GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Georgia Southern University Foundation, Inc.
Statesboro, Georgia

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Southern University Foundation, Inc. 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.

Thigpen, Lemon, Waterfield & Co.

Statesboro, Georgia
September 5, 2014
GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$340,450</td>
<td>$67,851</td>
</tr>
<tr>
<td>Investments</td>
<td>57,113,763</td>
<td>48,984,375</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>2,806</td>
<td>2,471</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>2,356,109</td>
<td>2,371,016</td>
</tr>
<tr>
<td>Other receivable</td>
<td>10,833</td>
<td>-</td>
</tr>
<tr>
<td>Cash value of insurance on lives of donors</td>
<td>141,512</td>
<td>130,683</td>
</tr>
<tr>
<td>Property held for sale</td>
<td>145,500</td>
<td>145,500</td>
</tr>
<tr>
<td>Land</td>
<td>395,861</td>
<td>395,861</td>
</tr>
<tr>
<td>Building, net of accumulated depreciation of $37,778 and $36,111</td>
<td>12,222</td>
<td>13,889</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$60,519,056</strong></td>
<td><strong>$52,111,646</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$195,244</td>
<td>$88,431</td>
</tr>
<tr>
<td>Gift annuities payable</td>
<td>95,320</td>
<td>104,293</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>-</td>
<td>50,000</td>
</tr>
<tr>
<td>Funds held for Georgia Southern University Athletic Foundation</td>
<td>1,200,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,490,564</td>
<td>1,442,724</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board designated reserve fund</td>
<td>128,700</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Undesignated</td>
<td>5,394,115</td>
<td>3,222,107</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>5,522,815</td>
<td>4,422,107</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>19,752,133</td>
<td>13,584,875</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>33,753,544</td>
<td>32,661,940</td>
</tr>
<tr>
<td>Total net assets</td>
<td>59,028,492</td>
<td>50,668,922</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES AND NET ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$60,519,056</strong></td>
<td><strong>$52,111,646</strong></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUE</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 312,258</td>
<td>$ 2,027,073</td>
<td>$ 1,056,789</td>
<td>$ 3,396,120</td>
</tr>
<tr>
<td>Contributed services and materials</td>
<td>49,360</td>
<td>101,091</td>
<td>-</td>
<td>150,451</td>
</tr>
<tr>
<td>Interest and dividends, net of investment expenses of $190,077</td>
<td>169,907</td>
<td>507,411</td>
<td>-</td>
<td>677,318</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>1,260,049</td>
<td>6,122,492</td>
<td>-</td>
<td>7,382,541</td>
</tr>
<tr>
<td>Other revenue</td>
<td>81,490</td>
<td>442,308</td>
<td>9,381</td>
<td>533,179</td>
</tr>
<tr>
<td>Net assets transferred</td>
<td>19,220</td>
<td>(44,654)</td>
<td>25,434</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of restrictions for University support</td>
<td>2,103,470</td>
<td>(2,103,470)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Satisfaction of restrictions for awards and scholarships</td>
<td>884,993</td>
<td>(884,993)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>4,880,747</td>
<td>6,167,258</td>
<td>1,091,604</td>
<td>12,139,609</td>
</tr>
</tbody>
</table>

EXPENSES

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Unrestricted</th>
<th>-</th>
<th>-</th>
<th>1,205,369</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards and scholarships</td>
<td>1,205,369</td>
<td>-</td>
<td>-</td>
<td>1,205,369</td>
</tr>
<tr>
<td>University support and operational costs</td>
<td>1,933,345</td>
<td>-</td>
<td>-</td>
<td>1,933,345</td>
</tr>
<tr>
<td>Fund raising and advancement</td>
<td>641,325</td>
<td>-</td>
<td>-</td>
<td>641,325</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,780,039</td>
<td>-</td>
<td>-</td>
<td>3,780,039</td>
</tr>
</tbody>
</table>

CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th>Change in Net Assets</th>
<th>1,100,708</th>
<th>6,167,258</th>
<th>1,091,604</th>
<th>8,359,570</th>
</tr>
</thead>
</table>

NET ASSETS, BEGINNING OF YEAR

<table>
<thead>
<tr>
<th>Beginning of Year</th>
<th>4,422,107</th>
<th>13,584,875</th>
<th>32,661,940</th>
<th>50,668,922</th>
</tr>
</thead>
</table>

