

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Board of Trustees
Macon State College Foundation, Inc.

We have audited the accompanying consolidated statement of financial position of Macon State College Foundation, Inc. (a nonprofit organization) and Subsidiaries as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Macon State College Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Macon State College Foundation, Inc. and its subsidiaries as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Howard, Moore & McDuffie, P.C.

Howard, Moore & McDuffie, P.C.
March 7, 2011

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS	
Cash and cash equivalents - unrestricted	\$ 256,352
Cash and cash equivalents - restricted	371,735
Accounts receivable	37,570
Unconditional promises to give, net	243,643
Cash surrender value of life insurance	57,180
Investments	7,139,404
Land held for investment	3,214,431
TOTAL ASSETS	\$ 11,320,315
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 17,257
Scholarships payable	71,843
Accrued interest payable	4,293
Notes payable	3,166,000
TOTAL LIABILITIES	3,259,393
NET ASSETS	
Unrestricted	
Undesignated	354,157
Temporarily restricted	1,045,186
Permanently restricted	6,661,579
TOTAL NET ASSETS	8,060,922
TOTAL LIABILITIES AND NET ASSETS	\$ 11,320,315

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

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 194,299	\$ 928,942	\$ 198,609	\$ 1,321,850
Contributed services and materials	129,398	-	-	129,398
Investment income, net	68,249	80,035	-	148,284
Net realized and unrealized gain (loss) on investments	304,643	186,734	-	491,377
Net realized loss on sale of land held for investment	-	(11,443)	(43,149)	(54,592)
Other income	288	41,631	-	41,919
	<u>696,877</u>	<u>1,225,899</u>	<u>155,460</u>	<u>2,078,236</u>
Net assets released from restrictions				
Transfers	385	22,084	(22,469)	-
Restrictions satisfied by payments	708,003	(708,003)	-	-
	<u>708,388</u>	<u>(685,919)</u>	<u>(22,469)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,405,265</u>	<u>539,980</u>	<u>132,991</u>	<u>2,078,236</u>
EXPENSES				
Program services				
Scholarships	133,470	-	-	133,470
College support and enhancement	1,108,452	-	-	1,108,452
	<u>1,241,922</u>	<u>-</u>	<u>-</u>	<u>1,241,922</u>
Supporting services				
Foundation administration	167,022	-	-	167,022
Fundraising	29,893	-	-	29,893
	<u>196,915</u>	<u>-</u>	<u>-</u>	<u>196,915</u>
TOTAL EXPENSES	<u>1,438,837</u>	<u>-</u>	<u>-</u>	<u>1,438,837</u>
CHANGE IN NET ASSETS	(33,572)	539,980	132,991	639,399
NET ASSETS - BEGINNING	<u>387,729</u>	<u>505,206</u>	<u>6,528,588</u>	<u>7,421,523</u>
NET ASSETS - ENDING	<u>\$ 354,157</u>	<u>\$ 1,045,186</u>	<u>\$ 6,661,579</u>	<u>\$ 8,060,922</u>

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

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ 639,399
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Unrealized gain on investments reported at fair value	(620,157)
Realized loss on investments	128,779
Realized loss on sale of real estate held for investment	54,592
Cash contributions restricted for long-term purposes	(198,609)
Reinvestment of interest and dividends	(143,131)
Increase in surrender value of life insurance	(20,785)
Amortization of discount	
Unconditional promises to give restricted for long-term purposes	1,084
Other unconditional promises to give	(1,428)
(Increase) decrease in	
Accounts receivable	(33,900)
Interest receivable	653
Promises to give, net	130,499
Increase (decrease) in	
Accounts payable	(34,205)
Scholarships payable	(13,529)
Accrued interest payable	3,868
	<hr/>
NET CASH USED BY OPERATING ACTIVITIES	(106,870)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Redemption of certificates of deposit	204,256
Purchase of investments	(50,000)
Purchase of land held for investment	(104,275)
Proceeds from the sale of land held for investment	187,074
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	237,055
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Proceeds from contributions restricted for long-term purposes	10,256
	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,256
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	140,441
BEGINNING CASH AND CASH EQUIVALENTS	487,646
	<hr/>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 628,087</u>

