

TENNESSEE TECHNOLOGICAL UNIVERSITY FOUNDATION
UNAUDITED FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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TENNESSEE TECHNOLOGICAL UNIVERSITY FOUNDATION

Unaudited

Management's Discussion and Analysis

For the Year Ended June 30, 2015

This section of the Tennessee Technological University Foundation's annual financial report presents a discussion and analysis of the financial performance of the foundation during the fiscal year ended June 30, 2015, with comparative information presented for the fiscal year ended June 30, 2014. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows provide information on the Tennessee Technological University Foundation as a whole and present a long-term view of the foundation's finances.

The financial report of the Tennessee Technological University Foundation as a stand-alone unit has not been audited. The report for the foundation has been included in the audited report of Tennessee Technological University, where it is listed as a component unit. See Note 1 of the financial statements for further detail.

The Statement of Net Position

The Statement of Net Position presents the financial position of the foundation at the end of the fiscal year and includes all assets and liabilities of the foundation. The difference between total assets and total liabilities – net position – is an indicator of the current financial condition of the foundation. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net position is divided into three major categories. The first category, invested in capital assets, net of related debt, provides the foundation's equity in property, plant, and equipment owned by the foundation. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the foundation but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the foundation for any lawful purpose of the foundation.

Statement of Net Position

(in thousands of dollars)

	2015	2014
Assets:		
Current assets	\$ 1,140	\$ 1,017
Capital assets, net	150	1,124
Other assets	64,478	66,678
Total Assets	\$ 65,768	\$ 68,819
Liabilities:		
Current liabilities	\$ 315	\$ 260
Noncurrent liabilities	130	883
Total Liabilities	\$ 445	\$ 1,143
Net Position:		
Invested in capital assets, net of unrelated debt	\$ 150	\$ 374
Restricted - nonexpendable	45,145	46,338
Restricted - expendable	19,378	20,382
Unrestricted	650	582
Total Net Position	\$ 65,323	\$ 67,676

- Current assets of the foundation increased by 12% from 2014 to 2015. Less interest was accrued for 2015 because all investments in bonds were sold during the year. Current cash increased as a result of a decrease in operating cost.
- Capital assets decreased by a total of 87%. The Alumni building and associated land were sold to the university during the year, resulting in the decrease.
- Other assets decreased by 3% or \$2,199,689 from 2014 to 2015. All investments held with a firm were sold and those proceeds were invested with a different firm, resulting in a decrease of \$10,058,773 in cash held by stockbrokers from 2014 to 2015. The difference in cash was partially offset by a \$7,859,085 increase in investments.
- A 61% decrease in total liabilities was related to the principal payments on long-term debt of \$832,222. Current liabilities were also affected by accrued interest for the alumni building being paid in 2015 and an increase payables for operating expenses of \$143,989.
- Restricted net assets for nonexpendable and expendable decreased from 2014 to 2015 by 3% and 5% respectively. This decrease was due to the unrealized investment loss as a result of a decrease in market value.

The Statement of Revenues, Expenses, and Changes in Net Position

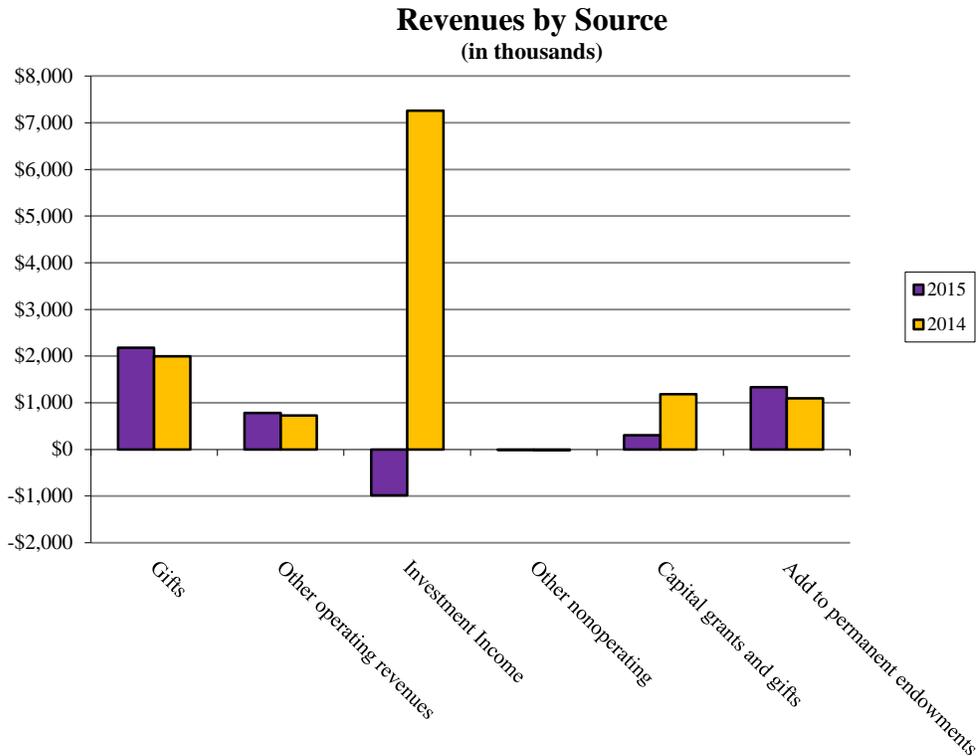
The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the foundation's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the foundation, both operating and nonoperating, and the expenses paid by the foundation, operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the foundation.