NET ASSETS, END OF YEAR

<table>
<thead>
<tr>
<th>End of Year</th>
<th>$5,522,815</th>
<th>$19,752,133</th>
<th>$33,753,544</th>
<th>$59,028,492</th>
</tr>
</thead>
</table>

The accompanying notes are an integral part of these financial statements.
GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013 (Continued)

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUE</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2013 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$343,671</td>
<td>$2,010,781</td>
<td>$1,142,532</td>
<td>$3,496,984</td>
</tr>
<tr>
<td>Contributed services and materials</td>
<td>27,499</td>
<td>512,024</td>
<td>-</td>
<td>539,523</td>
</tr>
<tr>
<td>Interest and dividends, net of investment expenses of $165,659</td>
<td>153,648</td>
<td>682,008</td>
<td>-</td>
<td>835,656</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>783,902</td>
<td>2,949,714</td>
<td>-</td>
<td>3,733,616</td>
</tr>
<tr>
<td>Other revenue</td>
<td>103,377</td>
<td>359,869</td>
<td>4,219</td>
<td>467,465</td>
</tr>
<tr>
<td>Net assets transferred</td>
<td>(4,913)</td>
<td>801</td>
<td>4,112</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of restrictions for University support</td>
<td>2,625,730</td>
<td>(2,625,730)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Satisfaction of restrictions for awards and scholarships</td>
<td>821,167</td>
<td>(821,167)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>4,854,081</td>
<td>3,068,300</td>
<td>1,150,863</td>
<td>9,073,244</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards and scholarships</td>
<td>1,145,983</td>
<td>-</td>
<td>-</td>
<td>1,145,983</td>
</tr>
<tr>
<td>University support and operational costs</td>
<td>2,534,173</td>
<td>-</td>
<td>-</td>
<td>2,534,173</td>
</tr>
<tr>
<td>Fund raising and advancement</td>
<td>412,138</td>
<td>-</td>
<td>-</td>
<td>412,138</td>
</tr>
<tr>
<td>Total expenses</td>
<td>4,092,294</td>
<td>-</td>
<td>-</td>
<td>4,092,294</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET ASSETS</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>761,787</td>
<td>3,068,300</td>
<td>1,150,863</td>
<td>4,980,950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS, BEGINNING OF YEAR</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,660,320</td>
<td>10,516,575</td>
<td>31,511,077</td>
<td>45,687,972</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS, END OF YEAR</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,422,107</td>
<td>$13,584,875</td>
<td>$32,661,940</td>
<td>$50,668,922</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 8,359,570</td>
<td>$ 4,980,950</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,667</td>
<td>1,666</td>
</tr>
<tr>
<td>Net unrealized and realized gains on investments</td>
<td>(7,382,541)</td>
<td>(3,733,616)</td>
</tr>
<tr>
<td>Contributions restricted for endowments</td>
<td>(1,056,789)</td>
<td>(1,142,532)</td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>(335)</td>
<td>1,062</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>14,907</td>
<td>(584,480)</td>
</tr>
<tr>
<td>Other receivable</td>
<td>(10,833)</td>
<td>-</td>
</tr>
<tr>
<td>Cash value of insurance on lives of donors</td>
<td>(10,829)</td>
<td>1,229</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>106,813</td>
<td>12,571</td>
</tr>
<tr>
<td>Gift annuities payable</td>
<td>(8,973)</td>
<td>(8,426)</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>(50,000)</td>
<td>-</td>
</tr>
<tr>
<td>Funds held for Georgia Southern University Athletic Foundation</td>
<td>-</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Funds held for Georgia Southern University Housing Foundation</td>
<td>-</td>
<td>(416,009)</td>
</tr>
<tr>
<td>Net cash provided (used) by operating activities</td>
<td>(37,343)</td>
<td>312,415</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of investments</td>
<td>1,119,713</td>
<td>4,734,529</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(1,866,560)</td>
<td>(6,768,552)</td>
</tr>
<tr>
<td>Net cash used by investing activities</td>
<td>(746,847)</td>
<td>(2,034,023)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions restricted for endowments</td>
<td>1,056,789</td>
<td>1,142,532</td>
</tr>
</tbody>
</table>

| NET INCREASE (DECREASE) IN CASH | 272,599 | (579,076) |

| CASH, BEGINNING OF YEAR | 67,851 | 646,927 |

| CASH, END OF YEAR | $ 340,450 | $ 67,851 |

The accompanying notes are an integral part of these financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization
Georgia Southern University Foundation, Inc. (the Foundation) is an independent nonprofit organization whose purpose is to promote academic programs for Georgia Southern University (the University). The Foundation is supported primarily through contributions from individuals, corporations, and other nonprofit foundations. The facilities occupied and many of the resources available to the Foundation are owned or provided for by the University. Also, all Foundation employees are paid by the University. The value of these contributions is not reflected in these financial statements.

