

OLE MISS ATHLETICS FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Ole Miss Athletics Foundation

We have audited the accompanying financial statements of the Ole Miss Athletics Foundation (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.

Auditors' 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 the Ole Miss Athletics Foundation 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.

Restatement of Prior Period Financial Statements

As discussed in Note 21 to the financial statements, beginning net assets for the year ended June 30, 2015, as well as amounts reported in financial statements as of and for the year ended June 30, 2015 have been restated to reflect the addition of an irrevocable trust, the addition of the cash surrender value of a life insurance policy, and the correction of accounting for capital leases receivable.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and schedules of expenses on pages 26 through 29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Grantham, Poole, Randall, Kestano, Arrington & Cunningham PLLC

Ridgeland, Mississippi
October 20, 2016

OLE MISS ATHLETICS FOUNDATION
Statements of Financial Position
June 30, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|---|-----------------------|--------------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 12,083,526 | \$ 2,364,933 |
| Cash Restricted to Investment in Property and Equipment | 19,906,018 | 19,670,392 |
| Investments | 163,436 | 210,838 |
| UM Foundation Accounts Receivable | 553,605 | 2,541,724 |
| Pledges Receivable | 7,625,544 | 6,619,136 |
| CGA Pledges Receivable, net | 519,437 | 2,704,871 |
| Memberships Receivable | 5,159,901 | 6,404,991 |
| Current Portion of Capital Leases Receivable | 5,709,292 | 2,714,021 |
| Note Receivable | - | 150,000 |
| Other Receivables | 37,557 | 8,871 |
| Prepaid Expenses | 128,159 | 241,442 |
| Total Current Assets | <u>51,886,475</u> | <u>43,631,219</u> |
| Long-Term Pledges Receivable, Net | 19,622,988 | 10,971,103 |
| Capital Leases Receivable, Net of Current Portion | 80,042,438 | 50,008,003 |
| Total Long-Term Receivables | <u>99,665,426</u> | <u>60,979,106</u> |
| Charitable Trust | 1,316,535 | 1,405,850 |
| Construction in Progress | 8,388,658 | - |
| Property and Equipment, net | 19,744,114 | 20,094,086 |
| Other Assets | 469,260 | 474,560 |
| Cash Surrender Value of Life Insurance | 341,602 | 320,486 |
| Total Assets | <u>\$ 181,812,070</u> | <u>\$ 126,905,307</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Current Installments of Long-Term Debt | \$ 5,942,719 | \$ 3,418,233 |
| Accounts Payable | 2,101,445 | 4,228,618 |
| Payroll and Taxes Payable | 93,707 | 166,329 |
| Payable to UM Athletics Department | 5,340,764 | 6,291,354 |
| Total Current Liabilities | <u>13,478,635</u> | <u>14,104,534</u> |
| Long-Term Debt, Excluding Current Installments | 110,230,397 | 73,830,651 |
| Deferred Liabilities | 240,000 | 117,500 |
| Total Liabilities | <u>123,949,032</u> | <u>88,052,685</u> |
| Net Assets: | | |
| Unrestricted | 14,538,908 | 20,447,482 |
| Temporarily Restricted | 41,953,521 | 16,958,958 |
| Permanently Restricted | 1,370,609 | 1,446,182 |
| Total Net Assets | <u>57,863,038</u> | <u>38,852,622</u> |
| Total Liabilities and Net Assets | <u>\$ 181,812,070</u> | <u>\$ 126,905,307</u> |

The Notes to Financial Statements are an integral part of this statement.

OLE MISS ATHLETICS FOUNDATION
Statement of Activities
Year Ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenues and Support: | | | | |
| Membership Contributions | \$ 20,688,105 | \$ - | \$ - | \$ 20,688,105 |
| Other Contributions | - | 31,211,818 | - | 31,211,818 |
| Other Revenues (Expenses) | 685,527 | 158,686 | (75,573) | 768,640 |
| Net Assets Released from Restrictions | 21,496,285 | (21,496,285) | - | - |
| Total Revenues and Support | <u>42,869,917</u> | <u>9,874,219</u> | <u>(75,573)</u> | <u>52,668,563</u> |
| Expenses: | | | | |
| Program Expenses: | | | | |
| Support for Athletics Department Activities | 13,295,260 | - | - | 13,295,260 |
| Support for Sports Programs and Other Restricted Expenses | 18,235,915 | - | - | 18,235,915 |
| General and Administrative Expenses | 2,126,972 | - | - | 2,126,972 |
| Total Expenses | <u>33,658,147</u> | <u>-</u> | <u>-</u> | <u>33,658,147</u> |
| Increase (Decrease) in Net Assets | 9,211,770 | 9,874,219 | (75,573) | 19,010,416 |
| Reclassifications | (15,120,344) | 15,120,344 | - | - |
| Net Assets at Beginning of Year | <u>20,447,482</u> | <u>16,958,958</u> | <u>1,446,182</u> | <u>38,852,622</u> |
| Net Assets at End of Year | <u>\$ 14,538,908</u> | <u>\$ 41,953,521</u> | <u>\$ 1,370,609</u> | <u>\$ 57,863,038</u> |

The Notes to Financial Statements are an integral part of this statement.

OLE MISS ATHLETICS FOUNDATION
Statement of Activities - Restated
Year Ended June 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenues and Support: | | | | |
| Membership Contributions | \$ 19,855,018 | \$ - | \$ - | \$ 19,855,018 |
| Other Contributions | - | 13,908,404 | - | 13,908,404 |
| Other Revenues (Expenses) | 1,288,739 | 213,075 | (44,569) | 1,457,245 |
| Net Assets Released from Restrictions | <u>21,638,584</u> | <u>(21,638,584)</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Support | <u>42,782,341</u> | <u>(7,517,105)</u> | <u>(44,569)</u> | <u>35,220,667</u> |
| Expenses: | | | | |
| Program Expenses: | | | | |
| Support for Athletics Department Activities | 14,382,595 | - | - | 14,382,595 |
| Support for Sports Programs and Other Restricted Expenses | 21,638,584 | - | - | 21,638,584 |
| General and Administrative Expenses | <u>2,010,060</u> | <u>-</u> | <u>-</u> | <u>2,010,060</u> |
| Total Expenses | <u>38,031,239</u> | <u>-</u> | <u>-</u> | <u>38,031,239</u> |
| Increase (Decrease) in Net Assets | 4,751,102 | (7,517,105) | (44,569) | (2,810,572) |
| Reclassifications | (448,820) | 448,820 | - | - |
| Net Assets at Beginning of Year, As Restated | <u>16,145,200</u> | <u>24,027,243</u> | <u>1,490,751</u> | <u>41,663,194</u> |
| Net Assets at End of Year | <u>\$ 20,447,482</u> | <u>\$ 16,958,958</u> | <u>\$ 1,446,182</u> | <u>\$ 38,852,622</u> |

The Notes to Financial Statements are an integral part of this statement.

