

**OLE MISS ATHLETICS FOUNDATION**

**Audited Financial Statements**

**Years Ended June 30, 2018 and 2017**

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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, 2018 and 2017, 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 audits 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 auditors' 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, 2018 and 2017, 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.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and schedules of expenses on pages 22 through 26 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 Puc*

Ridgeland, Mississippi  
October 2, 2018

**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and Cash Equivalents	\$ 2,874,165	\$ 2,218,494
Cash Restricted to Investment in Property and Equipment	3,059,331	6,013,547
Investments	10,714,865	8,670,101
UM Foundation Accounts Receivable	519,188	518,383
Pledges Receivable, Current Portion	6,440,501	7,738,325
CGA Pledges Receivable, Net	180,697	237,271
Membership Receivable	4,454,044	5,468,009
Other Receivables	801,985	11,915
Prepaid Expenses	83,737	109,565
<b>Total Current Assets</b>	<b>29,128,513</b>	<b>30,985,610</b>
Long-Term Pledges Receivable, Net	14,207,107	15,729,932
<b>Total Long-Term Receivables</b>	<b>14,207,107</b>	<b>15,729,932</b>
Charitable Trust	1,413,103	1,387,562
Construction in Progress	-	6,228,769
Property and Equipment, Net	27,237,374	28,998,036
Other Assets	25,000	25,000
Cash Surrender Value of Life Insurance	415,884	437,131
<b>Total Assets</b>	<b>\$ 72,426,981</b>	<b>\$ 83,792,040</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Current Installments of Long-Term Debt	\$ 18,900,665	\$ 3,265,613
Accounts Payable	1,733,434	1,272,212
Payroll and Taxes Payable	119,702	104,572
Deferred Liability	470,000	-
Payable to UM Athletics Department	4,854,595	691,819
<b>Total Current Liabilities</b>	<b>26,078,396</b>	<b>5,334,216</b>
Long-Term Debt, Net of Current Installments	8,189,671	30,976,561
Deferred Liability	-	370,000
Deferred Revenue	901,350	-
<b>Total Liabilities</b>	<b>35,169,417</b>	<b>36,680,777</b>
Net Assets		
Unrestricted	23,217,400	20,456,980
Temporarily Restricted	12,550,306	25,196,854
Permanently Restricted	1,489,858	1,457,429
<b>Total Net Assets</b>	<b>37,257,564</b>	<b>47,111,263</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 72,426,981</b>	<b>\$ 83,792,040</b>

The Notes to Financial Statements are an integral part of these statements.

**OLE MISS ATHLETICS FOUNDATION**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>				
Membership Contributions	\$ 20,526,827	\$ -	\$ -	\$ 20,526,827
Other Contributions	-	8,500,435	-	8,500,435
Other Revenues (Expenses)	1,700,991	163,911	32,429	1,897,331
Net Assets Released from Restrictions	21,310,894	(21,310,894)	-	-
<b>Total Revenues and Support</b>	<u>43,538,712</u>	<u>(12,646,548)</u>	<u>32,429</u>	<u>30,924,593</u>
<b>Expenses</b>				
Program Expenses				
Support for Athletics Department Activities	20,501,612	-	-	20,501,612
Support for Sports Programs and Other Restricted Expenses	18,139,339	-	-	18,139,339
General and Administrative Expenses	2,137,341	-	-	2,137,341
<b>Total Expenses</b>	<u>40,778,292</u>	<u>-</u>	<u>-</u>	<u>40,778,292</u>
<b>Increase (Decrease) in Net Assets</b>	2,760,420	(12,646,548)	32,429	(9,853,699)
<b>Net Assets at Beginning of Year</b>	<u>20,456,980</u>	<u>25,196,854</u>	<u>1,457,429</u>	<u>47,111,263</u>
<b>Net Assets at End of Year</b>	<u>\$ 23,217,400</u>	<u>\$ 12,550,306</u>	<u>\$ 1,489,858</u>	<u>\$ 37,257,564</u>