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

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

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

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

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

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments
Investments are reported at fair value based on the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). Level I investments are investments for which fair value is derived from quoted prices in active markets for identical assets the Foundation has the ability to access at the measurement date. Level II investments are investments for which fair value is derived from other than quoted prices included in Level I that are observable.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
for the asset, either directly or indirectly. Level III investments are investments for which fair value is derived from significant unobservable inputs.

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

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

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

Land and buildings
Land and buildings are recorded at cost if purchased and at fair market value if received as a contribution. The building is being depreciated using the straight-line method over thirty years. Depreciation expense included in University support and operational costs for the year ended June 30, 2014 and 2013 was $1,667 and $1,666, respectively.

The land and building are restricted for the following uses:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botanical gardens</td>
<td>$300,083</td>
<td>$301,750</td>
</tr>
<tr>
<td>Biological sciences</td>
<td>$108,000</td>
<td>$108,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$408,083</strong></td>
<td><strong>$409,750</strong></td>
</tr>
</tbody>
</table>

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

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

Tax status
The Foundation is exempt from federal incomes taxes under Section 501(c) (3) of the Internal Revenue Code. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, temporary restricted, or permanently restricted net assets.

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

NOTE 2 – INVESTMENTS
Investments are reported at fair value and are summarized as follows at June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$1,319,406</td>
<td>$1,613,892</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>43,562,291</td>
<td>37,233,163</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>8,317,406</td>
<td>7,490,679</td>
</tr>
<tr>
<td>Private equity</td>
<td>3,914,660</td>
<td>2,646,641</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$57,113,763</strong></td>
<td><strong>$48,984,375</strong></td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency (if currently eligible)</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity – multi-strategy hedge funds (a)</td>
<td>$8,317,406</td>
<td>-</td>
<td>Quarterly, Annually, Triennially</td>
<td>45, 90, 95 days</td>
</tr>
<tr>
<td>Limited partnerships – private capital (b)</td>
<td>3,914,660</td>
<td>$4,120,025</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a) Equity – multi-strategy hedge funds are private offerings and, as such, are not registered under the Securities Act. Investment activities are typically limited only by the contracts governing the particular fund. Managers invest in a wide variety of financial instruments with an orientation towards seeking primarily absolute returns with marketable securities. Funds use a wide variety of investment styles and implement complex investment strategies such as short selling, applying fund leverage, or entering into derivative contracts.
NOTE 2 – INVESTMENTS (Continued)

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

The Foundation’s investment assets recorded at fair value have been categorized based upon a fair value hierarchy (See Note 1). The following tables summarize the valuation of the Foundation’s investments measured at fair value as of June 30, 2014 and 2013:

Fair value measurements at June 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 1,319,406</td>
<td>-</td>
<td>-</td>
<td>$ 1,319,406</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>30,356,101</td>
<td>$ 13,190,676</td>
<td>$ 15,514</td>
<td>43,562,291</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>324,103</td>
<td>4,338,751</td>
<td>3,654,552</td>
<td>8,317,406</td>
</tr>
<tr>
<td>Private equity</td>
<td>-</td>
<td>57,738</td>
<td>3,856,922</td>
<td>3,914,660</td>
</tr>
<tr>
<td></td>
<td>$ 31,999,610</td>
<td>$ 17,587,165</td>
<td>$ 7,526,988</td>
<td>$ 57,113,763</td>
</tr>
</tbody>
</table>

Fair value measurements at June 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 1,613,892</td>
<td>-</td>
<td>-</td>
<td>$ 1,613,892</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>32,777,183</td>
<td>$ 4,447,430</td>
<td>$ 8,550</td>
<td>37,233,163</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>547,843</td>
<td>3,350,306</td>
<td>3,592,530</td>
<td>7,490,679</td>
</tr>
<tr>
<td>Private equity</td>
<td>-</td>
<td>-</td>
<td>2,646,641</td>
<td>2,646,641</td>
</tr>
<tr>
<td></td>
<td>$ 34,938,918</td>
<td>$ 7,797,736</td>
<td>$ 6,247,721</td>
<td>$ 48,984,375</td>
</tr>
</tbody>
</table>
NOTE 2 – INVESTMENTS (Continued)
The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2014:

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Realized or unrealized gains (losses)</th>
<th>Purchases and Sales</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>$ 8,550</td>
<td>$ 6,964</td>
<td>-</td>
<td>$ 15,514</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>3,592,530</td>
<td>62,022</td>
<td>-</td>
<td>3,654,552</td>
</tr>
<tr>
<td>Private equity</td>
<td>2,646,641</td>
<td>456,846</td>
<td>$ 753,435</td>
<td>3,856,922</td>
</tr>
<tr>
<td>Total Level 3 Investments</td>
<td>$ 6,247,721</td>
<td>$ 525,832</td>
<td>$ 753,435</td>
<td>$ 7,526,988</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Realized or unrealized gains (losses)</th>
<th>Purchases and Sales</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>-</td>
<td>-</td>
<td>$ 8,550</td>
<td>$ 8,550</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>2,765,539</td>
<td>826,991</td>
<td>-</td>
<td>3,592,530</td>
</tr>
<tr>
<td>Private equity</td>
<td>2,151,396</td>
<td>192,316</td>
<td>302,929</td>
<td>2,646,641</td>
</tr>
<tr>
<td>Total Level 3 Investments</td>
<td>$ 4,916,935</td>
<td>$ 1,019,307</td>
<td>$ 311,479</td>
<td>$ 6,247,721</td>
</tr>
</tbody>
</table>

NOTE 3 – CONTRIBUTIONS RECEIVABLE
Contributions receivable at June 30, 2014 and 2013 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in less than one year</td>
<td>$ 1,619,657</td>
<td>$ 1,085,143</td>
</tr>
<tr>
<td>Receivable in one to five years</td>
<td>812,542</td>
<td>1,378,258</td>
</tr>
<tr>
<td>Receivable in more than five years</td>
<td>137,876</td>
<td>100,000</td>
</tr>
<tr>
<td>Total contributions receivable</td>
<td>2,570,075</td>
<td>2,563,401</td>
</tr>
<tr>
<td>Less discounts to net present value at 5%</td>
<td>(123,966)</td>
<td>(122,385)</td>
</tr>
<tr>
<td>Less allowance for uncollectibles</td>
<td>(90,000)</td>
<td>(70,000)</td>
</tr>
<tr>
<td>Net contributions receivable</td>
<td>$ 2,356,109</td>
<td>$ 2,371,016</td>
</tr>
</tbody>
</table>
NOTE 4 – CONTRIBUTED SERVICES AND MATERIALS
Contributed services and materials were used for the following purposes for the year ended June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>University support and operational costs</td>
<td>$124,361</td>
<td>$513,024</td>
</tr>
<tr>
<td>Fund raising and advancement</td>
<td>26,090</td>
<td>26,499</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$150,451</strong></td>
<td><strong>$539,523</strong></td>
</tr>
</tbody>
</table>

NOTE 5 – CASH VALUE OF INSURANCE ON LIVES OF DONORS
The Foundation has a program of encouraging donors to purchase life insurance policies naming the Foundation as the owner and beneficiary. At June 30, 2014 and 2013, the death benefits of these policies totaled $1,159,308. The increase in cash values of such policies is recognized as income in each year. No recognition is given to the deferred support attributable to death benefits because there is no objective measurement to determine how much will ultimately be collected.

NOTE 6 – RESTRICTED INVESTMENTS AND NET ASSETS DESIGNATION
During the year ended June 30, 2013, a reserve fund consisting of $2,400,000 in investments was established under an agreement with the Georgia Southern University Athletic Foundation, Inc. (Athletic Foundation) at the request of the Board of Regents of the University System of Georgia. The purpose of this reserve is to ensure that sufficient funds will be available for the purchase of furniture, fixtures, and equipment at the completion of the Stadium Expansion and Football Operations Center construction project planned at Allen E. Paulson Stadium on the campus of Georgia Southern University. $1,200,000 was contributed by the Athletic Foundation to this reserve and is accordingly reflected as funds held for the Athletic Foundation at June 30, 2014 and 2013. The reserve requirement as of June 30, 2014 was reduced to $1,328,700. The remaining $128,700 and $1,200,000 set aside by the Foundation at June 30, 2014 and 2013, respectively, is reflected in board designated net assets.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS
Temporarily restricted net assets are available for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards/scholarships</td>
<td>$8,158,947</td>
<td>$5,378,233</td>
</tr>
<tr>
<td>University support</td>
<td>11,593,186</td>
<td>8,206,642</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,752,133</strong></td>
<td><strong>$13,584,875</strong></td>
</tr>
</tbody>
</table>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS
Net assets were permanently restricted for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards/scholarships</td>
<td>$18,507,431</td>
<td>$17,647,191</td>
</tr>
<tr>
<td>University support</td>
<td>15,246,113</td>
<td>15,014,749</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$33,753,544</strong></td>
<td><strong>$32,661,940</strong></td>
</tr>
</tbody>
</table>

