$ 2,300,000	$ (722,290)	$ 51,107,421

The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2013:

Description	Beginning Balance	Realized or Unrealized Gains/(Losses)	Purchases	Sales	Ending Balance
Hedge funds	$ 10,455,987	$ 552,474	$ 332,228	$ -	$ 11,340,689
Venture Capital-private equity funds	6,446,990	(136,156)	1,092,552	(491,646)	6,911,740
Real estate investment trust funds	28,413	(3,027)	-	-	25,386
Real estate	-	-	33,572,984	-	33,572,984
	$ 16,931,390	$ 413,291	$ 34,997,764	$ (491,646)	$ 51,850,799

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, 2014 and 2013 were $440,699 and $464,302, respectively. In June 2014, real estate was donated to the Foundation pursuant to the donors' wishes, the real estate will be sold to fund a split-interest agreement with the Foundation as a remainder beneficiary. Until the real estate is sold, the donated real estate is included in the Level 3 category of Investments and recorded at fair value. The value of the Level 3 split interest agreements as of June 30, 2014 was $2,300,000.

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, 2014 and 2013 was $454,765 and $371,722, respectively.

Note 5—Endowments

The Foundation's endowment consists of approximately 465 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.

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 net 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)

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 4.25% for the year ended June 30, 2013. The spending allocation rate for the year ended June 30, 2014 of 4.20% 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, 2014 and 2013 was $4,906,074 and $4,505,563, 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)

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 98,057,268	$ 98,057,268
Quasi-endowment funds	-	29,315,996	-	29,315,996
Total endowment net assets	$ -	$ 29,315,996	$ 98,057,268	$ 127,373,264

Endowment Net Assets Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 87,057,969	$ 87,057,969
Quasi-endowment funds	-	26,536,807	-	26,536,807
Total endowment net assets	$ -	$ 26,536,807	$ 87,057,969	$ 113,594,776

Endowment Related Activities by Type of Fund as of June 30, 2014

	Donor-restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2013	$ 87,057,969	$ 26,536,807	$ 113,594,776
Net realized and unrealized gains	10,835,139	3,261,317	14,096,456
Contributions	4,095,519	532,033	4,627,552
Allocation of endowment assets for expenditure	(3,761,385)	(1,144,689)	(4,906,074)
Transfers to comply with donor intent	(169,974)	130,528	(39,446)
Endowment net assets, June 30, 2014	$ 98,057,268	$ 29,315,996	$ 127,373,264

Note 5—Endowments (continued)

Endowment Related Activities by Type of Fund as of June 30, 2013

	Donor-restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2012	$ 81,519,561	$ 23,761,862	$ 105,281,423
Net realized and unrealized gains	7,328,787	2,171,678	9,500,465
Contributions	1,612,745	1,208,327	2,821,072
Allocation of endowment assets for expenditure	(3,477,195)	(1,028,368)	(4,505,563)
Transfers to comply with donor intent	74,071	423,308	497,379
Endowment net assets, June 30, 2013	$ 87,057,969	$ 26,536,807	$ 113,594,776

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

	2014	2013
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	$ 98,057,268	$ 87,057,969
Total endowment funds classified as permanently restricted net assets	$ 98,057,268	$ 87,057,969
Temporarily Restricted Net Assets		
Quasi-endowment funds	$ 29,315,996	$ 26,536,807
Total endowment funds classified as temporarily restricted net assets	$ 29,315,996	$ 26,536,807

Note 6—Net investment in direct financing leases

The components of the net investment in direct financing leases at June 30, 2014 and 2013 are as follows:

	2014	2013
Future minimum lease receipts - Alpharetta Center	$ 8,032,211	$ 9,313,667
Future minimum lease receipts - Student Recreation Center	24,074,135	27,343,125
Future minimum lease receipts - Piedmont Ellis	230,520,389	239,717,111
Future minimum lease receipts - Panther Place	155,648,873	161,169,865
Gross investment in direct financing leases	418,275,608	437,543,768
Less unearned interest income	(182,964,089)	(196,990,320)
Net investment in direct financing leases	$ 235,311,519	$ 240,553,448

