

UWG ATHLETIC FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2017

UWG ATHLETIC FOUNDATION, INC.

FINANCIAL REPORT JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **UWG Athletic Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UWG Athletic Foundation, Inc. as of June 30, 2017 and 2016, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary Management's Discussion and Analysis on pages 3-8 is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures to Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 1, 2017

UWG ATHLETIC FOUNDATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The UWG Athletic Foundation, Inc.'s (the "Foundation") management discussion and analysis provides an overview of the Foundation's financial activities for the fiscal year ended June 30, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Audit Opinion (beginning on page 1) and the Foundation's financial statements (beginning on page 9).

The Foundation is a Georgia not-for-profit corporation organized February 25, 2013. The mission of the Foundation is to support a preeminent intercollegiate athletics program at the University of West Georgia (the University) by providing student athletes the opportunity to achieve excellence in academics, community service, and athletic competition.

USING THE FINANCIAL STATEMENTS

The financial statements of the Foundation report information using not-for-profit accounting guidelines published by the Financial Accounting Standards Board (FASB). The Statement of Financial Position provides June 30, 2017 and June 30, 2016 balances of the Foundation's assets, liabilities, and net assets. The Statement of Activities provides 2017 to 2016 comparison of the Foundations operations including revenues, expenses, and change in net assets (income or loss). Also, included is the Statement of Cash Flow that provides information on the Foundation's cash receipts and disbursements, net changes in cash from operations, and investing activities during the reporting period, July 1, 2016 through June 30, 2017 (the fiscal year).

FINANCIAL HIGHLIGHTS

Cash at June 30, 2017 was \$528,480 compared to \$456,305 on June 30, 2016, an increase of \$72,175 or 16%.

Total Pledge Receivables (net) at June 30, 2017 were \$493,424 compared to \$940,914 on June 30, 2016, a decrease of \$447,490 or <48%>.

Investments at June 30, 2017 were \$562,717 compared to \$379,573 on June 30, 2016, an increase of \$183,144 or 48%.

Deferred Revenue at June 30, 2017 was \$110,223 compared to \$65,695 on June 30, 2016, an increase of \$44,528 or 68%.

Related Company Receivables at June 30, 2017 were \$66,984 compared to \$ - on June 30, 2016, and increase of \$66,984 or 100%.

Related Company Payables at June 30, 2017 were \$ - compared to \$2,751 on June 30, 2016, a decrease of \$2,751 or <100%>.

Net Assets at June 30, 2017 were \$1,532,675 compared to \$1,684,859 on June 30, 2016, a decrease of \$152,184 or <9%>.

Revenues for fiscal year 2017 were \$1,512,861 compared to \$1,741,869 in fiscal year 2016, a decrease of \$229,008 or <13%>.

Expenses for fiscal year 2017 were \$1,665,046 compared to \$1,725,943 in fiscal year 2016, a decrease of \$60,897 or <4%>.

Change in net assets for fiscal year 2017 was <\$152,185> compared to \$15,926 in fiscal year 2016, a decrease of \$168,111 or <1056%>.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG TERM INVESTMENTS

The Foundation Board of Directors approved the investment of \$532,587 of Champions Council funds since its creation in 2014. As of June 30, 2017, the market value was \$554,092. These funds are held on behalf of the Foundation by the University of West Georgia Foundation. The long-term investments held on the Foundation's behalf is managed in accordance with the Investment, Spending and Endowment Policy of the University of West Georgia Foundation, and is managed by SunTrust Bank's Foundation and Endowment Specialty Practice.

RELATED COMPANY RECEIVABLES AND PAYABLES

This entry is for monies owed to the Foundation from the University of West Georgia Foundation. This type of entry will be commonplace going forward because the two foundations no longer use the same bank. Sometimes donors make online donations and designate to multiple funds or programs across both foundations. The two foundations' donation websites, one for UWG Sports Giving and one for UWG Giving, automatically direct deposits to the respective foundation's bank. In the past the deposits could be split because the foundations used the same bank. However, that changed in fiscal year 2017. Now any comingled donations must be accounted for with a "due from/due to" entry and funds transferred accordingly. Monthly reconciliation procedures will ensure these funds are transferred timely.

OPERATING REVENUES

Revenues for fiscal year 2017 were \$1,512,861 compared to \$1,741,869 in fiscal year 2016, a decrease of \$229,008 or <13%>. Biggest contributors to lower revenues were decreases from the prior year in Special Events, Fundraising Events, Ticket Sales, and Program Ads Sales.

Ticket Sales declined by 38% from 2016 largely due to there not being any 2017 post-season games in football and basketball. Parking Pass Revenue increased by 66%. We attribute this indirect relationship to ticket sales due to complimentary game tickets given to fans and friends of UWG Athletics without corresponding complimentary parking passes. In addition, Deferred Revenue from prior year parking revenue is moved down into current year Parking Revenue accounts. Program Ads Sales declined by <49%>.