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

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2010

Cash paid during the year for interest	<u>\$ 111,692</u>
Noncash investing and financing activities:	
Property acquired with loan proceeds	\$ (4,000,000)
Property sale proceeds remitted by closing attorney to pay loan	<u>954,000</u>
	<u>\$ (3,046,000)</u>

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

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

The Foundation is a nonprofit corporation existing to support and enhance public higher education in the middle Georgia area.

The consolidated financial statements of Macon State College Foundation, Inc. (the Foundation) include the accounts of Macon State College Foundation, Inc.; Romeiser Properties I, LLC; Romeiser Properties II, LLC; Romeiser Properties III, LLC; Romeiser Properties IV, LLC; and Macon State College Foundation Real Estate, LLC. Each of the four Romeiser Properties LLC's was formed for the sole purpose of purchasing land surrounding the perimeter of the campus of Macon State College. The Macon State College Foundation Real Estate, LLC was formed for the purpose of establishing housing for Macon State College.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

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

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

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

Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report which is the date the financial statements were available to be issued.

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Promises to Give

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

Investments

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

Contributed Services and Assets

The Foundation recognizes contributed services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There was \$129,398 in contributed services and materials for the year ended December 31, 2010, of which \$110,951 was the contribution of time from the administrative staff of Macon State College, \$12,277 was the contribution of advertising and professional services from vendors and \$6,170 was trees donated to the botanical garden project. A substantial number of volunteers contribute significant amounts of time in the Foundation's program services; however, no amounts have been reported in the financial statements for this because no objective basis is available to measure the value of such contributions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates (Continued)

statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

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

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no such income for the year ended December 31, 2010. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE 3. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2010 these policies had a cash surrender value of \$57,180 and a death benefit of \$123,173.

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

Investments consisted of the following as of December 31, 2010:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Sanford C. Bernstein & Co., LLC			
Cash	\$ 98,526	\$ -	\$ 98,526
Stocks	1,899,174	52,307	1,846,867
Mutual funds	4,990,804	(51,568)	5,042,372
	<u>6,988,504</u>	<u>739</u>	<u>6,987,765</u>
SunTrust Banks, Inc.			
Mutual fund-Trusco Shortterm	150,900	23	150,877
	<u>\$ 7,139,404</u>	<u>\$ 762</u>	<u>\$ 7,138,642</u>

The Foundation's investments are reported at fair value. Expenses related to investment income, including custodial fees and investment advisory fees, amounted to \$12,495 and have been netted against investment income in the accompanying Statement of Activities. Cash in the brokerage account is included in investments because it is for long-term purposes and part of the endowment. The Foundation invests in two mutual funds valued at \$2,115,507 that manage changes in equity and bond positions using derivative instruments. The instruments are not used to leverage the portfolio or for speculative investments.

NOTE 5. LAND HELD FOR INVESTMENT

Macon State College Foundation Real Estate, LLC acquired property during 2010 adjacent to the college to facilitate the future construction of campus housing. The property held at December 31, 2010 included two tracts.

NOTE 6. PROMISES TO GIVE

As of December 31, 2010, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$ 143,343
Receivable in one to five years	<u>106,729</u>
Total unconditional promises to give	250,072
Less: Discounts to net present value	<u>(6,429)</u>
Net unconditional promises to give	<u>\$ 243,643</u>

Promises to give receivable in more than one year are discounted using the risk-free rate of return as of the year pledged. The discount rates used range from 1.5% to 5%.

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. NOTES PAYABLE

Romeiser Properties I, LLC has a note payable with BB&T in the amount of \$120,000 as of December 31, 2010. The note bears interest at the bank's prime rate, but not below 3.75% and accrued interest is payable in consecutive monthly installments. The principal balance is due in full on December 13, 2011 and the note is unsecured.