On May 14, 2013, the first amendment to the lease between Piedmont Ellis, LLC and the Board of Regents for and on behalf of the University, went into effect to lease the student housing project. The lease agreement, as amended, between the Foundation and the Board of Regents has a term of one year with an option to renew it on a year-to-year basis until June 30, 2036; at which time the land and buildings will be conveyed to the Board of Regents. On May 14, 2013, the Foundation recorded an investment in direct financing lease with a principal amount of $150,525,574 replacing the existing investment in direct financing lease pursuant to the first amendment of the lease and a partial advance refunding of the original 2005 bond series (see Note 13).

Future minimum net amounts receivable under direct financing leases at June 30, 2014 are as follows:

Year Ending June 30,	
2015	$ 19,800,904
2016	20,330,445
2017	20,776,391
2018	21,230,077
2019	21,441,483
2020 - 2024	92,957,829
2025 - 2029	87,013,474
2030 - 2034	89,859,301
2035 - 2038	44,865,704
Gross investment in direct financing lease	418,275,608
Less unearned interest income	(182,964,089)
Net investment in direct financing leases	$ 235,311,519

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, including charitable trusts held by others. Restricted assets primarily represent fixed income securities with varying maturity dates and cash equivalents and are related to the following facilities and other assets:

	2014	2013
Alpharetta Center	$ 366,635	$ 356,025
Student Recreation Center	6,376,680	5,131,998
Piedmont Ellis	9,760,574	10,399,085
Panther Place	10,703,012	10,358,969
Total restricted assets	$ 27,206,901	$ 26,246,077

Note 8—Capitalized bond issuance cost

Capitalized bond issuance cost includes costs incurred to secure and rate bonds and are amortized over the term of the bonds using the straight-line basis, which approximates the effective interest rate method. Capitalized bond issuance cost as of June 30, 2014 and 2013 consisted of the following:

	2014	2013
Alpharetta Campus - bond issuance cost	$ 81,276	$ 100,032
Student Recreation Center - bond issuance cost	182,417	225,339
Piedmont Ellis - bond issuance costs	1,092,806	1,161,521
Panther Place - bond issuance costs	1,998,904	2,085,813
Total deferred costs	$ 3,355,403	$ 3,572,705

Note 9—Cash surrender value of life insurance

The Foundation is the owner and beneficiary of numerous life insurance policies. As of June 30, 2014, the total face value of the policies was $4,169,530. 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, 2014 and 2013, was $1,330,793 and $1,267,990, respectively.

Note 10—Property and equipment

Property and equipment as of June 30, 2014 and 2013 consisted of the following:

	2014	2013
Land	$ 4,129,582	$ 2,037,735
Donated land held for investment	6,400	6,400
Building	5,796,209	5,793,209
Building improvements	-	9,465,788
Tenant improvements	1,605,675	119,211
Property and equipment - at cost	11,537,866	17,422,343
Less accumulated depreciation	(911,565)	(7,159,926)
Property and equipment - net	$ 10,626,301	$ 10,262,417

During the year ended June 30, 2014, the Foundation gifted fully depreciated building improvements to the University for use at the Rialto and the Student Recreation Center, thereby reducing building improvements and accumulated depreciation by $6,480,008 and $357,730 respectively. In addition, in fiscal year 2014 the Foundation gifted $2,747,259 in newly constructed assets at Panther Place to the University which were classified as construction in progress and included with the balance in building improvements above at June 30, 2013.

Depreciation expense for the years ended June 30, 2014 and 2013 was $589,375 and $193,365, respectively.

Note 11—Investments 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 is to manage the Research Foundation's investments in a manner consistent with the Foundation's investment policies and procedures for which the Research Foundation pays the Foundation a fee. The Research Foundation’s investment balances under management as of June 30, 2014 and 2013 were $4,936,390 and $4,347,552, respectively.