OLE MISS ATHLETICS FOUNDATION

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

| | 2016 | Restated 2015 |
|--|----------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 19,010,416 | \$ (2,810,572) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 469,670 | 1,546,463 |
| Provision for Uncollectible Pledges: | | |
| Restricted for Long-Term Purposes | 1,093,055 | 50,577 |
| Amortization of Discount on Pledges Restricted for Long-Term Purposes | 271,068 | (238,471) |
| Contributions Restricted for Long-Term Purposes | (30,622,141) | (11,966,471) |
| Unrealized and Realized Gain/Loss on Sale of Investments | 69,713 | 121,979 |
| Gain/Loss on Sale of Assets | 45,590 | - |
| Cash Surrender Value of Life Insurance | 21,116 | (668) |
| (Increase) Decrease in: | | |
| UM Foundation Accounts Receivable | 1,942,529 | 807,922 |
| Pledges Receivable | 240,943 | 655,744 |
| CGA Pledges Receivable | (551,877) | (1,417,981) |
| Memberships Receivable | 1,245,090 | (4,222,490) |
| Prepaid and Other Assets | 119,510 | (173,073) |
| Increase (Decrease) in: | | |
| Accounts Payable | (2,130,161) | 1,433,257 |
| Other Current Liabilities | (72,622) | 128,467 |
| Deferred Liabilities | 122,500 | 117,500 |
| Support Payable to Athletics Department | (950,590) | 1,911,360 |
| Net Cash Used in Operating Activities | (9,676,191) | (14,056,457) |
| Cash Flows From Investing Activities | | |
| Proceeds from Sale of Investments | 284,038 | 668,352 |
| Collection of Note Receivable | 150,000 | - |
| Purchases and Disposals of Fixed Assets | (27,322) | (146,720) |
| Amounts Advanced Under Capital Lease | (36,553,710) | (38,858,241) |
| Receipts on Capital Leases | 3,524,004 | 449,600 |
| Construction in Progress | (8,388,658) | - |
| Purchase of Other Investment Assets | (214,046) | (606,115) |
| Net Cash Used in Investing Activities | (41,225,694) | (38,493,124) |
| Cash Flows From Financing Activities | | |
| Contributions Restricted for Long-Term Purposes | 22,028,717 | 17,688,110 |
| Proceeds from Long-Term Debt | 44,585,280 | 39,071,711 |
| Payments on Long-Term Debt | (5,661,048) | (2,614,875) |
| Payment of Deferred Financing Costs | (96,845) | - |
| Net Cash Provided by Financing Activities | 60,856,104 | 54,144,946 |
| Net Increase in Cash and Cash Equivalents | 9,954,219 | 1,595,365 |
| Cash and Cash Equivalents, Beginning of year | 22,035,325 | 20,439,960 |
| Cash and Cash Equivalents, End of year | \$ 31,989,544 | \$ 22,035,325 |
| Supplemental Data: | | |
| Interest Paid, Including Capitalized Interest; 2016, \$1,238,887 and 2015, \$801,193 | \$ 3,719,970 | \$ 1,308,785 |
| Non Cash Financing Activity: | | |
| Bond Refinance | \$ 12,600,000 | \$ - |

The Notes to Financial Statements are an integral part of this statement.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 1 NATURE OF ORGANIZATION

The Ole Miss Athletics Foundation (the Foundation) is a Mississippi nonprofit corporation whose mission is to provide resources for the Department of Intercollegiate Athletics (the Athletics Department) at the University of Mississippi (the University). Formerly known as the Ole Miss Loyalty Foundation and the UMAA Foundation, the Foundation adopted amended and restated articles of incorporation and bylaws effective March 1, 2013, and the name was formally changed. Effective January 1, 2011, the Foundation has an affiliation agreement with the University that defines arrangements between the two organizations concerning services, facilities, premises, activities, and other miscellaneous provisions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Net Assets

The Foundation reports transactions in three classes of net assets - permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the Athletics Department.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income and realized and unrealized gains and losses on investments of permanently restricted net assets are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that gains be added to the principal of a permanent endowment fund;
- as increases or decreases in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- as increases or decreases in unrestricted net assets in all other cases.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Permanently Restricted Net Assets as of June 30, 2016 and 2015, are restricted to:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------------|----------------------------|
| Investments in perpetuity the income from which is expendable to support: | | |
| Football, basketball, and women's operations | \$ 54,074 | \$ 40,332 |
| Scholarships | <u>1,316,535</u> | <u>1,405,850</u> |
| Total | <u><u>\$ 1,370,609</u></u> | <u><u>\$ 1,446,182</u></u> |

Temporarily Restricted Net Assets as of June 30, 2016 and 2015, are available for the following purposes:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|-----------------------------|-----------------------------|
| Forward Together Campaign | \$ 41,215,666 | \$ 16,403,633 |
| Sports Programs | 732,732 | 539,447 |
| Other | <u>5,123</u> | <u>15,878</u> |
| Total | <u><u>\$ 41,953,521</u></u> | <u><u>\$ 16,958,958</u></u> |

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates include the present value discount rates applied to pledges receivable, the allowance for uncollectible pledges and estimated useful lives and salvage values of property and equipment. Accordingly, actual results could differ significantly from those estimates.