Investment income from endowments that are restricted for awards/scholarships and University support is reported in temporarily restricted net assets.
NOTE 9 – ENDOWMENTS
The Foundation’s endowments consist of approximately four hundred thirty-five individual funds established primarily for scholarships and University support. Its endowments include only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Trustees of the Foundation has interpreted the State of Georgia’s version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>-</td>
<td>$12,710,522</td>
<td>$33,483,044</td>
<td>$46,193,566</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$</td>
<td>$7,385,047</td>
<td>$32,391,440</td>
<td>$39,776,487</td>
</tr>
</tbody>
</table>
## NOTE 9 – ENDOWMENTS (Continued)

### Changes in Endowment Net Assets for the Year Ended June 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning of year</td>
<td></td>
<td>$ 7,385,047</td>
<td>$ 32,391,440</td>
<td>$ 39,776,487</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td>515,099</td>
<td></td>
<td>515,099</td>
</tr>
<tr>
<td>Net appreciation (realized</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and unrealized)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investment return</td>
<td></td>
<td>6,083,651</td>
<td></td>
<td>6,083,651</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation of endowment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets for expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other changes: Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td>$ 12,710,522</td>
<td>$ 33,483,044</td>
<td>$ 46,193,566</td>
</tr>
<tr>
<td>end of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Changes in Endowment Net Assets for the Year Ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning of year</td>
<td>(138,804)</td>
<td>$ 4,918,639</td>
<td>$ 31,240,577</td>
<td>$ 36,020,412</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td>425,971</td>
<td></td>
<td>425,971</td>
</tr>
<tr>
<td>Net appreciation (realized</td>
<td>138,804</td>
<td>3,187,392</td>
<td></td>
<td>3,326,196</td>
</tr>
<tr>
<td>and unrealized)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investment return</td>
<td>138,804</td>
<td>3,613,363</td>
<td></td>
<td>3,752,167</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>16,810</td>
<td>1,142,532</td>
<td>1,159,342</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td>9,465</td>
<td>4,219</td>
<td>13,684</td>
</tr>
<tr>
<td>Administrative fees</td>
<td></td>
<td>(301,698)</td>
<td></td>
<td>(301,698)</td>
</tr>
<tr>
<td>Appropriation of endowment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets for expenditure</td>
<td></td>
<td>(916,308)</td>
<td></td>
<td>(916,308)</td>
</tr>
<tr>
<td>Other changes: Transfers</td>
<td></td>
<td>44,776</td>
<td>4,112</td>
<td>48,888</td>
</tr>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td>$ 7,385,047</td>
<td>$ 32,391,440</td>
<td>$ 39,776,487</td>
</tr>
<tr>
<td>end of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 9 – ENDOWMENTS (Continued)

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies reported at June 30, 2014 and 2013. Deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and from continued appropriation for certain programs that were committed to prior to unfavorable market fluctuations.

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

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES
The Foundation has future commitments with various limited partnership agreements with investment managers of real assets and private capital funds for the endowment portfolio. Payments under the various partnership agreements are made over a period of years based on specified capital calls by the respective partnerships. The purpose of these agreements is to provide endowments funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make capital investments primarily in international private equity, buyouts, distressed opportunities, venture capital, real estate and natural resource investments that are generally not actively traded at the time of the investment with the objective of obtaining long-term growth of capital. Capital calls are drawn from other liquid assets of the endowment investment pool as part of the asset allocation process. As the underlying investments mature over time, the partnerships may receive income from the investments and will eventually sell them to other investors either through private sale or initial public offering. The proceeds received from these transactions will be distributed to the partners. This will happen periodically throughout the remaining life of the partnership until all the underlying investments have been liquidated. Unfunded investment commitments for the years ended June 30, 2014 and 2013 totaled $4,120,025 and $4,048,725, respectively.
NOTE 11 – SUBSEQUENT EVENTS
Subsequent events have been evaluated through the date these financial statements were available to be issued, which was September 5, 2014.