During 2003, the Foundation entered into an additional agreement with the Research Foundation to separately manage a $2,000,000 endowment portfolio received by the Research Foundation from a federal agency. Under the agreement, the Foundation provides investment management services for the separate portfolio to comply with the terms of the Research Foundation's agreement with the federal agency for which the separate portfolio is charged a fee. The Research Foundation’s investment balance under management related to this separate portfolio as of June 30, 2012 was $2,102,374. In May of 2013, the balance of the portfolio was liquidated and returned to Research Foundation.

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, 2014 and 2013 were $946,238 and $888,092, respectively.

The total fair value of investments held for affiliates is reported as an asset and a liability in the consolidated statements of financial position. The balances as of June 30, 2014 and 2013 were $5,882,628 and $5,235,644, respectively.

Note 12—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, 2014, are as follows:

Year Ending June 30,		
2015	$	634,544
2016		630,063
2017		628,894
2018		625,138
2019		628,198
Total minimum lease payments		3,146,837
Less amount representing interest		(332,887)
Present value of minimum lease payments	$	2,813,950

Note 12—Obligations under leases (continued)

Interest expense related to the capital lease obligation for the Alpharetta Campus for the years ended June 30, 2014 and 2013 totaled $135,548 and $155,198, respectively.

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, 2014, are as follows:

Year Ending June 30,		
2015	$	79,304
2016		79,304
2017		79,304
2018		79,304
2019		79,304
2020 - 2024		396,520
2025 - 2029		396,520
2030 - 2034		396,520
2035 - 2039		396,520
2040 - 2044		396,520
2045 - 2046		118,957
Total	$	2,498,077

Operating Leases (Foundation as Lessor)

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.

Brookhaven Lease
During the year ended June 30, 2005, the Foundation entered into a lease with a third party for office space for the benefit and use of the University's Executive MBA Program. The University reimburses the Foundation on a monthly basis in an amount equal to the monthly rent payment. The lease was terminated as of June 1, 2013.

Note 12—Obligations under leases (continued)

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 designated as Suite 100 in the office building located at 58 Edgewood Avenue, Atlanta, Georgia, and more commonly known as the Tower Annex. The monthly rental is $11,794.

Georgia Minority Supplier Development Council, Inc.
Effective June 1, 2012, Panther Place, LLC (current Landlord) assumed the lease between SunTrust Bank (former Landlord) and Georgia Minority Supplier Development Council, Inc. (the Tenant) to lease certain premises consisting of approximately 8,176 square feet designated as Suite 501 in the office building located at 58 Edgewood Ave, Atlanta, Georgia, and more commonly known as the Tower Annex. The monthly rental was $4,349. On October 31, 2013, the lease agreement terminated.

Panther Real Estate Lease (Panther Real Estate as Lessor)
Effective June 27, 2013, Panther Real Estate, LLC (current Landlord) purchase an office building, located at 55 Park Place, Atlanta Georgia, and assumed various third party tenant leases from BACM 2006-4 Park Office Limited Partnership (former Landlord).

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 will commence July 1, 2014 and of 23,323 square feet will commence July 1, 2015 at the same address. The leases for all premises expire November 30, 2023. The leases were entered into specifically for the benefit and use of the University's College of Business programs.

Future minimum lease payments required under the Tower Place 200 leases as of June 30, 2014, are as follows:

Year Ending June 30,	
2015	$ 1,775,866
2016	3,508,861
2017	3,884,815
2018	3,991,563
2019	4,101,014
2020 - 2024	19,519,112
Total	$ 36,781,231

Lease expense related to the operating lease for the Tower Place 200 facilities for the year ended June 30, 2014 totaled $974,225.