Fixed Assets

The Foundation records equipment, furniture and fixtures, buildings, improvements and land at cost if purchased or at fair market value if donated. The Foundation capitalizes all fixed asset acquisitions. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

In general, for purposes of the statement of cash flows, the Foundation considers all highly-liquid investments available for current use with maturities of three months or less to be cash equivalents.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

GAAP outlines the accounting for uncertainty in income taxes in an entity's financial statements and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return including the entity's status as a tax-exempt entity. Additionally, GAAP provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Foundation had no significant uncertain tax positions at June 30, 2016 and 2015, respectively. If interest and penalties are incurred related to uncertain tax positions, such amounts are recognized as income tax expense in the statement of changes in net assets available for benefits. As of June 30, 2016, tax periods for tax years 2015, 2014, and 2013 remain open to examination by the federal and state taxing jurisdictions to which the Foundation is subject.

Fair Value Measurements

GAAP establishes a 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 for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements that involve significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- a) Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that are observable at the measurement date;
- b) Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data: and
- c) Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based upon the lowest level input that is significant to the fair value measurement in its entirety. In accordance with Accounting Standards Update (ASU) 2009-12, *Investments that can be redeemed at Net Asset Value on the Measurement Date or in the Near Term*, such investments may be classified as Level 2. NAV is used as a practical expedient to estimate the fair value of such investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV as of June 30, 2016, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value. The fair values of all investments and trusts are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. Both realized and unrealized gains and losses are included in the change in net assets. Real estate and other properties donated to the Foundation and held by the University of Mississippi Foundation (the UM Foundation) are also carried at fair value based on appraisal values at the date of receipt and as subsequently updated.

The Foundation's investments include commodities, a charitable trust, pooled accounts and a partnership interest. These investments are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the fair value of these investments will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

Revenue Recognition

Priority seats in the football stadium, basketball arena and baseball stadium require annual donations separate from the cost of the tickets. The donation amounts are set by the Foundation. This unconditional revenue is unrestricted and used for operations. Capital gift agreements may be signed to secure priority seats for football and basketball future seasons beginning in fiscal year 2016. This unconditional revenue is restricted for the Forward Together capital campaign. The intangible portion, 80%, per section 170(l) of the Internal Revenue Code, of the priority seating annual memberships and capital gift agreement revenue is recognized in the period the pledge is made. The tangible portion of the contributions, 20%, is recognized when the payments are received. Unconditional contributions not tied to seating are recognized in full when the pledge is made. Other unpledged revenue is recognized in the period received.

Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are scheduled to be received. Accretion of the discounts is included in contribution revenues. The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on management's judgment, including such factors as prior collection history, the nature of the fund raising activity, and the type of contributions made.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Property and Services

Donations of real property are recorded as gift-in-kind contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. All real property donations to the Foundation are held by the UM Foundation until such properties are sold. Proceeds are subsequently transferred to the Foundation. The Foundation received donated real property during the years ended June 30, 2016 and 2015 in the amount of \$-0- and \$147,043, respectively.

Donations of personal property, such as automobiles, equipment and apparel are recorded as gift-in-kind contributions at estimated fair value at the date of donation. For the years ended June 30, 2016 and 2015, \$363,445 and \$607,889, respectively, were recognized as contributions from donated personal property.

Donated services are recognized as contributions if the services either (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people or entities with those skills, and would otherwise be purchased by the Foundation. For the years ended June 30, 2016 and 2015, \$204,064 and \$22,479, respectively, were recognized as donated services.

Charitable Trust

The Foundation is the beneficiary under an irrevocable charitable remainder unitrust with a local bank as trustee. Under the terms of the trust agreement, the Foundation receives distributions from the trust based on a formula using the lesser of the net income of the trust or 7% of the fair market value of the trust assets at the beginning of the trust taxable year. The trustee performs this calculation and makes the distribution. Expenses of the trust, such as taxes and administrative fees, are paid from the trust assets. The remaining principal of the trust is reported as a permanently restricted net asset per the terms of the trust agreement. Assets of the trust are reported at fair market value in investments in the statement of financial position at \$1,316,535 and \$1,405,850, as of June 30 2016 and 2015, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for 2016 and 2015, were \$72,429 and \$57,642, respectively.

Subsequent Events

Management has evaluated subsequent events through October 20, 2016, the date the financial statements were available to be issued.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Deferred Financing Cost

Deferred financing costs are capitalized and amortized over the term of the applicable loans, using the straight-line method which closely approximates the effective interest method. Loan terms range from seven to twenty years. Amortization expense for fiscal years June 30, 2016 and 2015 were \$77,416 and \$59,646, respectively.

Expected amortization expense for the next five years is as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-----------|
| 2017 | \$ 39,922 |
| 2018 | 39,922 |
| 2019 | 39,922 |
| 2020 | 39,922 |
| 2021 | 39,922 |

NOTE 3 ACCOUNTS RECEIVABLE FROM THE UM FOUNDATION

As of July 1, 2015, cash contributions are now received directly by the Foundation with the UM Foundation maintaining donor records for tax receipt purposes. Contributions to the Foundation in the form of securities are received directly by the UM Foundation. Funds associated with contributions in the form of securities are transferred to the Foundation immediately after being processed and recorded. The accounts receivable balances of \$39,862 and \$1,952,981 at June 30, 2016 and 2015, respectively, represent amounts to be remitted to the Foundation in the beginning of fiscal years 2017 and 2016.

The other receivable balances of \$513,743 and \$588,743 at June 30, 2016 and 2015, respectively, from the UM Foundation represent land and other interests contributed to the Foundation to be sold.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 4 PLEDGES RECEIVABLE

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2016, pledges for the Vaught Society are scheduled to mature at various dates through 2027. The Capital Gift Agreements are due primarily in the next year. The amount due in fiscal year 2016 is \$8,144,981 and \$9,324,007 is due thereafter.