**OLE MISS ATHLETICS FOUNDATION**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support				
Membership Contributions	\$ 21,093,372	\$ -	\$ -	\$ 21,093,372
Other Contributions	-	8,689,813	-	8,689,813
Other Revenues (Expenses)	969,597	164,751	86,820	1,221,168
Net Assets Released from Restrictions	<u>25,611,231</u>	<u>(25,611,231)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Support</b>	<u>47,674,200</u>	<u>(16,756,667)</u>	<u>86,820</u>	<u>31,004,353</u>
Expenses				
Program Expenses				
Support for Athletics Department Activities	16,709,712	-	-	16,709,712
Support for Sports Programs and Other Restricted Expenses	22,769,042	-	-	22,769,042
General and Administrative Expenses	<u>2,277,374</u>	<u>-</u>	<u>-</u>	<u>2,277,374</u>
<b>Total Expenses</b>	<u>41,756,128</u>	<u>-</u>	<u>-</u>	<u>41,756,128</u>
<b>Increase (Decrease) in Net Assets</b>	5,918,072	(16,756,667)	86,820	(10,751,775)
<b>Net Assets at Beginning of Year</b>	<u>14,538,908</u>	<u>41,953,521</u>	<u>1,370,609</u>	<u>57,863,038</u>
<b>Net Assets at End of Year</b>	<u>\$ 20,456,980</u>	<u>\$ 25,196,854</u>	<u>\$ 1,457,429</u>	<u>\$ 47,111,263</u>

**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ (9,853,699)	\$ (10,751,775)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	1,767,930	1,677,345
Provision for Uncollectible Pledges Restricted for Long-Term Purposes	(237,799)	(345,894)
Amortization of Discount on Pledges Restricted for Long-Term Purposes	92,527	(164,725)
Contributions Restricted for Long-Term Purposes	(6,380,876)	(4,660,582)
Net Athletic Facilities Transferred to the University	6,669,084	-
Unrealized and Realized Gain/Loss on Sale of Investments	133,789	(112,395)
Cash Surrender Value of Life Insurance	21,247	(95,529)
(Increase) decrease in:		
UM Foundation Accounts Receivable	(805)	35,222
Pledges Receivable	98,650	180,000
CGA Pledge Receivable	(23,247)	(71,254)
Membership Receivable	1,013,965	(308,108)
Prepaid and Other Assets	(764,242)	547,540
Increase (decrease) in:		
Accounts Payable	461,222	(829,233)
Other Current Liabilities	15,130	10,865
Deferred Liabilities	100,000	130,000
Deferred Revenue	901,350	-
Support Payable to Athletics Department	4,162,776	(4,648,945)
<b>Net Cash Used in Operating Activities</b>	<u>(1,822,998)</u>	<u>(19,407,468)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from Sale of Investments	2,335,032	604,466
Purchases of Property and Equipment and Construction in Progress	(8,447,583)	(8,771,378)
Purchase of Investments	(4,540,612)	(9,078,507)
<b>Net Cash Used in Investing Activities</b>	<u>(10,653,163)</u>	<u>(17,245,419)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions Restricted for Long-Term Purposes	9,329,454	9,133,640
Proceeds from Long-Term Debt	4,019,717	6,662,977
Payments on Long-Term Debt	(3,171,555)	(2,842,189)
Payment of Deferred Financing Costs	-	(59,044)
<b>Net Cash Provided by Financing Activities</b>	<u>10,177,616</u>	<u>12,895,384</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(2,298,545)</u>	<u>(23,757,503)</u>
<b>Cash and Cash Equivalents, at Beginning of Year</b>	<u>8,232,041</u>	<u>31,989,544</u>
<b>Cash and Cash Equivalents, at End of Year</b>	<u>\$ 5,933,496</u>	<u>\$ 8,232,041</u>



**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash and Cash Equivalents, at End of Year</b>		
Cash and Cash Equivalents	\$ 2,874,165	\$ 2,218,494
Cash Restricted to Investment and Property	3,059,331	6,013,547
	\$ 5,933,496	\$ 8,232,041
<b>Supplemental Disclosures of Cash Flow Information</b>		
<b>Cash Paid For</b>		
Interest, Including Capitalized Interest; 2018, \$130,433, 2017, \$1,457	\$ 3,263,050	\$ 2,984,558
<b>Non-Cash Investing and Financing Activities</b>		
Bond Payable and Capital Lease Transferred to UMEBC	\$ -	\$ 85,751,730
Athletic Facilities Transferred to the University	\$ 14,669,084	\$ -
Notes Payable Transferred to the University	(8,000,000)	-
Net Athletic Facilities Transferred to the University	\$ 6,669,084	\$ -

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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**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. The currently effective bylaws were amended and restated October 19, 2017. 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. The agreement currently in effect commenced on January 1, 2018 and expires on December 31, 2023, if not renewed. Among other terms, the affiliation agreement calls for the Foundation and the Athletics Department to agree on an amount of financial support for scholarships, facilities, compensation, and other support provided by the Foundation each year.