Special Events Revenue decreased <73%> and Fundraising Event revenues by <64%> primarily due to the loss of the Bland Cup in 2017, but also because no post-season events were held.

These declines were offset by increases in several revenue categories over prior year. The biggest increases were in Seat Privilege Contributions of 390%, and Investment Returns of 376%.

OPERATING EXPENSES

Expenses for fiscal year 2017 were \$1,665,046 compared to \$1,725,943 in fiscal year 2016, a decrease of \$60,897 or <4%>. The biggest contributors to lower expenses compared to prior year were decreases in Special Events expenses <31%>, Fundraising Event expenses <88%>, and Scholarship Awards <83%>. One would expect Special Events and Fundraising Events expenses to decrease commensurate with the functions themselves. Scholarship Awards decreased because of university policy directing 100% charitable donations for athletics to the University of West Georgia Foundation.

The expense savings outlined above were offset by increases over prior year in Management & General expenses of 451%. Of the \$429,767 increase in Management & General expenses, the largest component of this (\$386,210) is due to the annual write-off of pledges and adjustment to the allowance for uncollectible pledges. Historically, pledge write-offs were booked against Contributions revenue. Starting in 2017 and forward, pledge write offs are recorded as Bad Debt Expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position presents the Foundation's net assets and changes in them. You can think of the Foundation's net asset — the difference between assets and liabilities — as one way to measure the Foundation's financial health, or financial position. Over time, increases or decreases in the Foundation's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the University of West Georgia's (the University) Athletic Program, intercollegiate performance of sports teams, and the University's overall fundraising directives to assess the overall health of the Foundation.

	<u>2017</u>	<u>2016</u>
Cash	\$ 528,480	\$ 456,305
Pledges Receivables, net	217,064	326,631
Other Receivables	-	5,000
Investments	562,717	379,573
Related Party Receivable	66,984	-
Other Current Assets	94	94
Total Current Assets	\$ 1,375,339	\$ 1,167,603
Pledge Receivables, net	\$ 276,360	\$ 614,283
Total Non-current Assets	\$ 276,360	\$ 614,283
Total Assets	\$ 1,651,699	\$ 1,781,886
Accounts Payable	\$ 8,802	\$ 28,581
Deferred Revenue	110,223	65,695
Accounts Payable - Related Company	-	2,751
Total Liabilities	\$ 119,025	\$ 97,027
Unrestricted Net Asset	\$ (375,167)	\$ 74,653
Temporarily Restricted Net Assets	1,907,841	1,610,206
Total Net Assets	\$ 1,532,674	\$ 1,684,859
Total Liabilities & Net Assets	\$ 1,651,699	\$ 1,781,886

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Foundation's finances is, "Is the Foundation as a whole better or worse off as a result of the year's activities?" The Statement of Activities provides you with the current year's revenues and expenses on an accrual basis. This means contributions and expense are recorded regardless of whether received or expensed in cash, pledge, or "in-kind".

The Statement of Activities presents and reports on the basic programmatic activities of the Foundation, which are support for the University of West Georgia athletic programs and student athletes.

	2017	2016
Contributions	\$ 585,019	\$ 611,547
Contributed Services & Materials	289,156	115,181
Contributed Salaries & Benefits by UWG	156,073	320,680
Athletic Program Revenue	64,318	47,221
Ticket Revenue	119,050	190,741
Parking Revenue	46,773	28,137
Special Event Income	32,450	119,184
Fundraising Event Income	61,276	169,971
Camp Income	51,197	85,585
Investment Income, net	52,194	(18,900)
Other Income	55,355	72,522
Total Revenue	\$ 1,512,861	\$ 1,741,869
Program Support - Athletic Programs	\$ 1,074,324	\$ 1,252,541
Program Support - Scholarships	19,400	113,167
Total Program Support	\$ 1,093,724	\$ 1,365,708
General & Administrative	\$ 525,013	\$ 95,246
Special Event Expenses	17,550	25,425
Fundraising Event Expenses	28,759	239,564
Total Expenses	\$ 1,665,046	\$ 1,725,943
Change in Net Assets - INCOME(LOSS)	\$ (152,185)	\$ 15,926

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flow presents information on the Foundation's cash activities. The reports breaks down these activities into three categories: operations, investing and financing. The Foundation has no financing activities.