A summary of the pledges receivable as of June 30, 2016 and 2015, is as follows:

| | 2016 | 2015 |
|--|---------------|---------------|
| Receivable in one year | \$ 8,150,228 | \$ 9,351,329 |
| Receivable in one to five years | 18,194,450 | 11,310,574 |
| Receivable in more than five years | 4,487,500 | 1,585,000 |
| | \$ 30,832,178 | \$ 22,246,903 |
| | 2016 | 2015 |
| Unrestricted Pledges Receivable | \$ 546,317 | \$ 908,844 |
| Temporarily Restricted Pledges Receivable | 30,285,861 | 21,338,059 |
| | 30,832,178 | 22,246,903 |
| Less: Allowance for Doubtful Pledges Receivable | (2,429,846) | (1,588,499) |
| | 28,402,332 | 20,658,404 |
| Less: Unamortized Discount (1.41% and 1.66% at June 30, 2016 and 2015, respectively) | (634,363) | (363,294) |
| Net Pledges Receivable | \$ 27,767,969 | \$ 20,295,110 |

NOTE 5 INVESTMENTS AND CHARITABLE TRUST

The following table presents the financial assets carried at fair value within the valuation hierarchy as of June 30, 2016 and 2015:

| 2016 | Level 1 | Level 2 | Level 3 | Total |
|----------------------|--------------|---------|----------|--------------|
| Futures and Other | | | | |
| Equity Positions | \$ 104,239 | \$ - | \$ - | \$ 104,239 |
| Pooled Investments - | | | | |
| UM Foundation | 54,074 | - | - | 54,074 |
| Other | - | - | 5,123 | 5,123 |
| Total Investments | 158,313 | - | 5,123 | 163,436 |
| Charitable Trust | 1,316,535 | - | - | 1,316,535 |
| | \$ 1,474,848 | \$ - | \$ 5,123 | \$ 1,479,971 |

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 5 INVESTMENTS AND CHARITABLE TRUST (CONTINUED)

| 2015 | Level 1 | Level 2 | Level 3 | Total |
|----------------------|---------------------|-------------|------------------|---------------------|
| Futures and Other | | | | |
| Equity Positions | \$ 154,628 | \$ - | \$ - | \$ 154,628 |
| Pooled Investments - | | | | |
| UM Foundation | 40,332 | - | - | 40,332 |
| Other | | | 15,878 | 15,878 |
| Total Investments | 194,960 | - | 15,878 | 210,838 |
| Charitable Trust | 1,405,850 | - | - | 1,405,850 |
| | <u>\$ 1,600,810</u> | <u>\$ -</u> | <u>\$ 15,878</u> | <u>\$ 1,616,688</u> |

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2016 and 2015 is as follows:

| | 2016 | 2015 |
|--------------------------------|----------------------|----------------------|
| Office Equipment and Furniture | \$ 70,714 | \$ 43,392 |
| Automobiles | 180,180 | 87,804 |
| Manning Center | 30,778,777 | 30,778,777 |
| Condominium | 154,885 | 154,885 |
| | <u>31,184,556</u> | <u>31,064,858</u> |
| Less Accumulated Depreciation | <u>(11,440,442)</u> | <u>(10,970,772)</u> |
| Property and Equipment | <u>\$ 19,744,114</u> | <u>\$ 20,094,086</u> |

Construction in progress at June 30, 2016 and 2015 of \$8,388,658 and \$-0-, respectively, consists of expenditures for video and audio equipment and an indoor tennis facility.

The Manning Center is currently pledged as collateral on indebtedness. Depreciation expense for the years 2016 and 2015 totaled \$469,670 and \$1,546,463, respectively.

Effective July 1, 2015, the Foundation changed its estimates of the useful lives of certain facilities from twenty to forty years. The Foundation also re-evaluated and changed the salvage values that are expected to remain at the end of the assets' useful lives. The Foundation made these changes to better reflect the estimated periods during which such assets will remain in service, to better reflect their estimated salvage values at the end of their estimated lives, and to ensure that the Foundation's estimated lives and salvage values are consistent with those used by University for its facilities. This change had the effect of reducing 2016 depreciation expense by \$1,188,077, thereby increasing the 2016 change in unrestricted net assets by the same amount.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 7 UM ATHLETICS DEPARTMENT PAYABLE

The Foundation is committed to providing scholarships for student athletes and support of programs and activities. For the fiscal year ended June 30, 2015, the Athletics Department requested such annual support from the Foundation in an amount \$3,348,632. For the fiscal year ended June 30, 2016, support for the Athletics Department totaled \$4,035,448. This amount was not requested by the Athletics Department and has not been accrued as a payable, but has been placed in a reserve account held by the Foundation.

In addition to the support payable, the Foundation owes the Athletics Department \$5,340,764 and \$2,942,722 at June 30, 2016 and 2015, as a supplement for facilities improvements, respectively.

NOTE 8 LONG-TERM DEBT

| | 2016 | 2015 |
|---|---------------|--------------|
| On October 30, 2012, the Foundation obtained a \$30,000,000 loan to finance capital projects for Athletics Department facilities. The proceeds were used to pay off the balance due on a line of credit and fund improvements to the Manning Center. The loan bears interest at 2.18% and is payable in monthly installments of \$221,441 of principal and interest. Interest is amortized over a period of thirteen years, and the loan matures on March 30, 2019. The loan is collateralized by a deed of trust on the Manning Center. | \$ 22,389,816 | \$24,526,860 |
| On November 15, 2015, the Foundation obtained a loan to finance improvements to various athletic facilities including Vaught-Hemingway Stadium in the amount of \$11,500,000. The first twelve months of the loan term are a non-revolving line of credit phase. The loan becomes a permanent term loan after that phase with a maturity date of November 5, 2025 with an interest rate equal to a 30 day Libor plus 100 basis points floating. The interest rate was 1.448% at June 30, 2016. Collateral for the loan includes all equipment and property purchased with monthly loan proceeds and a pledge of revenues. Principal and interest payments will begin in the permanent phase which is estimated to be January, 2017. | 8,031,570 | - |
| Total notes payable | 30,421,386 | 24,526,860 |
| Current installments of long-term debt | 2,734,747 | 2,144,433 |
| Long-term debt excluding current installments | \$ 27,686,639 | \$22,382,427 |

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 8 LONG-TERM DEBT (CONTINUED)

A summary of the debt maturities is as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|----------------------|
| 2017 | \$ 2,734,747 |
| 2018 | 3,335,839 |
| 2019 | 19,067,294 |
| 2020 | 1,122,311 |
| 2021 | 1,135,740 |
| Thereafter | <u>3,025,455</u> |
| | <u>\$ 30,421,386</u> |