**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, 2018 and 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Classification of Net Assets (Continued)

Permanently Restricted Net Assets as of June 30, 2018 and 2017, are restricted to:

	<u>2018</u>	<u>2017</u>
Investments in perpetuity the income from which is expendable to support:		
Football, basketball, and women's athletics	\$ 76,755	\$ 69,866
Scholarships	<u>1,413,103</u>	<u>1,387,563</u>
Total	<u>\$ 1,489,858</u>	<u>\$ 1,457,429</u>

Temporarily Restricted Net Assets as of June 30, 2018 and 2017, are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Forward Together Campaign	\$ 11,850,079	\$ 24,774,674
Sports Programs	699,720	420,712
Other	<u>507</u>	<u>1,468</u>
Total	<u>\$ 12,550,306</u>	<u>\$ 25,196,854</u>

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, 2018 and 2017**

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**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, 2018 and 2017, respectively. If interest and penalties are incurred related to uncertain tax positions, such amounts are recognized as income tax expense in the statement activities. As of June 30, 2018, periods for tax years 2017, 2016, and 2015 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, 2018, 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, 2018 and 2017**

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**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, equity securities, fixed income, 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 seasons. This unconditional revenue is restricted for the Forward Together capital campaign. A portion of the seating annual donation and capital gift agreement revenue is recognized in the period the pledge is made and the remainder is recognized when the payments are received. For annual donation revenue, the amount recognized when received often corresponds with the year in which the sport season occurs. Unconditional contributions not tied to seating are recognized in full when the pledge is made. Other unpledged revenue is recognized in the period received.

The Tax Cuts and Jobs Acts amended Internal Revenue Code Section 170(l) that previously allowed for up to an 80% charitable deduction for donations to or for the benefit of an institution of higher learning that resulted, directly or indirectly, in the right to purchase tickets for seating in an athletic venue of such institution, to no longer allow such a deduction. This amendment was signed into law in December 2017 and went into effect January 1, 2018. The Foundation implemented the change as of January 1, 2018, and began receipting the total amount of donations of this type as non-charitable.

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, 2018 and 2017**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Property and Services

Donations of real property received 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 did not receive donated real property during the years ended June 30, 2018 or 2017.

Donations of personal property received, 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, 2018 and 2017, \$350,880 and \$446,239, respectively, were recognized as contributions from donated personal property.

Donated services received 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, 2018 and 2017, \$253,891 and \$227,635, 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 the statements of financial position at \$1,413,103 and \$1,387,562, as of June 30, 2018, and 2017, respectively.

Advertising

Advertising costs are expensed as incurred and include annual priority seating information, promotional items for members, listings in gameday programs, and other marketing material related to Foundation memberships and donations. Advertising expenses for 2018 and 2017, were \$64,546 and \$51,906, respectively.

Subsequent Events

Management has evaluated subsequent events through October 2, 2018, the date the financial statements were available to be issued.

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 3 ACCOUNTS RECEIVABLE**

UM Foundation Receivable

Cash contributions are 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. Receivable balances from the UM Foundation of \$14,328 and \$4,640 at June 30, 2018 and 2017, respectively, represent amounts to be received in the beginning of fiscal years 2018 and 2017, respectively.

The remaining receivable balance of \$504,860 and \$513,743 at June 30, 2018 and 2017, from the UM Foundation, represents land and other interests contributed to the Foundation to be sold.

Other Receivables

The Foundation has included in other income and other receivables at June 30, 2018, \$754,836 as the net proceeds of the settlement the Foundation was awarded from the Deepwater Horizon Economic and Property Damages Class Action case stemming from the BP/Deepwater Horizon disaster in 2010. The settlement will be received in April 2019.

**NOTE 4 PLEDGES RECEIVABLE**

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2018, 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.