Macon State College Foundation Real Estate, LLC has a note payable with BB&T in the amount of \$3,046,000 as of December 31, 2010. The note bears interest at the bank's prime rate, but not below 4.25% and accrued interest is payable in consecutive monthly installments. The principal balance is due in full on April 21, 2011 and the note is secured by real estate.

Interest expense was \$115,560 for the year ended December 31, 2010.

NOTE 8. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Designated Net Assets

The Foundation's Board of Trustees has placed no limitations on unrestricted net assets as of December 31, 2010.

Restricted Net Assets

Temporarily restricted net assets of \$547,241, other than the donor-restricted endowments disclosed in Note 9, are restricted for scholarships, botanical gardens, economic development and other various college support.

NOTE 9. ENDOWMENTS

The Foundation's endowment consists of individual funds established for a variety of purposes and includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from the investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

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

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Donor-Restricted Endowment Funds

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

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (CONTINUED)

Donor-Restricted Endowment Funds (Continued)

Donor-restricted endowment funds, net of an unamortized discount of \$1,787, consist of the following as of December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Peyton Anderson Endowed Chairs	\$ -	\$ 48,340	\$ 2,000,000
Dorothy D. Brown Humanities Faculty Development	-	1,185	4,410
Georgia Eminent Scholar Endowed Chair	(50,246)	-	1,010,786
Barnes Book Fund	-	973	5,100
Library Humanities	-	12,068	160,170
Invest in Success - Faculty Research and Scholarly Activity	-	6,034	14,800
Invest in Success - Nursing Faculty	-	65,413	635,125
MSC General Endowment	-	234,707	1,506,481
Scholarship Funds:			
Jay Ragland Memorial	-	2,536	26,350
Charles H. Jones Family Foundation Presidential	-	33,875	57,500
Louise Y. Lockhart	-	2,203	12,825
Jo Hammond Memorial	-	264	6,712
Junior Woman's Volunteer Network of Macon Endowed	-	144	5,350
Hattie Elizabeth Wilder Endowed	(27)	-	3,000
Gail Burdsall Cowan Memorial	-	1,834	10,851
Bobby B. Singley Memorial	-	1,018	20,125
John B. Harris, Jr. Memorial	-	14	12,500
Evelyn T. Bickford Memorial	-	813	20,727
Stephen R. Portch Study Abroad Endowed	-	1,120	27,025
Joan B. Huffman Women's Caucus	-	1,442	15,200
Peyton Anderson Foundation Endowed Presidential	-	39,240	522,500
Bill Elieson Scholarship for Excellence in Information Technology	-	765	23,123
Macon Business and Professional Women's Club	-	700	10,000
Gwen Sell Sorrell Study Abroad	-	2,911	30,862
Joe E. Timberlake, III Endowed	-	949	20,000

MACON STATE COLLEGE FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (CONTINUED)

Donor-Restricted Endowment Funds (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Community Foundation of Central Georgia			
Endowed Scholarship in Business	\$ -	\$ 897	\$ 20,000
Billy Lee Kimbrel Memorial Endowed	-	2,057	20,000
Addie Taylor Foskey Endowed	-	1,257	20,000
Byrd Family Endowed	-	909	25,000
David R. Adams Memorial Scholarship	-	5,674	25,520
Betty and Charles Heard	-	7,168	31,776
Community Foundation of Central Georgia	-	2,142	20,000
Kaiser Permanente Nursing	-	9,478	25,000
Dr. Barbara Thomas Frizzell	-	1,546	11,506
Eugene Alvarez, Ph.D. Endowed	-	-	124,382
Jeremy Christian Wearn Memorial	-	343	14,427
Barbara J. Stickel CGHS Endowed	-	1,353	100,000
1959 Class Endowed	-	7,018	42,346
Jessie S. & H. Grady Bradley Memorial	-	(445)	20,100
	<u>\$ (50,273)</u>	<u>\$ 497,945</u>	<u>\$ 6,661,579</u>