A summary of the foundation's revenues, expenses, and changes in net position for the year ended June 30, 2015, and June 30, 2014, follows.

Statement of Revenues, Expenses and Changes in Net Position (in thousands of dollars)

	2015	2014
Operating revenues:		
Gifts	\$ 2,180	\$ 1,994
Other operating revenues	<u>785</u>	<u>728</u>
Total operating revenues	\$ <u>2,965</u>	\$ <u>2,722</u>
Operating expenses	<u>5,965</u>	<u>4,237</u>
Operating loss	\$ <u>(3,000)</u>	\$ <u>(1,515)</u>
Nonoperating revenues and expenses:		
Investment income	\$ (986)	\$ 7,259
Other revenue (expenses)	<u>(1)</u>	<u>(14)</u>
Total nonoperating revenues and expenses	\$ <u>(987)</u>	\$ <u>7,245</u>
Income (loss) before other revenues, Expenses, gains or losses	\$ <u>(3,987)</u>	\$ <u>5,730</u>
Other revenues, expenses, gains or losses:		
Capital grants and gifts	\$ 302	\$ 1,187
Additions to permanent endowments	<u>1,332</u>	<u>1,097</u>
Total other revenues, expenses, gains or losses	\$ <u>1,634</u>	\$ <u>2,284</u>
Increase (decrease) in net position	\$ (2,353)	\$ 8,014
Net position at beginning of year	\$ <u>67,676</u>	\$ <u>59,662</u>
Net position at end of year	\$ <u><u>65,323</u></u>	\$ <u><u>67,676</u></u>

Revenues



- Operating revenues of the foundation increased by less than 10%. Both gifts and other operating revenue saw small increases which are normal fluctuations in revenues.
- Investment income decreased 114% or \$8,244,778. Due to market conditions, fiscal year 2015 investment income is comprised of a \$5,600,416 unrealized loss while fiscal year 2014 had a \$1,874,981 unrealized gain in the endowment pool. Fiscal year 2015 has a \$3,160,134 realized gain compared fiscal year 2014 which included a \$3,812,040 realized gain. The remaining change is the difference in dividend, interest income, and investment expense in 2015 compared to 2014.
- Capital grants and gifts decreased by 75%. This decrease was due to a large donation for the Science Building given to the foundation in 2014 that was not duplicated in 2015.
- Additions to permanent endowments increased by 21% as a result of additional gifts received in fiscal year 2015.

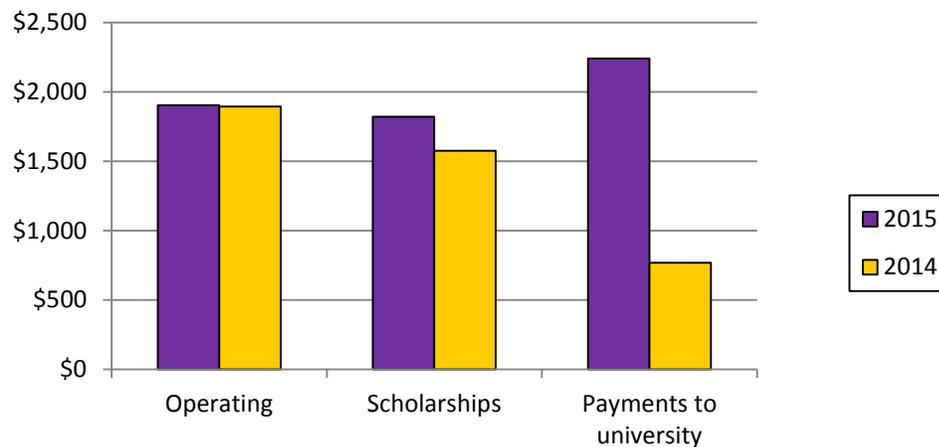
Operating Expenses

The following summarizes the operating expenses by natural classifications for the last two fiscal years:

Operating Expenses (in thousands of dollars)

	2015	2014
Operating	\$ 1,904	\$ 1,895
Scholarships	1,821	1,574
Payments to University	2,241	768
	<u>\$ 5,965</u>	<u>\$ 4,237</u>

Operating Expenses (in thousands of dollars)



- Payments to the university increased by 192%. Capital in-kind gifts increased \$990,343 in 2015. Operating expenses increased 0.5% due to normal operating fluctuations. Scholarships increased 16% due to an increase in gifts designated for scholarship purposes.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Tennessee Technological University Foundation had \$411,285 invested in capital assets, net of accumulated amortization of \$261,685. Details of these assets are shown below.

Schedule of Capital Assets, Net of Depreciation (in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Land	\$ 150	\$ 403
Buildings	0	721
Intangible Assets	<u>0</u>	<u>0</u>
Total capital assets	<u>\$ 150</u>	<u>\$ 1,124</u>

Capital assets decreased by a total of 87%. The Alumni building and associated land were sold to the university during the year, resulting in the decrease.

Debt

In 2008, the foundation acquired a ten-year, interest-free note payable for \$740,000. The monthly payments began in February 2009. The balance at June 30, 2015 is \$212,408.

In 2014, the foundation borrowed funds to purchase the alumni building. The amount borrowed was \$750,000.00.

Schedule of Notes Payable (in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Notes Payable	\$ 212	\$ 1,045
Total Notes Payable	<u>\$ 212</u>	<u>\$ 1,045</u>

- For 2015, the foundation made principal payments of \$832,222. This included payment in full of the borrowed funds for the alumni building.

Economic Factors That Will Affect the Future

The equity markets in fiscal year 2015 have allowed the foundation to continue providing scholarships to students and support to the academic program of the university. The foundation will continue efforts to steward and cultivate all constituents and solicit for funds from individuals and companies that have had positive growth in their businesses and portfolios.

Requests for Information

This financial report is designed to provide a general overview of the foundation's finances for all those with an interest in the foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Dr. Claire Stinson, Treasurer, Tennessee Technological University Foundation, P.O. Box 5037, Cookeville, TN 38505.

Tennessee Technological University Foundation
Unaudited Statement of Net Position
June 30, 2015

	Foundation
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 1,040,614.33
Accounts, notes, and grants receivable (net)	2,000.00
Prepaid expenses	56,703.52
Accrued interest receivable	40,720.95
Total current assets	1,140,038.80
Noncurrent assets:	
Cash and cash equivalents (Note 2)	4,909,426.73
Investments (Note 3)	59,564,837.11
Accounts, notes, and grants receivable (net)	4,000.00
Capital assets (net) (Note 4)	149,600.00
Total noncurrent assets	64,627,863.84
Total assets	\$ 65,767,902.64
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 232,882.11
Long-term liabilities, current portion (Note 5)	82,222.20
Total current liabilities	315,104.31
Noncurrent liabilities:	
Long-term liabilities (Note 5)	130,185.35
Total noncurrent liabilities	130,185.35
Total liabilities	\$ 445,289.66
NET POSITION	
Net investment in capital assets	\$ 149,600.00
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	30,527,620.41
Research	554,650.22
Instructional department uses	2,870,040.36
Other	11,192,794.23
Expendable:	
Scholarships and fellowships	6,123,303.70
Research	183,659.08
Instructional department uses	1,879,192.96
Capital projects	1,149,989.41
Other	10,041,290.28
Unrestricted	650,472.33
Total net position	\$ 65,322,612.98

The notes to the financial statements are integral part of this statement.