A summary of the pledges receivable as of June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Receivable in one year	\$ 6,623,023	\$ 7,975,596
Receivable in one to five years	14,008,099	16,907,490
Receivable in more than five years	2,605,500	1,376,032
	<u>\$ 23,236,622</u>	<u>\$ 26,259,118</u>
Unrestricted Pledges Receivable	\$ 215,000	\$ 313,650
Temporarily Restricted Pledges Receivable	23,021,622	25,945,468
	23,236,622	26,259,118
Less: Allowance for Doubtful Pledges Receivable	<u>(1,846,153)</u>	<u>(2,083,953)</u>
	21,390,469	24,175,165
Less: Unamortized Discount (2.73% and 1.96% at June 30, 2018 and 2017, respectively)	<u>(562,164)</u>	<u>(469,637)</u>
Net Pledges Receivable	<u>\$ 20,828,305</u>	<u>\$ 23,705,528</u>

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**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, 2018 and 2017:

2018	Level 1	Level 2	Level 3	Total
Equity and Futures	\$ 364,520	\$ -	\$ -	\$ 364,520
Fixed Income	10,190,203	-	-	10,190,203
Pooled Investments -				
UM Foundation	76,755	-	-	76,755
Other Investments	82,878	-	509	83,387
Total Investments	10,714,356	-	509	10,714,865
Charitable Trust	1,413,103	-	-	1,413,103
	<u>\$ 12,127,459</u>	<u>\$ -</u>	<u>\$ 509</u>	<u>\$ 12,127,968</u>
2017	Level 1	Level 2	Level 3	Total
Equity and Futures	\$ 360,834	\$ -	\$ -	\$ 360,834
Fixed Income	8,191,717	-	-	8,191,717
Pooled Investments -				
UM Foundation	69,866	-	-	69,866
Other Investments	46,216	-	1,468	47,684
Total Investments	8,668,633	-	1,468	8,670,101
Charitable Trust	1,387,562	-	-	1,387,562
	<u>\$ 10,056,195</u>	<u>\$ -</u>	<u>\$ 1,468</u>	<u>\$ 10,057,663</u>

**NOTE 6 PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2018 and 2017 is as follows:

	2018	2017
Office Equipment and Furniture	\$ 52,574	\$ 83,845
Automobiles	180,180	180,180
Manning Center	30,778,778	30,778,778
Video Boards and Audio	10,925,403	10,918,135
Condominium	154,885	154,885
	<u>42,091,820</u>	<u>42,115,823</u>
Less Accumulated Depreciation	<u>(14,854,446)</u>	<u>(13,117,787)</u>
Property and Equipment	<u>\$ 27,237,374</u>	<u>\$ 28,998,036</u>

Construction in progress at June 30, 2018 and 2017 of \$-0- and \$6,228,769, respectively, consisted of expenditures for the Jake Gibbs Letterwinners Walk and Lloyd Bell Tower and the indoor tennis facility. The construction of the athletics facilities in progress at June 30, 2017 was completed during 2018, and the facilities were transferred to the University.



**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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**NOTE 6 PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense for the years 2018 and 2017 totaled \$1,767,930 and \$1,677,345, respectively. The Manning Center, video boards, and audio systems are currently pledged as collateral on indebtedness.

**NOTE 7 UM ATHLETICS DEPARTMENT PAYABLE**

In addition to support throughout the year for Athletics Department activities and sports programs, the Foundation is committed to providing a year-end supplement for scholarships and other operating needs of the Athletics Department. For the fiscal years ended June 30, 2018 and 2017, the year-end support amounts planned were \$3,062,244 and \$1,764,349, respectively. These amounts were not requested by the Athletics Department and were not accrued, but were placed in a reserve account held by the Foundation.

As a supplement for facilities improvements, the Foundation had a payable of \$4,854,595 and \$691,819 at June 30, 2018 and 2017, respectively, to the Athletics Department.

**NOTE 8 LONG-TERM DEBT**

	2018	2017
<p>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.</p>	\$ 17,973,990	\$20,205,418
<p>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 were a non-revolving line of credit phase. The line of credit became a permanent term loan on November 5, 2016, with a maturity date of November 5, 2025, and with an interest rate equal to a 30 day Libor plus 100 basis points floating. The interest rate was 2.2% at June 30, 2017. Collateral for the loan includes all equipment and property purchased with monthly loan proceeds and a pledge of revenues.</p>	9,116,346	10,056,473

