

UWG ATHLETIC FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2016

UWG ATHLETIC FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
UWG Athletic Foundation, Inc.
Carrollton, Georgia

We have audited the accompanying financial statements of **UWG Athletic Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 UWG Athletic Foundation, Inc. as of June 30, 2016 and 2015, 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Atlanta, Georgia
September 2, 2016

UWG ATHLETIC FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 456,305	\$ 824,014
Pledges receivable (net of allowance of \$38,353 and \$37,823, respectively)	326,631	278,676
Other receivables	5,000	-
Investments	379,573	-
Other current assets	94	14
Total current assets	<u>1,167,603</u>	<u>1,102,704</u>
Pledges receivable, non-current (net of allowance of \$5,392 and discount of \$9,117 for 2016 and \$78,877 and \$11,389 for 2015, respectively)	<u>614,283</u>	<u>700,881</u>
Total assets	<u>\$ 1,781,886</u>	<u>\$ 1,803,585</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 28,581	\$ 31,470
Deferred revenue	65,695	-
Related party payable	2,751	103,182
Total current liabilities	<u>97,027</u>	<u>134,652</u>
Net assets:		
Unrestricted	74,653	20,597
Temporarily restricted	1,610,206	1,648,336
Total net assets	<u>1,684,859</u>	<u>1,668,933</u>
Total liabilities and net assets	<u>\$ 1,781,886</u>	<u>\$ 1,803,585</u>

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 91,493	\$ 520,054	\$ 611,547
Contributed services and materials	68,579	46,602	115,181
Contributed salaries and benefits by the University of West Georgia	320,680	-	320,680
Athletic program revenue	12,115	35,106	47,221
Ticket sales	14,029	176,712	190,741
Parking revenue	-	28,137	28,137
Special event income	11,443	107,741	119,184
Fundraising event income	72,655	97,316	169,971
Camp income	37,335	48,250	85,585
Investment losses, net of fees	(1,576)	(17,324)	(18,900)
Other income	28,498	44,024	72,522
Net assets released from restrictions - satisfaction of program restrictions	1,124,748	(1,124,748)	-
Total support and revenues	1,779,999	(38,130)	1,741,869
EXPENSES			
Program services:			
University of West Georgia Athletic Department support	1,252,541	-	1,252,541
Scholarships	113,167	-	113,167
Total program services	1,365,708	-	1,365,708
Management and general	95,246	-	95,246
Special events	25,425	-	25,425
Fundraising	239,564	-	239,564
Total expenses	1,725,943	-	1,725,943
Change in net assets	54,056	(38,130)	15,926
Net assets:			
Beginning of year	20,597	1,648,336	1,668,933
End of year	\$ 74,653	\$ 1,610,206	\$ 1,684,859

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 90,314	\$ 1,009,244	\$ 1,099,558
Contributed services and materials	-	6,208	6,208
Contributed salaries and benefits by the University of West Georgia	91,576	-	91,576
Athletic program revenue	-	39,636	39,636
Ticket sales	-	66,784	66,784
Parking revenue	-	40,029	40,029
Special event income	-	77,638	77,638
Fundraising event income	-	85,814	85,814
Camp income	-	65,176	65,176
Investment income	-	866	866
Other income	87,436	-	87,436
Net assets released from restrictions - satisfaction of program restrictions	538,351	(538,351)	-
Total support and revenues	807,677	853,044	1,660,721
EXPENSES			
Program services:			
University of West Georgia Athletic			
Department support	537,989	-	537,989
Scholarships	48,529	-	48,529
Total program services	586,518	-	586,518
Management and general	139,468	-	139,468
Special events	55,741	-	55,741
Fundraising	15,804	-	15,804
Total expenses	797,531	-	797,531
Change in net assets	10,146	853,044	863,190
Net assets:			
Beginning of year	10,451	795,292	805,743
End of year	\$ 20,597	\$ 1,648,336	\$ 1,668,933