Note 13—Bonds payable

Bonds payable at June 30, 2014 and 2013 consisted of the following:

Series		Original Principal Issued	Interest Rates		Balance June 30, 2014		Balance June 30, 2013
Student Recreation Center Bonds (Series 2011) -	$	16,035,000	4.00% - 5.00%	$	10,280,000	$	12,185,000
Tax-exempt revenue bonds were issued at a par amount of $16,035,000 plus a premium of $1,065,413. Principal payments are to be made annually starting October 1, 2011 and ending October 1, 2018. Interest is paid semi-annually through 2018.							
Piedmont Ellis Revenue Bonds (Series 2005) -	$	161,330,000	3.875% - 5.00%		6,350,000		8,915,000
Tax-exempt and taxable revenue bonds were issued with principal payments are to be made annually starting September 1, 2009 and ending September 1, 2036. Interest was to be paid semi-annually through 2036. The callable bonds within this series were advance refunded on May 14, 2013 by the issuance of the Series 2013 bonds described below. The principal payments related to the tax-exempt non-callable bonds within this series are to be made annually starting September 1, 2013 and ending on September 1, 2015 with interest paid semi-annually through 2015.							
Piedmont Ellis Revenue Refunding Bonds (Series 2013) -	$	139,685,000	3.00% - 5.00%		139,685,000		139,685,000
Tax-exempt revenue bonds were issued at a par amount of $139,685,000 plus a premium of $14,157,195. Principal payments are to be made annually starting September 1, 2015 and ending September 1, 2035. Interest is paid semi - annually through 2035.							
Panther Place Revenue Bonds (Series 2009) -	$	73,235,000	4.00% - 6.15%		71,640,000		73,235,000
Revenue bonds were issued at a par amount of $73,235,000 (tax–exempt $60,215,000 and taxable $13,020,000) net of discount of $1,654,917. 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.							
Subtotal					227,955,000		234,020,000
Plus unamortized bond premium					12,841,477		14,683,240
Less unamortized bond discount					(1,318,190)		(1,389,923)
Total				$	239,478,287	$	247,313,317

Note 13—Bonds payable (continued)

Student Recreation Center

On October 15, 1998, $33,430,000 of revenue bonds were issued by the Atlanta Development Authority ("ADA") with the proceeds loaned to the Foundation for the purpose of financing the acquisition, construction, improvement and equipping of a student recreation center for the benefit of the University. The bonds are special limited obligation bonds of the ADA, payable from funds received from the Foundation pursuant to a promissory note between the ADA and the Foundation. The Foundation leases the facilities to the Board of Regents for the use of the University. The Foundation's liability on the note is limited to its interest in the project and the rents and revenues from the project, including amounts received pursuant to the rental agreement with the Board of Regents.

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, 2014 and 2013 totaled $537,812 and $627,750, respectively.

Piedmont/Ellis

On September 8, 2005, a total of $161,330,000 of revenue bonds (tax-exempt $158,410,000 and taxable $2,920,000) were issued at a premium of $6,620,809 by the ADA on behalf of the Foundation with the proceeds used for the purpose of financing the acquisition, construction and equipping of certain land, buildings and personal property to be used as a student housing project. The project has 1,994 beds, including community activity facilities, site amenities and parking for 786 vehicles. The real property upon which the project is located is owned by the Board of Regents and leased to the Foundation pursuant to a Ground Lease. After construction was completed, the Foundation leased the facility to the Board of Regents on an annually-renewable basis for a term of 33 years for the use and benefit of the University. Moody's Investors Services Inc. has assigned the Series 2005 Bonds the rating of Aa3. Interest expense for the year ended June 30, 2013 was $6,542,685.

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 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. Interest expense on the Series 2013 refunding revenue bonds for the years ended June 30, 2014 and 2013 was $6,156,508 and $781,740, respectively.

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. The interest expense associated with the non-callable Series 2005 bonds for the years ended June 30, 2014 and 2013 was $340,218 and $83,540, respectively.

Panther Place

On May 31, 2007, $58,385,000 of revenue bonds (tax-exempt $49,175,000 and taxable $9,210,000) were issued by the ADA on behalf of the Foundation with the proceeds used to finance the costs of acquiring land, buildings, improvements, machinery, fixtures, furnishings, equipment and other real and personal property to be used for office space.