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

	2018	2017
On September 30, 2016, the Foundation obtained a loan to finance construction of an indoor tennis facility in the amount of \$8,000,000. The first eighteen months of the loan term are a non-revolving line of credit phase. The line of credit will convert to a permanent term loan on April 1, 2018, with a maturity date of September 30, 2027, and with interest accruing at a fixed rate of 2.745%. The loan is secured by revenue streams specific to the tennis facility. After completion of construction in February 2018, the Foundation assigned its rights and obligations and transferred the asset to the University of Mississippi Educational Building Corporation (UMEBC).		
Total notes payable	27,090,336	34,242,174
Current installments of long-term debt	18,900,665	3,265,613
Long-term debt excluding current installments	\$ 8,189,671	\$30,976,561

A summary of the debt maturities is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 18,900,665
2020	951,438
2021	976,862
2022	1,002,966
2023	1,029,767
Thereafter	4,228,638
	\$ 27,090,336

**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. Funds that amounted to \$4,141,078 and \$3,771,430 at June 30, 2018 and 2017, respectively, are managed by the UM Foundation and are not included in these financial statements. Funds that amounted to \$76,755 and \$69,866 at June 30, 2018 and 2017, respectively, are managed by the UM Foundation and are included in investments.

**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, 2018 and 2017 was \$415,884 and \$437,131, respectively.

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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**NOTE 11 CONCENTRATIONS OF CREDIT RISK**

The total cash held by the Foundation at June 30, 2018 and 2017 included \$5,092,525 and \$7,231,641, 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, and the Foundation subleases the Manning Center back to the University for operations at a net cost of zero. During construction of the Jake Gibbs Letterwinners Walk and Lloyd Bell Tower and the indoor tennis facility, the Foundation leased the land for construction from the University.

In August 2016, the Foundation entered into 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.

In April 2017, the Foundation entered into a dry lease agreement for private airplane usage. The initial term was for one year, and thereafter went to a month-to-month basis. Lease payments are based on hourly usage, and there is no minimum requirement other than the days the aircraft is occupied by the Foundation, at which time the minimum is two hours per day.

Rental expenses for these leases amounted to \$341,163 in fiscal year 2018 and \$262,063 in fiscal year 2017.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2018 are:

<u>Year Ending June 30,</u>	
2019	\$ 231,146
2020	221,062
2021	218,750
2022	214,565
	<u>\$ 885,523</u>

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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**NOTE 13 COMMITMENTS**

Pursuant to its affiliation agreement with the University, the Foundation and the Athletics Department agree on an amount of support provided by the Foundation each year. In the absence of an agreed upon amount in any given year, the Foundation will provide a minimum of \$8 million, per the terms of the affiliation agreement.

As part of annual support, 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, 2018 and 2017, was \$6,622,780 and \$7,209,583, respectively. The amount expected to be paid in fiscal year 2019 exceeds \$8,889,000. 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 ended June 30, 2018 and 2017, was \$4,702,826 and \$722,015, respectively. The amount expected to be paid in fiscal year 2019 is \$420,000.

The Foundation has committed to provide a year-end supplement for scholarships and other operating needs of the Athletics Department in the amount of \$5,477,748 for the fiscal year ending June 30, 2019. The Foundation has also committed to provide financial support for specific projects undertaken for constructing and improving Athletics facilities.

**NOTE 14 CONTINGENT LIABILITY**

The UMEBC and Foundation are co-obligors on indebtedness on the Pavilion at Ole Miss and a parking facility, both of which are owned by the UMEBC. Construction of these facilities and the related bond financing were arranged and subsidized by the Foundation. In July 2016, ownership of the facilities transferred to the UMEBC. The capital leases that were in place between the Foundation and the University were terminated at the time of transfer. As the assets for the indebtedness belong to the UMEBC and are recorded on its financial statements, the indebtedness is similarly recorded on the UMEBC's financial statements and not on the Foundation's. Should the UMEBC fail to make the required debt service payments, the Foundation would be obligated to satisfy the indebtedness. At June 30, 2018, the outstanding debt on the Pavilion at Ole Miss was \$69,199,381 and the outstanding debt on the parking facility was \$10,350,000. As part of the Foundation's mission for the Athletics Department, the Foundation provides funds to the University for the debt service payments on this indebtedness. Such payments are expensed in the accompanying statements of activities as support for sports programs and other restricted expenses.

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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**NOTE 15 RESTRICTED EXPENSES ALLOCATED**

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 \$2,899,796 and \$2,028,820 were used for the years ended June 30, 2018 and 2017, respectively. A portion of annual seating donations in newly constructed areas goes toward paying for the cost of the facility construction. That amount for the year ended June 30, 2018 was \$3,086,239, forming the net restricted expenses allocated of \$186,443 for the year ended June 30, 2018.