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

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

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 15,926	\$ 863,190
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for bad debt	72,955	94,150
Change in discount on pledges receivable	2,272	999
Unrealized losses on investments	15,689	-
Net (increase) decrease in assets:		
Pledges receivable	(36,584)	(340,359)
Other receivables	(5,000)	-
Other current assets	(80)	(14)
Net increase (decrease) in liabilities:		
Accounts payable	(2,889)	31,425
Deferred revenue	65,695	-
Related party payable	(100,431)	(63,145)
Net cash provided by operating activities	27,553	586,246
INVESTING ACTIVITIES		
Purchases of investments	(395,262)	-
Net cash (used in) investing activities	(395,262)	-
Increase (decrease) in cash	(367,709)	586,246
Cash, beginning of year	824,014	237,768
Cash, end of year	\$ 456,305	\$ 824,014

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

UWG Athletic Foundation, Inc. (the "Foundation") was established and incorporated as a non-profit organization in the State of Georgia in 2013 to promote the educational programs of the University of West Georgia (the "University") by encouraging participation in recreation and athletic activities.

The Foundation and the University entered into a Memorandum of Understanding on July 1, 2013, as amended, which outlined certain rights and responsibilities of each party with regards to the management and enhancement of the University's athletic programs. The University will continue to process employee payroll and benefits and the majority of athletic scholarships. The Foundation is responsible for the fundraising, donor support, and marketing of the University's athletic teams.

The Foundation and the University of West Georgia Foundation ("UWGF") entered into a Memorandum of Understanding on May 1, 2013, as amended, which outlined certain rights and responsibilities of each party with regards to the management and administration of the Foundation. UWGF will act as fiscal agent for the Foundation in terms of the provision of the custodial account, fiscal, and record keeping services for the Foundation. The Foundation is responsible for adhering to all contractual agreements and obligations entered into by UWGF on behalf of the Foundation. The Foundation will also pay UWGF an amount equal to 1.3% of the highest balance of the operating accounts owned by the Foundation and managed by UWGF during the duration of each term of the MOU. At June 30, 2016 and 2015, \$2,892 and \$9,431, respectively, is accrued for management fees earned by UWGF for the period July 1, 2015 through June 30, 2016 and July 1, 2014 through June 30, 2015, respectively, and is included in the related party payable amount on the statement of financial position. See Note 6.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, *Financial Statements of Not-for-Profit Organizations*. Under this standard, 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. The Foundation does not have any permanently restricted net assets as of June 30, 2016 and 2015.

Unrestricted net assets include amounts that are not subject to donor-imposed stipulations, which are used to account for resources available to carry out the purposes of the Foundation. The principal sources of unrestricted funds are contributions and program revenues.

Temporarily restricted net assets are those resources currently available to use, but expendable only for purposes specified by the donor or grantor. Such resources originate from contributions restricted for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions

Pledges of financial support from organizations and individuals representing an unconditional promise to pay are recognized in the financial statements once all conditions have been met. In the absence of such promise, a contribution is recognized when the gift is received.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Ticket and event revenue are recognized when the event takes place.

Cash Concentration

The Foundation maintains cash balances at high quality financial institutions. Cash balances are insured by the FDIC for up to \$250,000. Cash balances often exceed the FDIC insurance limit, however, management does not believe it is exposed to significant credit risk on its account.

Donated Services and In-Kind Support

The Foundation receives services, space, equipment and other nonfinancial items without payment or compensation. When the value of such services and support is ascertainable and meets the criteria for recognition, it is recognized in the accompanying financial statements as revenue and expense at the estimated fair value on the date of donation. Donated services from the University represent salaries and benefits paid by the University on behalf of the Foundation. Donated services from the University totaled \$320,680 and \$91,576 for the years ended June 30, 2016 and 2015, respectively. In-kind contributions from third parties were \$115,181 and \$6,208 for the years ended June 30, 2016 and 2015, respectively. These amounts are classified throughout operating revenues and operating expenses, as applicable, on the statement of activities.

Income Tax

The Foundation qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a publicly supported organization and not a private foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation files Form 990 in the U.S. federal jurisdiction and the State of Georgia.

Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions on accounting for uncertainty in income taxes.

Functional Allocation of Expenses

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Investments

Investments, including investments held by the Trustee, consist primarily of money market accounts, mutual funds, fixed income securities, and equity securities and are carried at fair value. Investment expenses incurred totaled \$762 for the year ended June 30, 2016.

Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as income or loss and are included in other income on the statement of activities.

Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents - The carrying amount approximates fair value because of the short-term maturity of these instruments.

Investments - Investments are carried at fair value based on quoted market prices for those or similar investments.

The Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches.

Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

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.

For the year ended June 30, 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, temporarily restricted net assets were available for the following:

	2016	2015
Champion's Fund	\$ 1,367,500	\$ 1,218,116
Scholarship Funds	10,940	4,700
Sport-specific Funds	113,546	327,058
Stadium Improvement Funds	102,654	95,406
Other Restricted Purpose Funds	15,566	3,056
Total	\$ 1,610,206	\$ 1,648,336

Temporarily restricted net assets consist of cash, investments and pledges receivable at June 30, 2016 and cash and pledges receivable at June 30, 2015.

NOTE 4. PLEDGES RECEIVABLE

At June 30, 2016, pledges receivable consisted of the following:

	Unrestricted	Temporarily Restricted
Receivable in less than one year	\$ 22,273	\$ 342,711
Receivable in one to five years	1,000	627,792
Total unconditional pledges receivable	23,273	970,503
Less discount on pledges receivable over one year	(10)	(9,107)
Total unconditional pledges receivable, less discount	23,263	961,396
Less allowance for uncollectible pledges receivable	(1,140)	(42,605)
Net unconditional pledges receivable	\$ 22,123	\$ 918,791

At June 30, 2015, pledges receivable consisted of the following:

	Unrestricted	Temporarily Restricted
Receivable in less than one year	\$ 7,816	\$ 308,680
Receivable in one to five years	3,400	787,750
Total unconditional pledges receivable	11,216	1,096,430
Less discount on pledges receivable over one year	(39)	(11,350)
Total unconditional pledges receivable, less discount	11,177	1,085,080
Less allowance for uncollectible pledges receivable	(336)	(116,364)
Net unconditional pledges receivable	\$ 10,841	\$ 968,716

At June 30, 2016 and 2015, the discount rate used on long-term pledges receivable was 1%.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 6,451	\$ -	\$ -	\$ 6,451
Mutual funds	227,040	-	-	227,040
Equity securities	102,952	-	-	102,952
Fixed income securities	-	1,204	-	1,204
Alternative investments	-	-	41,926	41,926
	\$ 336,443	\$ 1,204	\$ 41,926	\$ 379,573
Total assets at fair value	\$ 336,443	\$ 1,204	\$ 41,926	\$ 379,573

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2016:

	Alternative Investments
Balances, beginning of the year	\$ -
Capital contributions	42,841
Unrealized losses	(915)
Balance, end of the year	\$ 41,926

The alternative investments includes investments in pooled investment funds both domestic and international. There is no unfunded commitment related to these funds. The fund has a quarterly redemption frequency and a 45 day prior to trade date redemption notification. The fair value of the investment has been estimated using the net asset value per share of the investment.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY

As described in Note 1, the Foundation and UWGF have entered into a Memorandum of Understanding regarding the responsibilities of each in regards to the operations of the Foundation. During the year ended June 30, 2015, the Foundation began paying all of its bills out of the Foundation bank account, however, a balance was still remaining for expenses paid by UWGF that the Foundation had not yet reimbursed. At June 30, 2016 and 2015, the Foundation owed UWGF \$2,751 and \$103,182, respectively, for expenses paid by UWGF but not yet reimbursed, which includes the \$2,892 and \$9,431 of management fees at June 30, 2016 and 2015, as also described in Note 1.

NOTE 7. SUBSEQUENT EVENTS

Management has evaluated events occurring through September 2, 2016, the date the financial statements were available to be issued.