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in Net Assets	\$ (152,185)	\$ 15,926
Adjustments to Reconcile Change in Net Assets:		
Change in allowance for bad debt	(143,315)	72,955
Change in discount on pledges receivable	4,723	2,272
Unrealized gains(losses) on investments	(45,819)	15,689
Net (increases) decreases in assets:		
Pledges receivables	586,082	(36,584)
Other receivables	5,000	(5,000)
Other current assets	(66,984)	(80)
Net increases (decreases) in liabilities:		
Accounts payable	(19,779)	(2,889)
Deferred revenue	44,528	65,695
Related party payable	(2,751)	(100,431)
Net Cash Provided by Operations	\$ 209,500	\$ 27,553
Investing Activities		
Purchase of investments	(137,325)	(395,262)
Increase (Decrease) in Cash	72,175	(367,709)
Cash at Beginning of Year	456,305	824,014
Cash at End of Year	528,480	456,305

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS

The Foundation athletic programs revenues and related activities are directly tied to the health and performance of the UWG Athletic Department and intercollegiate teams and student athletes' performance. This in turn is affected by the athletics policies set forth and funding provided by the University System of Georgia and the University. The annual return on the investments for fiscal year 2017 was 11.84% compared to a policy benchmark of 12.68% for the same period.

CONTACTING THE UWG ATHLETIC FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our donors, friends of athletics, and the public with a general overview of the Foundation's finances and to show the Foundation's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the UWG Athletic Foundation office at University of West Georgia, Advancement Services, 1601 Maple Street, Carrollton, GA 30118 or call us at (678) 839-6582.

UWG ATHLETIC FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 528,480	\$ 456,305
Pledges receivable (net of allowance of \$87,819 and \$38,353, respectively)	217,064	326,631
Other receivables	-	5,000
Investments	562,717	379,573
Related party receivable	66,984	-
Other current assets	94	94
Total current assets	1,375,339	1,167,603
 Pledges receivable, non-current (net of allowance of \$99,241 and discount of \$4,394 for 2017 and \$5,392 and \$9,117 for 2016, respectively)	276,360	614,283
 Total assets	\$ 1,651,699	\$ 1,781,886
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 8,802	\$ 28,581
Deferred revenue	110,223	65,695
Related party payable	-	2,751
Total current liabilities	119,025	97,027
 Net assets:		
Unrestricted (deficit)	(375,167)	74,653
Temporarily restricted	1,907,841	1,610,206
Total net assets	1,532,674	1,684,859
 Total liabilities and net assets	\$ 1,651,699	\$ 1,781,886

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 76,371	\$ 508,648	\$ 585,019
Contributed services and materials	18,043	271,113	289,156
Contributed salaries and benefits by the University of West Georgia	156,073	-	156,073
Athletic program revenue	38,772	25,546	64,318
Ticket sales	72,180	46,870	119,050
Parking revenue	46,773	-	46,773
Special event income	23,960	8,490	32,450
Fundraising event income	23,942	37,334	61,276
Camp income	51,197	-	51,197
Investment income, net of fees	-	52,194	52,194
Other income	41,301	14,054	55,355
Net assets released from restrictions - satisfaction of program restrictions	666,614	(666,614)	-
Total support and revenues	1,215,226	297,635	1,512,861
EXPENSES			
Program services:			
University of West Georgia Athletic Department support	1,074,324	-	1,074,324
Scholarships	19,400	-	19,400
Total program services	1,093,724	-	1,093,724
Management and general	525,013	-	525,013
Special events	17,550	-	17,550
Fundraising	28,759	-	28,759
Total expenses	1,665,046	-	1,665,046
Change in net assets	(449,820)	297,635	(152,185)
Net assets:			
Beginning of year	74,653	1,610,206	1,684,859
End of year	\$ (375,167)	\$ 1,907,841	\$ 1,532,674

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

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

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ (152,185)	\$ 15,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for bad debt	(143,315)	72,955
Change in discount on pledges receivable	4,723	2,272
Unrealized and realized (gains) losses on investments, net	(45,819)	15,689
Net (increase) decrease in assets:		
Pledges receivable	586,082	(36,584)
Other receivables	5,000	(5,000)
Related party receivable	(66,984)	-
Other current assets	-	(80)
Net increase (decrease) in liabilities:		
Accounts payable	(19,779)	(2,889)
Deferred revenue	44,528	65,695
Related party payable	(2,751)	(100,431)
Net cash provided by operating activities	209,500	27,553
INVESTING ACTIVITIES		
Purchases of investments	(137,325)	(395,262)
Net cash (used in) investing activities	(137,325)	(395,262)
Increase (decrease) in cash	72,175	(367,709)
Cash, beginning of year	456,305	824,014
Cash, end of year	\$ 528,480	\$ 456,305

See Notes to Financial Statements.