**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.

**NOTE 17 NET ASSETS RELEASED FROM RESTRICTIONS**

For the years ended June 30, 2018 and 2017, temporarily restricted net assets were released from restrictions for the following purposes:

	<u>2018</u>	<u>2017</u>
Support for sports programs	\$ 400,254	\$ 900,816
Facility improvements	14,730,921	14,658,029
Interest expense	3,132,617	2,983,101
Net restricted expenses allocated	(186,443)	2,028,820
Provision for uncollectible pledges	61,990	2,198,274
Principal payments on capital debt	3,171,555	2,842,189
	<u>\$ 21,310,894</u>	<u>\$ 25,611,229</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 the maximum prescribed by the Internal Revenue Service. The expense incurred by the Foundation for the years ended June 30, 2018 and 2017 was \$148,320 and \$146,620, respectively.

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

**OLE MISS ATHLETICS FOUNDATION**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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**NOTE 19 LITIGATION**

On July 12, 2017, the Foundation was named as a defendant, along with other parties, in a lawsuit filed in the United States District Court in connection with an employment separation agreement by a former University employee. On August 9, 2017, the federal court dismissed the Complaint for lack of subject matter jurisdiction. The Complaint was refiled in Lafayette County Circuit Court on October 11, 2017. A settlement agreement, with no impact to the Foundation, was reached on Saturday, October 14, 2017.

**NOTE 20 DEFERRED REVENUE**

As discussed in Note 2, the passage of the Tax Cuts and Jobs Acts eliminated the charitable deduction for contributions made for priority seating beginning January 1, 2018. The Foundation allowed members to make donations for priority seating for future years before January 1, 2018 and the payments are shown as deferred revenue at June 30, 2018 to be recognized as revenue per the following schedule.

<u>Year Ending June 30,</u>	
2020	\$ 577,578
2021	164,818
2022	73,205
2023	44,549
2024	20,600
2025	20,600
	<u>\$ 901,350</u>

## **SUPPLEMENTARY INFORMATION**

**OLE MISS ATHLETICS FOUNDATION**  
**Schedules of Revenues**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Unrestricted Membership Contributions		
Baseball Membership	\$ 2,492,000	\$ 2,321,213
Basketball Membership	2,316,614	2,209,767
Football Membership	15,385,692	16,136,826
General Membership	332,521	425,566
Total Unrestricted Membership Contributions	<u>20,526,827</u>	<u>21,093,372</u>
Temporarily Restricted Contributions		
Baseball	89,246	92,294
Capital Gift Agreements - Basketball	184,435	258,009
Capital Gift Agreements - Football	368,796	558,940
Football	65,789	131,185
Football Fantasy Camp	71,025	95,900
Forward Together - Other	129,402	32,465
Forward Together - Vaught Society	6,027,802	6,506,699
Grove Tent Vendors	83,939	82,752
Marketing Crowdfunding	-	5,517
Men's Basketball	4,480	1,500
Men's Golf	25,968	54,996
Facility and Capital Improvements - Other	1,374,991	813,076
Spirit Squads	-	13,905
Strength and Conditioning	-	400
Tennis	10,000	10,000
Track	-	150
Women's Basketball	13,850	17,180
Women's Golf	100	1,040
Women's Rifle	5,237	1,405
Women's Soccer	36,800	-
Women's Softball	3,575	5,900
Women's Volleyball	5,000	6,500
Total Contributions to Temporarily Restricted Net Assets	<u>8,500,435</u>	<u>8,689,813</u>



**OLE MISS ATHLECTICS FOUNDATION**  
**Schedules of Revenues**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Other Unrestricted Revenue		
Interest Income	\$ 123,457	\$ 53,580
Dividend Income	95,318	48,329
Gameday RV Parking	94,566	115,913
Realized/Unrealized Gains (Losses)	(162,696)	4,779
Other Income	1,045,575	173,122
Gifts in Kind	504,771	573,874
Total Other Unrestricted Revenue	<u>1,700,991</u>	<u>969,597</u>
Other Temporarily Restricted Revenue		
Gifts in Kind	100,000	100,000
Interest Income	50	233
Potts Trust	64,821	68,173
Realized/Unrealized Gains (Losses)	(960)	(3,655)
Total Other Temporarily Restricted Revenue	<u>163,911</u>	<u>164,751</u>
Other Permanently Restricted Revenue		
Endowment Gifts	1,486	8,744
Net Investment Income	86,988	57,834
Realized/Unrealized Gains (Losses)	29,866	114,665
Net Investment Expenses	(85,911)	(94,423)
Total Other Permanently Restricted Revenue	<u>32,429</u>	<u>86,820</u>
Total Revenue	<u>\$ 30,924,593</u>	<u>\$ 31,004,353</u>