On November 26, 2013, the Mississippi Business Finance Corporation issued three revenue bonds that are administered by Regions Bank to fund construction of the parking facility and the Pavilion at Ole Miss. Proceeds from the bonds were received by the Foundation during the years ended June 30, 2016 and 2015. A summary of bonds issued at June 30, 2016 and 2015, is as follows:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------------|
| Series 2015 Revenue Refunding Bond used to refinance Series 2013A Revenue Bond for \$12,600,000. Interest rate of 1.46%, adjusted on the interest rate adjustment date. Principal payments of \$75,000 plus interest began January 2016 continuing through maturity at December 2025. | \$ 12,074,501 | \$14,475,178 |
| Series 2013C \$62,900,000 Revenue Bond maturing on December 1, 2033. Interest rate of 3.22% with interest only payable monthly from January 1, 2016 through December 1, 2020 and interest and principal payable monthly from January 1, 2021 through November 1, 2033. | 62,900,000 | 33,504,102 |
| Series 2013D \$12,100,000 Revenue Bond maturing on December 1, 2020. Interest rate of 3.10% with interest only payable monthly from January 1, 2014 through December 1, 2015 and interest and principal payable monthly from January 1, 2016 through November 1, 2020. | <u>10,777,229</u> | <u>4,742,744</u> |
| Total bonds payable | 85,751,730 | 52,722,024 |
| Less current maturities | <u>3,207,972</u> | <u>1,273,800</u> |
| Long term bonds payable, net of current maturities | <u>\$ 82,543,758</u> | <u>\$51,448,224</u> |

The bonds are collateralized by leasehold deeds of trust covering the respective buildings.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 8 LONG-TERM DEBT (CONTINUED)

A summary of the Foundation's bond retirement commitments based on amounts outstanding at June 30, 2016 is as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------|
| 2017 | \$ 3,207,972 |
| 2018 | 3,280,544 |
| 2019 | 3,355,399 |
| 2020 | 3,432,607 |
| 2021 | 3,660,891 |
| Thereafter | 68,814,317 |
| | <u>\$ 85,751,730</u> |

NOTE 9 ENDOWMENTS

The UM Foundation holds certain funds that are considered permanent endowments and scholarship funds. These endowments are created for the benefit of the Athletics Department, and any contributions to the Foundation that are designated for these funds are transferred to the UM Foundation. Such funds, which amounted to \$3,479,735 and \$3,743,817 at June 30, 2016 and 2015, respectively, are managed by the UM Foundation and are not included in these financial statements.

NOTE 10 LIFE INSURANCE POLICIES

The Foundation has been gifted life insurance policies for which it has been named owner and beneficiary. The face amounts of life insurance policies in excess of cash surrender values held by the Foundation are deferred and recognized as revenue only when collected. The cash surrender value of such policies at June 30, 2016 and 2015 was \$341,602 and \$320,486.

NOTE 11 CONCENTRATIONS OF CREDIT RISK

The total cash held by the Foundation at June 30, 2016 and 2015 included \$30,989,144 and \$21,534,922, respectively in monies that were not covered by insurance provided by the Federal Deposit Insurance Corporation. The risk is minimized by the fact that cash is held in high quality financial institutions.

NOTE 12 LEASES

The Foundation leases office space from the University at no cost, in accordance with the affiliation agreement. The Foundation leases from the University the land upon which the Manning Center is located, where the Pavilion at Ole Miss and the parking facility are located, and the Letterwinner Walk and Plaza area outside the north end zone. The Foundation subleases these facilities back to the University for operations at a net cost of zero.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 12 LEASES (CONTINUED)

In August 2013, the Foundation renewed two thirty six month automobile leases for the benefit of the Athletics Department. These leases contain options to purchase at the end of the lease and require the Foundation to pay all executory costs such as taxes, maintenance, and insurance.

The Foundation leased a copier in March, 2015 under a sixty month cost per copy lease agreement. This agreement provided for a stated cost per copy over the life of the lease with an established monthly minimum payment.

In June 2014, the Foundation entered into a lease agreement for retail and office space off campus. The lease term is for eleven years and is payable monthly at \$17,880 per month.

Rental expenses for these leases amounted to \$238,721 in fiscal year 2016 and \$203,182 in fiscal year 2015.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2016 are:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------------|
| 2017 | \$ 220,999 |
| 2018 | 220,145 |
| 2019 | 220,145 |
| 2020 | 218,750 |
| | <u>\$ 880,039</u> |

NOTE 13 COMMITMENTS

Pursuant to its affiliation agreement with the University, the Foundation has agreed to supplement the compensation paid to several employees of the University's Athletics Department under their state employment contracts with the University. The University and Board of Trustees of Mississippi Institutions of Higher Learning have no obligations under the terms of these supplemental compensation agreements. The amount paid for these supplemental compensation and incentive packages for the years ending June 30, 2016 and 2015, was \$8,078,827 and \$6,341,771, respectively. The amount expected to be paid in fiscal year 2017 exceeds \$8,644,000. The Foundation has also agreed to support severance and separation agreements with former Athletics Department personnel. The amount paid for these agreements for the fiscal years ending June 30, 2016 and 2015, was \$240,169 and \$445,181, respectively. The amount expected to be paid in fiscal year 2017 is \$87,015.

The Foundation has committed to provide scholarships for student athletes and support for programs and activities in the amount of \$5,373,454 for the fiscal year ending June 30, 2017. The Foundation is also committed to providing financial support for specific projects undertaken for constructing and improving Athletics facilities.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 14 OPERATING COSTS ALLOCATED TO RESTRICTED EXPENSES

Administration and fundraising costs for the capital campaign are paid from Foundation operating funds. To cover these costs and other needs in operating funds as a result of the campaign, Forward Together funds of \$2,390,683 and \$1,196,274 were used for the years ended June 30, 2016 and 2015, respectively.

NOTE 15 CAPITAL LEASES RECEIVABLE

The Foundation is party to two leases with the University which are accounted for as capital leases. These leases are attributable to the Parking Facility and the Pavilion at Ole Miss. Construction of the leased assets has been undertaken and financed by the Foundation; however, the University has been substantially involved in the construction of these assets since the projects began. These projects are considered build-to-suit construction projects, which have special accounting provisions under GAAP. In situations where the lessee (in this case, the University) is substantially involved in the construction of the asset to be leased and assumes substantially all of the construction period risks, the asset is considered to be the property of the lessee from the start of the construction project. Accordingly, the financial statements of the Foundation do not reflect the assets that were under construction, or that have been placed in service pursuant to these leases. The financial statements do, however, reflect a capital lease receivable from the University for the anticipated amounts to be received pursuant to these leases. The paragraphs that follow discuss the key provisions and terms of the above described leases.