Changes in donor-restricted endowment funds for the year ended December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Beginning	\$ (212,082)	\$ 145,910	\$ 6,528,588	\$ 6,462,416
Investment return				
Investment income	67,044	77,140	-	144,184
Net realized and unrealized appreciation	119,220	362,752	(43,149)	438,823
Total investment return	186,264	439,892	(43,149)	583,007
Contributions and discount	-	(1,084)	198,609	197,525
Transfers	423	7,615	(22,469)	(14,431)
Appropriation of endowment assets for expenditure	(24,878)	(94,388)	-	(119,266)
Endowment net assets				
Ending	<u>\$ (50,273)</u>	<u>\$ 497,945</u>	<u>\$ 6,661,579</u>	<u>\$ 7,109,251</u>

MACON STATE COLLEGE FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets and were \$50,273 as of December 31, 2010. These deficiencies resulted from unfavorable market fluctuation that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to minimize the risk of large losses, preserve principal and increase the inflation adjusted value of the investments over time. This objective is obtained by pursuing a total return investment strategy that encompasses a level of risk consistent with the Foundation's long-term return expectations. The Foundation expects its endowment funds' annualized rate of return over a rolling five year period to provide at least 5% over the rate of inflation as measured by the Consumer Price Index to allow for the application of a prudent spending policy and to outperform a nationally recognized index of balanced fund managers.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MACON STATE COLLEGE FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4% to 6% of the market value of the investments at fiscal year end, averaged over a rolling three year period. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 10. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances in two financial institutions located in Macon, Georgia and in a brokerage account. The balances of interest bearing accounts in each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Noninterest bearing accounts are insured in full with no limits until December 31, 2012. At December 31, 2010, the Foundation's uninsured cash balance at these institutions totaled \$1,000. Uninsured cash in brokerage accounts totaled \$98,526. Cash on hand consisted of \$200 as of December 31, 2010.

NOTE 11. CONCENTRATION OF CONTRIBUTIONS

Thirteen contributors gave over \$15,000 and are responsible for 65% of total contributions during the year ended December 31, 2010. One donor gave 17% of total contributions. Additionally, 44% of promises to give as of December 31, 2010 are from three contributors, all located in Georgia. One promise made up 35% of the total balance.

NOTE 12. COMMITMENTS

Macon State College holds an annual math tournament for high school students in the area. The Foundation awards scholarships to the winners of the tournament to be used toward tuition at Macon State College. The recipient of the scholarship must attend Macon State College and use the scholarship within one year of the date of graduation from high school; otherwise, the scholarship is forfeited. The amount of the scholarships outstanding as of December 31, 2010 is \$4,550.

MACON STATE COLLEGE FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Fair value of assets and liabilities measured on a recurring basis at December 31, 2010 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional promises to give	\$ 243,643	\$ -	\$ -	\$ 243,643
Cash surrender value of life insurance	57,180	-	57,180	-
Investments	7,139,404	7,139,404	-	-
Land held for investment	3,214,431	-	3,214,431	-
	<u>\$ 10,654,658</u>	<u>\$ 7,139,404</u>	<u>\$ 3,271,611</u>	<u>\$ 243,643</u>

MACON STATE COLLEGE FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for unconditional promises to give is determined by calculating the present value of the promises to give using present value tables and a discount rate of 1.5% to 5%.

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

Changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2010 is as follows:

	Unconditional Promises to Give
	\$
Beginning balance	185,445
New promises to give and payments on promises, net	57,853
Decrease in discount to present value	345
	\$ 243,643

NOTE 14. SUBSEQUENT EVENTS

In 2010, the Macon State College Foundation Real Estate, LLC purchased property to be used for campus housing construction. The Foundation plans to issue bonds of up to \$12,520,000 in March 2011 to refinance the land debt and to construct campus housing. The LLC plans to also gift all property to the Board of Regents of the University System of Georgia (BOR), enter into a ground lease with the BOR and enter into a rental agreement with the BOR, becoming landlord of the campus housing.