UWG ATHLETIC FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

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

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

The Foundation and the University of West Georgia Foundation ("UWGF") entered into a Memorandum of Understanding on May 1, 2013, as amended, which outlined certain rights and responsibilities of each party with regards to the management and administration of the Foundation. UWGF will act as fiscal agent for the Foundation in terms of the provision of the custodial account, fiscal, and record keeping services for the Foundation. The Foundation is responsible for adhering to all contractual agreements and obligations entered into by UWGF on behalf of the Foundation. The Foundation will also pay UWGF an amount equal to 1.3% of the highest balance of the operating accounts owned by the Foundation and managed by UWGF during the duration of each term of the MOU. At June 30, 2017 and 2016, \$ - and \$2,892, respectively, is accrued for management fees earned by UWGF for the period July 1, 2016 through June 30, 2017 and July 1, 2015 through June 30, 2016, respectively, and is included in the related party payable amount on the statement of financial position. See Note 6.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Foundation does not have any permanently restricted net assets as of June 30, 2017 and 2016.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

Revenue Recognition

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

Cash Concentration

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

Donated Services and In-Kind Support

The Foundation receives services, space, equipment and other nonfinancial items without payment or compensation. When the value of such services and support is ascertainable and meets the criteria for recognition, it is recognized in the accompanying financial statements as revenue and expense at the estimated fair value on the date of donation. Donated services from the University represent salaries and benefits paid by the University on behalf of the Foundation. Donated services from the University totaled \$156,073 and \$320,680 for the years ended June 30, 2017 and 2016, respectively. In-kind contributions from third parties were \$288,186 and \$115,181 for the years ended June 30, 2017 and 2016, respectively. These amounts are classified throughout operating revenues and operating expenses, as applicable, on the statement of activities.

Income Tax

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

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

Functional Allocation of Expenses

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Investments

Investments, including investments held by the Trustee, consist primarily of money market accounts, mutual funds, fixed income securities, and equity securities and are carried at fair value. Investment expenses incurred totaled \$1,488 and \$762 for the years ended June 30, 2017 and 2016, respectively.

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

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

Fair Value of Financial Instruments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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

For the years ended June 30, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017 and 2016, temporarily restricted net assets were available for the following:

	2017	2016
Champion's Fund	\$ 1,277,312	\$ 1,367,500
Scholarship Funds	12,965	10,940
Sport-specific Funds	462,246	113,546
Stadium Improvement Funds	96,244	102,654
Other Restricted Purpose Funds	59,074	15,566
Total	\$ 1,907,841	\$ 1,610,206

Temporarily restricted net assets consist of cash, investments and pledges receivable at June 30, 2017 and 2016.

NOTE 4. PLEDGES RECEIVABLE

At June 30, 2017, pledges receivable consisted of the following:

	Unrestricted	Temporarily Restricted
Receivable in less than one year	\$ 3,399	\$ 301,484
Receivable in one to five years	2,000	377,995
Total unconditional pledges receivable	5,399	679,479
Less discount on pledges receivable over one year	(25)	(4,369)
Total unconditional pledges receivable, less discount	5,374	675,110
Less allowance for uncollectible pledges receivable	(113)	(186,947)
Net unconditional pledges receivable	\$ 5,261	\$ 488,163

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

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

At June 30, 2017 and 2016, the discount rate used on long-term pledges receivable was 1%.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 14,391	\$ -	\$ -	\$ 14,391
Mutual funds	269,236	-	-	269,236
Equity securities	181,656	-	-	181,656
Fixed income securities	-	34,315	-	34,315
Alternative investments	-	-	63,119	63,119
Total assets at fair value	<u>\$ 465,283</u>	<u>\$ 34,315</u>	<u>\$ 63,119</u>	<u>\$ 562,717</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2017:

	<u>Alternative Investments</u>
Balances, beginning of the year	\$ 41,926
Capital contributions	17,632
Unrealized gains	4,224
Withdrawals	(663)
Balance, end of the year	<u>\$ 63,119</u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and Losses

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

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

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

NOTE 6. RELATED PARTY

As described in Note 1, the Foundation and UWGF have entered into a Memorandum of Understanding regarding the responsibilities of each in regards to the operations of the Foundation. At June 30, 2016, the Foundation owed UWGF \$2,751 for expenses paid by UWGF but not yet reimbursed, which includes the \$2,892 of management fees at June 30, 2016 as described in Note 1. At June 30, 2017, UWGF owed the Foundation \$66,984 for contributions received by UWGF for benefit of the Foundation through online giving pages as well as expenses paid by the Foundation that should have been paid through UWGF bank accounts. The management fee for the year ended June 30, 2017, calculated as an amount equal to 1.3% of the highest balance of the operating accounts owned by the Foundation and managed by UWGF, has been paid to UWGF through the investments held by UWGF for benefit of the Foundation in the amount of \$4,780. There is no outstanding liability for the management fee at June 30, 2017.

NOTE 7. SUBSEQUENT EVENTS

Management has evaluated events occurring through September 1, 2017, the date the financial statements were available to be issued.