The Parking Facility Capital Lease - This lease is for the use of a parking facility constructed by the Foundation. The lease was amended in December 2015 to provide for a primary term of five years with automatic renewals for successive one-year terms unless either party submits an advance written notice of termination. The primary term of this agreement expires November 30, 2020, if not renewed. The parking facility becomes the property of the University at the end of the lease with a final lease payment equal to the outstanding debt on the structure. Rental payments are equal to the debt service requirements as they become due. The total debt required to finance the project was \$15,000,000. As of June 30, 2016, the remaining principal payments on the associated debt are \$12,074,501, which amount is reflected as a capital lease receivable from the University. Subsequent to June 30, 2016, the outstanding debt on the parking facility was transferred to the University Educational Building Corporation (UMEBC), thereby terminating the lease. In conjunction with this event, title to the parking facility was transferred to the UMEBC. The Foundation remains co-obligor on the debt with the University as the guarantor.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 15 CAPITAL LEASES RECEIVABLE (CONTINUED)

The Pavilion at Ole Miss - This lease is for the use of an arena constructed by the Foundation. The lease provides for a primary term of five years and will automatically renew for successive one-year terms unless either party submits an advance written notice of termination. The primary term of the lease expires November 30, 2018, if not renewed. The arena becomes the property of the University at the end of the lease with a final lease payment equal to the outstanding debt on the structure. Rental payments are equal to the debt service requirements as they become due. The total debt required to finance the project was \$75,000,000. As of June 30, 2016, the remaining principal payments on the associated debt are \$73,677,229, which amount is reflected as a capital lease receivable from the University. Subsequent to June 30, 2016, the outstanding debt on the arena was transferred to the University Educational Building Corporation (UMEBC), thereby terminating the lease. In conjunction with this event, title to the arena was transferred to the UMEBC. The Foundation remains co-obligor on the debt with the University as the guarantor.

The future annual receipts related to the capital lease receivable at June 30, 2016, are as follows:

| Year Ending June 30, | Capital Leases |
|------------------------------------|-------------------|
| 2017 | \$ 5,711,155 |
| 2018 | 5,698,014 |
| 2019 | 70,952,550 |
| 2020 | 1,030,845 |
| 2021 | 8,525,142 |
| Subtotal | 91,917,706 |
| Less: amount representing interest | 6,165,976 |
| Total | \$ 85,751,730 |

NOTE 16 RELATED PARTY

In June 2014, the Foundation entered into a lease for commercial office space with a third party landlord, a company in which a member of the board of governors of the Foundation has an interest. The term of the lease is for eleven years and commenced on July 1, 2014. The agreement calls for monthly payments of \$17,880. The board member excused himself from all proceedings and did not participate in the decision in any way. Additionally, the board member donated materials in the amount of \$56,672 to the construction of the office space during the year ended June 30, 2015.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 17 NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended June 30, 2016 and 2015, temporarily restricted net assets were released from restrictions for the following purposes:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Support for sports programs | \$ 897,743 | \$ 635,103 |
| Facility improvements | 14,039,986 | 19,239,968 |
| Interest expense | 907,503 | 567,239 |
| Operating costs allocated to restricted expenses | 2,390,683 | 1,196,274 |
| Principal payments on capital debt | 3,260,370 | - |
| | <u>\$ 21,496,285</u> | <u>\$ 21,638,584</u> |

NOTE 18 RETIREMENT PLAN

The Foundation sponsors a SEP IRA plan for all employees. The Foundation makes a contribution to the Plan each year equal to 15.75% of each employee's compensation up to maximum prescribed by the Internal Revenue Service. The expense incurred by the Foundation for the years ended June 30, 2016 and 2015 was \$130,340 and \$128,505, respectively.

The Foundation also sponsors a 403b Plan for employee deferrals only.

NOTE 19 RECLASSIFICATIONS

The statements of activities for the years ended June 30, 2016 and 2015, reflect reclassifications described as follows:

| | |
|--|----------------------|
| <u>Reclassifications - 2016</u> | |
| Long-term debt transferred to unrestricted | <u>\$ 15,120,344</u> |
| <u>Reclassifications - 2015</u> | |
| Restricted cash for team restricted accounts at July 1, 2014 | <u>\$ 448,020</u> |

NOTE 20 LITIGATION

The Foundation is named as a defendant, along with other parties, in a lawsuit in connection with the construction of the parking garage, by a subcontractor on the project. In response to the complaint, the general contractor filed a counterclaim against the subcontractor and a cross-claim against the Foundation and the other parties to the lawsuit. The architect has also filed a cross-claim. The Court has set a trial date for July 24, 2017. At this point, the Foundation intends to vigorously contest the claims which have been brought against it and pursue any claims it may have against other parties. An estimate of any possible loss cannot be made at this time.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 21 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

During the year ended June 30, 2016, corrections were identified that affect the beginning net assets as of July 1, 2015, and the amounts reported in financial statements as of and for the year ended June 30, 2015. The corrections are noted as follows:

Accounting for Capital Leases

As described in Note 15, the Foundation is party to capital leases with the University associated with the parking facility and arena. Previously, these leases were accounted for as conventional capital leases whereby a receivable was recorded on the Foundation's financial statements equal to the net present value of the anticipated lease payments to be received over the term of the lease. The assets under construction were not recorded on the Foundation's books, except to the extent that construction costs exceeded the lease receivable. At the expiration or termination of the lease, it was anticipated that the assets representing the excess construction costs would be transferred to the University and expensed as support for the athletic department. As a counterparty to these lease agreements, the University was following similar, but reciprocal accounting. During the year ended June 30, 2016, the Foundation's management discovered that certain provisions of GAAP indicate that the University should have been considered the owner of the construction projects from their inception. Accordingly, the entire amount of the constructed assets should have been recorded on the University's financial statements and excluded from those of the Foundation, and any construction costs in excess of the lease receivable should have been expensed as athletic department support. Adjustments were made to the financial statements to remove the assets from the Foundation's books and record additional expense for Support for Athletic Department Activities.