Note 13—Bonds payable (continued)

On May 29, 2009 the outstanding balance of the bank 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 A2. Interest expense for the years ended June 30, 2014 and 2013 was $3,421,675 and $3,487,070, respectively.

SunTrust Banks, Inc. was the seller and remained the tenant in the building until May 30, 2012. Effective May 30, 2012, SunTrust Bank moved out and the University moved into the Panther Place, LLC property and the property was transferred to an investment in direct financing lease with the Board of Regents.

Future maturities of the Student Recreation Center, Piedmont/Ellis and Panther Place revenue bonds at June 30, 2014 are as follows:

Year Ending June 30,	Tax-Exempt	Taxable	Total
2015	$ 4,970,000	$ 1,650,000	$ 6,620,000
2016	9,115,000	1,725,000	10,840,000
2017	6,185,000	1,800,000	7,985,000
2018	6,795,000	1,900,000	8,695,000
2019	6,280,000	2,000,000	8,280,000
2020 - 2024	36,405,000	2,350,000	38,755,000
2025 - 2029	48,730,000	-	48,730,000
2030 - 2034	60,480,000	-	60,480,000
2035 - 2038	37,570,000	-	37,570,000
Total	$ 216,530,000	$ 11,425,000	$ 227,955,000

Note 14—Net assets released from restrictions

Net assets were released from restrictions for the years ended June 30, 2014 and 2013 for the following purposes:

	2014	2013
Management fees	$ 3,515,748	$ 1,118,840
Program Service - General and departmental	5,546,976	9,268,018
Program Service - Fundraising expenses	103,550	111,332
Program Service - Faculty and staff expenses	2,738,234	3,603,429
Program Service - Scholarships and awards	3,219,873	2,663,432
Total net assets released from restrictions	$ 15,124,381	$ 16,765,051

Note 15—Commitments and contingencies

The Foundation has future commitments with 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. Investment commitments for the years ended June 30, 2014 and 2013 totaled $3,232,161 and $4,851,614, respectively.

Note 16—Summary of net assets

Net assets as of June 30, 2014 and 2013, were available for the following purposes:

	2014	2013
Unrestricted Net Assets:		
General	$ 21,292,640	$ 19,583,223
Pledge receivables	9,248	7,347
Investment in land and buildings	25,410,679	22,858,955
Total unrestricted net assets	46,712,567	42,449,525
Temporarily Restricted Net Assets:		
Academic support	4,730,334	4,407,082
Scholarships	8,785,674	8,707,397
Program support	10,068,523	8,984,323
Pledge receivables	4,457,361	4,707,837
Program and activities	11,464,620	7,375,674
Charitable trust - deferred gifts	258,882	215,632
Student investment portfolio	454,765	371,722
Funds functioning as endowments	29,315,985	26,536,807
Total temporarily restricted net assets	69,536,144	61,306,474
Permanently Restricted Net Assets:		
Endowment - pledge receivables	8,350,754	4,943,707
Endowment - Scholarships	27,093,964	24,141,856
Endowment - Program support	70,962,611	62,915,594
Total permanently restricted net assets	106,407,329	92,001,157
Total Net Assets	$ 222,656,040	$ 195,757,156

Note 17—Subsequent events

The Foundation has evaluated subsequent events through October 17, 2014, in connection with the preparation of these consolidated financial statements which is the date the consolidated financial statements were available to be issued.

As of this date, the Foundation is in negotiations to sell certain land near the campus to the University with an estimated value of $3.3 million and to sublease the facilities at Tower Place 200 to the University. In July 2014, the Foundation sold the land and facilities at 55 Park Place to the University for $28,900,000 and entered into a master lease for the space rented to the remaining third party tenants until all third party leases expire.

As of this date, there were no other material subsequent events requiring adjustment to or disclosure in the consolidated financial statements for the year ended June 30, 2014.

****