**OLE MISS ATHLECTICS FOUNDATION**  
**Schedules of Expenses**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
General and Administrative Expenses		
Accounting	\$ 38,433	\$ 52,153
Advertising	64,546	51,906
Annual Report	7,137	12,522
Auto	32,650	32,140
Benefit Fulfillment	2,869	8,967
Consulting	15,333	375
Depreciation	36,304	37,279
Donations and Sponsorships	96,400	56,600
Donor Gifts	85,117	73,519
Dues, Conferences, and Subscriptions	20,794	22,859
Insurance	106,009	106,805
Office Administration	117,816	123,378
Other	5,520	6,490
Personnel Benefits	190,824	193,174
Personnel Compensation and Tax	1,115,900	1,208,901
Philanthropic Events and Cultivation	95,310	174,495
Postage	30,786	34,353
Telephone	28,955	24,208
Travel	46,638	57,250
Total General and Administrative Expenses	<u>2,137,341</u>	<u>2,277,374</u>
Support for Athletics Department Activities		
Academic Services	4,058	4,309
Athletics Director	60,761	59,228
Auto	104,060	97,490
Post Season	20,043	39,984
Consulting	37,100	42,000
Credit Card Fees	416,222	421,024
Depreciation	1,731,626	1,640,066
Gameday RV Parking	26,987	33,234
Gifts in Kind Expense	504,771	573,874
Insurance	112,775	105,880
Interest and Financing Amortization	-	503,304

**OLE MISS ATHLECTICS FOUNDATION**  
**Schedules of Expenses**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Support for Athletics Department Activities (Continued)		
Legal	1,416,597	2,129,576
Marketing	4,618	1,358
Media Relations	63,314	60,216
Off-Campus Property	10,204	7,592
Office Administration	18,442	19,042
Other	603	1,016
Personnel Compensation and Tax	10,842,207	7,206,960
Priority Seating and Gameday	1,882,634	1,766,536
Scholarships and Support	2,576,825	3,540,935
Special Events	696	2,941
Telephone	3,181	16,530
Ticketing and Technology	215,607	228,516
Travel and Entertainment	261,838	231,921
Women's Athletics	-	5,000
Net Restricted Expenses Allocated	186,443	(2,028,820)
	<u>20,501,612</u>	<u>16,709,712</u>
Total Support for Athletics Department Activities		
Support for Sports Programs		
Baseball	84,142	148,585
Football	69,234	134,456
Football Fantasy Camp	93,945	84,522
Grove Tent Vendors	30,660	26,300
Marketing Crowdfunding	-	322,837
Men's Basketball	7,705	5,083
Men's Golf	7,854	18,787
Men's Tennis	-	18,139
Scholarships	64,821	68,173
Spirit Squads	-	19,701
Track	20	12,308
Women's Administration	129	956
Women's Basketball	7,450	10,547
Women's Golf	1,347	19,928
Women's Rifle	4,796	528
Women's Soccer	25,220	5,446
Women's Softball	1,521	4,007
Women's Tennis	544	332
Women's Volleyball	866	183
	<u>400,254</u>	<u>900,818</u>
Total Support for Sports Programs		

**OLE MISS ATHLECTICS FOUNDATION**  
**Schedules of Expenses**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Other Restricted Expenses		
Facility Improvements	14,730,921	14,658,029
Interest Expense	3,132,617	2,983,101
Net Restricted Expenses Allocated	(186,443)	2,028,820
Provision for Uncollectible Pledges	61,990	2,198,274
Total Other Restricted Expenses	<u>17,739,085</u>	<u>21,868,224</u>
Net Assets Released from Restrictions for Expenses	<u>18,139,339</u>	<u>22,769,042</u>
Total Expenses	<u>\$ 40,778,292</u>	<u>\$ 41,756,128</u>