Accounting for Irrevocable Trust

During 2016, the Foundation was notified of its interest in an irrevocable charitable remainder unitrust. Per the trust agreement, the principal is permanently restricted and therefore should have been recorded as permanently restricted net assets. An adjustment was recorded to the financial statements to properly reflect the beginning balance of permanently restricted net assets at July 1, 2015, as well as to properly reflect the value of this trust in the June 30, 2015 financial statements.

Cash Surrender Value of Life Insurance

During 2016, the Foundation discovered that it was the owner and beneficiary of a life insurance policy that had previously not be reflected in the financial statements. An adjustment was recorded to reflect the cash surrender value of this life insurance policy in the June 30, 2015 financial statements.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 21 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS
(CONTINUED)

The above described restatements had the following effects on the 2015 statement of financial position:

| | As Previously Reported | As Restated | Change |
|--|-----------------------------------|------------------------|---------------|
| Capital Lease Receivable, net | \$ 49,356,229 | \$ 50,008,003 | \$ 651,774 |
| of current portion | | | |
| Construction in Progress | 22,454,970 | - | (22,454,970) |
| Charitable Trust | - | 1,405,850 | 1,405,850 |
| Cash Surrender Value of Life Insurance | - | 320,486 | 320,486 |
| Other Assets | 503,697 | 474,560 | (29,137) |
| Net Assets: | | | |
| Unrestricted | 20,156,133 | 20,447,482 | 291,349 |
| Temporarily Restricted | 38,769,725 | 16,958,958 | (21,810,767) |
| Permanently Restricted | 32,761 | 1,446,182 | 1,413,421 |

The above described restatements had the following effects on the amounts reported as attributable to unrestricted net assets in the 2015 statement of activities:

| | As Previously Reported | As Restated | Change |
|--|-----------------------------------|------------------------|---------------|
| Other Revenue (Expenses) | \$ 1,060,244 | \$ 1,288,739 | \$ 228,495 |
| Net Assets Released from Restrictions | 6,428,123 | 21,638,584 | 15,210,461 |
| Support for Athletic Department Activities | 12,907,167 | 14,382,595 | 1,475,428 |
| Support for Sports Programs and Other | | | |
| Restricted Expenses | 6,428,123 | 21,638,584 | 15,210,461 |
| General and Administrative Expenses | 3,548,342 | 2,010,060 | (1,538,282) |
| Increase in Net Assets | 4,459,753 | 4,751,102 | 291,349 |

The above described restatements had the following effects on the amounts reported as attributable to temporarily restricted net assets in the 2015 statement of activities:

| | As Previously Reported | As Restated | Change |
|---------------------------------------|-----------------------------------|------------------------|---------------|
| Other Revenue (Expenses) | \$ 157,792 | \$ 213,075 | \$ 55,283 |
| Net Assets Released from Restrictions | (6,428,123) | (21,638,584) | (15,210,461) |
| Increase (Decrease) in Net Assets | 7,638,073 | (7,517,105) | (15,155,178) |
| Net Assets at Beginning of Year | 30,682,832 | 24,027,243 | (6,655,589) |

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 21 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS
(CONTINUED)

The above described restatements had the following effects on the amounts reported as attributable to permanently restricted net assets in the 2015 statement of activities:

| | <u>As Previously Reported</u> | <u>As Restated</u> | <u>Change</u> |
|-----------------------------------|-----------------------------------|------------------------|---------------|
| Other Revenue (Expenses) | \$ - | \$ (44,569) | \$ (44,569) |
| Increase (Decrease) in Net Assets | - | (44,569) | (44,569) |
| Net Assets at Beginning of Year | 32,761 | 1,490,751 | 1,457,990 |

NOTE 22 SUBSEQUENT EVENT

On September 30, 2016, the Foundation closed on a loan for \$8,000,000. The line is for a period of eighteen months to be used for the construction of an indoor tennis facility. The terms of the line of credit are interest only for eighteen months converting to permanent financing with principal and interest for nine and one half years beginning May 1, 2018. Collateral for this loan is a leasehold deed of trust between the University and the Foundation. On May 1, 2018, the Foundation plans to assign all rights to the University. At that point, the University would become the sole obligor of the debt relieving the Foundation of all obligations.

SUPPLEMENTARY INFORMATION

OLE MISS ATHLETICS FOUNDATION
Schedules of Revenues
Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Unrestricted Membership Contributions: | | |
| Baseball Memberships | \$ 1,307,442 | \$ 2,321,574 |
| Basketball Memberships | 1,676,846 | 1,902,829 |
| Football Memberships | 17,288,943 | 15,376,801 |
| General Memberships | 414,874 | 253,814 |
| Total Unrestricted Membership Contributions | <u>20,688,105</u> | <u>19,855,018</u> |
| Temporarily Restricted Contributions: | | |
| Baseball | 92,858 | 223,721 |
| Capital Gift Agreements - Basketball | 536,574 | 1,085,723 |
| Capital Gift Agreements - Football | 1,258,001 | 3,935,280 |
| Football | 163,368 | 245,524 |
| Football Fantasy Camp | 106,550 | 98,150 |
| Forward Together - Other | 151,274 | 93,119 |
| Forward Together - Vaught Society | 28,094,711 | 7,949,133 |
| Grove Tent Vendors | 62,533 | - |
| LaPorte Memorial Fund | 20,472 | - |
| Marketing Crowdfunding | 398,380 | - |
| Men's Basketball | 39,801 | 28,225 |
| Men's Golf | 30,650 | 1,900 |
| Other Capital Improvements | 153,699 | 176,416 |
| Spirit Squads | 11,790 | 28,121 |
| Strength and Conditioning | - | 395 |
| Tennis | 22,860 | - |
| Track | 370 | 740 |
| Women's Athletics | 250 | 1,273 |
| Women's Basketball | 24,389 | 7,744 |
| Women's Golf | 11,340 | 15,125 |
| Women's Rifle | 633 | 665 |
| Women's Soccer | 21,440 | 14,250 |
| Women's Softball | 4,625 | 2,500 |
| Women's Volleyball | 5,250 | 400 |
| Total Contributions to Temporarily Restricted Net Assets | <u>31,211,818</u> | <u>13,908,404</u> |

OLE MISS ATHLETICS FOUNDATION
Schedules of Revenues
Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Other Unrestricted Revenue: | | |
| Interest Income | 5,360 | 5,580 |
| Dividend Income | 12 | 640 |
| Realized / Unrealized Gains (Losses) | (10,390) | (143,554) |
| Gain (Loss) on Sale of Assets | (45,950) | - |
| Sponsorship Income | - | 147,920 |
| RV Parking | 125,850 | 112,272 |
| Other Income | 168,136 | 535,513 |
| Gifts in Kind | 442,509 | 630,368 |
| Total Other Unrestricted Revenue | 685,527 | 1,288,739 |
| Other Temporarily Restricted Revenue | | |
| Gifts in Kind | 100,000 | 147,043 |
| Interest Income | 3,540 | 15,025 |
| Potts Trust | 65,898 | 62,854 |
| Realized/Unrealized Gains (Losses) | (10,752) | (11,847) |
| Total Other Temporarily Restricted Revenue | 158,686 | 213,075 |
| Other Permanently Restricted Revenue | | |
| Endowment Gift | 6,500 | - |
| Net Investment Income | 77,455 | 80,298 |
| Realized/Unrealized Gains (Losses) | (52,081) | (43,052) |
| Net Investment Expenses | (107,447) | (81,815) |
| Total Other Permanently Restricted Revenue | (75,573) | (44,569) |
| Total Revenue | \$ 52,668,563 | \$ 35,220,667 |

OLE MISS ATHLETICS FOUNDATION
Schedules of Expenses
Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| General and Administrative Expenses: | | |
| Accounting | \$ 39,380 | \$ 45,863 |
| Advertising and Promotional | 72,429 | 57,642 |
| Annual Report | 10,260 | 12,000 |
| Auto | 34,625 | 31,170 |
| Benefit Fulfillment | 3,460 | 16,080 |
| Consulting | - | 15,000 |
| Depreciation | 39,833 | 8,181 |
| Donations and Sponsorships | 49,642 | 9,231 |
| Dues and Subscriptions | 30,627 | 22,288 |
| Employee Benefits | 169,995 | 166,860 |
| Gifts | 75,489 | 105,807 |
| Insurance | 99,438 | 84,075 |
| Off-Campus Property | 15,199 | 11,238 |
| Office | 105,047 | 86,979 |
| Other | 5,954 | 2,445 |
| Personnel | 1,109,334 | 1,089,011 |
| Philanthropic Events and Cultivation | 117,186 | 120,674 |
| Postage | 35,857 | 43,039 |
| Telephone | 24,474 | 25,332 |
| Travel | 88,743 | 57,145 |
| Total General and Administrative Expenses | <u>2,126,972</u> | <u>2,010,060</u> |
| Support For Athletics Department Activities: | | |
| Academic Services | 2,972 | 4,187 |
| Athletics Director | 168,399 | 146,332 |
| Auto | 107,827 | 107,982 |
| Post Season | 15,281 | 50,221 |
| Consulting | 42,000 | 58,337 |
| Credit Card Fees | 530,222 | 417,193 |
| Depreciation | 429,837 | 1,538,282 |
| Football | 6,366 | 6,196 |
| Gifts in Kind Expense | 567,509 | 605,368 |
| Insurance | 98,137 | 148,597 |
| Interest | 1,573,580 | - |
| Legal | 856,153 | 157,243 |

OLE MISS ATHLETICS FOUNDATION
Schedules of Expenses
Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|--|-------------|-------------|
| Support For Athletics Department Activities: (Continued) | | |
| Marketing | 13,235 | 6,039 |
| Media Relations | 78,363 | 99,265 |
| Men's Basketball | 1,470 | 1,943 |
| Off-Campus Property | 7,648 | 6,186 |
| Office | 7,688 | 5,809 |
| Other | 1,075 | 52 |
| Personnel | 8,220,991 | 6,689,233 |
| Priority Seating and Gameday | 1,547,943 | 1,120,561 |
| Provision for Uncollectible Pledges | 251,708 | 86,742 |
| RV Parking | 34,574 | 46,013 |
| Scholarships and Support | 910,789 | 3,902,679 |
| Special Events | 2,988 | 2,793 |
| Telephone | 21,529 | 178,569 |
| Ticketing and Technology | 141,226 | 161,275 |
| Travel and Entertainment | 38,605 | 25,112 |
| Women's Athletics | 7,828 | 6,660 |
| Operating Costs Allocated to Restricted Expenses | (2,390,683) | (1,196,274) |
| Total Support for Athletics Department Activities | 13,295,260 | 14,382,595 |
| Support for Sports Programs: | | |
| Athletics Director | 13,609 | - |
| Baseball | 50,099 | 210,517 |
| Football | 285,082 | 176,833 |
| Football Fantasy Camp | 103,873 | 39,145 |
| Grove Tent Vendors | 24,482 | - |
| LaPorte Memorial Fund | 22,402 | - |
| Marketing Crowdfunding | 84,076 | - |
| Men's Basketball | 25,978 | 80,841 |
| Men's Golf | 113,404 | 5,305 |
| Men's Tennis | 21,230 | - |
| Scholarships | 65,898 | 62,854 |
| Spirit Squads | 3,516 | 23,415 |

OLE MISS ATHLETICS FOUNDATION
Schedules of Expenses
Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|--|---------------|---------------|
| Support for Sports Programs: (Continued) | | |
| Strength and Conditioning | - | 11,130 |
| Track | 6,285 | - |
| Women's Administration | 947 | 2,731 |
| Women's Basketball | 26,390 | 2,473 |
| Women's Golf | 33,574 | 11,243 |
| Women's Rifle | 368 | 279 |
| Women's Soccer | 11,530 | 5,746 |
| Women's Softball | 4,899 | 2,426 |
| Women's Tennis | 50 | 29 |
| Women's Volleyball | 51 | 136 |
| Total Support for Sports Programs | 897,743 | 635,103 |
| Other Restricted Expenses: | | |
| Facility Improvements | 14,039,986 | 19,239,968 |
| Interest Expense | 907,503 | 567,239 |
| Operating Costs Allocated to Restricted Expenses | 2,390,683 | 1,196,274 |
| Total Other Restricted Expenses | 17,338,172 | 21,003,481 |
| Net Assets Released from Restrictions for Expenses | 18,235,915 | 21,638,584 |
| Total Expenses | \$ 33,658,147 | \$ 38,031,239 |