Tennessee Technological University Foundation
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	Foundation
REVENUES	
Operating revenues:	
Gifts and contributions	2,179,991.89
Other operating revenues	785,400.94
Total operating revenues	2,965,392.83
EXPENSES	
Operating Expenses	
Utilities, supplies, and other services	1,891,656.62
Scholarships and fellowships	1,820,597.00
Depreciation expense	12,144.87
Payments to or on behalf of TTU (Note 1)	2,240,510.29
Total operating expenses	5,964,908.78
Operating loss	(2,999,515.95)
NONOPERATING REVENUES (EXPENSES)	
Investment income (net of investment expense of \$269,788.26)	(985,833.76)
Interest on capital asset-related debt	(15,596.00)
Other non-operating revenues/(expenses)	14,169.95
Net nonoperating revenues	(987,259.81)
Income before other revenues, expenses, gains, or losses	(3,986,775.76)
Capital grants and gifts	301,965.40
Additions to permanent endowments	1,331,877.62
Total other revenues	1,633,843.02
Increase in net position	(2,352,932.74)
NET POSITION	
Net position -beginning of year	67,675,545.72
Net position - end of year	\$ 65,322,612.98

The notes to the financial statements are integral part of this statement.

Tennessee Technological University Foundation
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2015

		Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	\$	2,121,999.13
Payments to suppliers and vendors		(1,708,871.90)
Payments for scholarships and fellowships		(1,820,597.00)
Payments to TTU		(1,127,222.86)
Other receipts (payments)		622,347.09
Net cash used by operating activities	\$	(1,912,345.54)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	\$	1,331,877.62
Other non-capital financing receipts (payments)		5,641.08
Net cash provided by non-capital financing activities	\$	1,337,518.70
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received		286,967.76
Proceeds from sale of capital assets		889,714.10
Purchase of capital assets and construction		(955,963.64)
Principal paid on capital debt and lease		(832,222.20)
Interest paid on capital debt and lease		(25,346.24)
Other capital and related financing receipts (payments)		(2,466.67)
Net cash provided by capital and related financing activities	\$	(639,316.89)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$	118,742,589.33
Income on investments		4,764,066.78
Purchase of investments		(132,155,445.75)
Net cash provided by investing activities	\$	(8,648,789.64)
Net increase in cash and cash equivalents		(9,862,933.37)
Cash and cash equivalents - beginning of year		15,812,974.43
Cash and cash equivalents - end of year (Note 2)	\$	5,950,041.06
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$	(2,999,515.95)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		12,144.87
Gifts in-kind		1,113,287.43
Other adjustments		(1,417.41)
Change in assets, liabilities, and deferrals:		
Receivables, net		(2,000.00)
Prepaid items		24,386.41
Accounts payable		(59,230.89)
Net cash used by operating activities	\$	(1,912,345.54)
Non-cash investing, capital, and financing transactions		
Gifts in-kind - capital		14,997.64
Unrealized gains on investments		(5,600,415.63)
Loss on disposal of capital assets		10,995.54

The notes to the financial statements are integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY FOUNDATION
Unaudited
Standard Notes to the Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies

REPORTING ENTITY

The Tennessee Technological University Foundation is a legally separate, tax-exempt organization whose primary purpose is to support Tennessee Technological University. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of its programs. The 26-member board of the foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements. The financial statements for Tennessee Technological University can be found at <https://www.tntech.edu/planning-and-finance/business/financialservices/finrepdisclaimer/statements>.

Tennessee Technological University is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides significant financial support; the system is discretely presented in the Tennessee Comprehensive Annual Financial Report.

BASIS OF PRESENTATION

The foundation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

BASIS OF ACCOUNTING

For financial statement reporting purposes, the foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

The foundation has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include 1) gifts and contributions and 2) other miscellaneous revenue (rental income and athletic advertising/sponsorships). Operating expenses include 1) payments to the university, 2) scholarships and fellowships, 3) depreciation, and 4) utilities, supplies, and other services.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as capital gifts and grants and additions to permanent endowments, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement 34, such as investment income.

When both restricted and unrestricted resources are available for use, it is the foundation's policy to determine whether to use restricted or unrestricted resources first depending upon existing facts and circumstances.

CASH EQUIVALENTS

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and intangible assets, are reported in the Statement of Net Position at historical cost or at fair value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of \$100,000 is used for buildings and \$50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is \$5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at \$50,000. The capitalization threshold for intangible assets is set at \$100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 60 years.

NET POSITION

The foundation's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS: This represents the foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

RESTRICTED NET POSITION – NONEXPENDABLE: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

RESTRICTED NET POSITION – EXPENDABLE: Restricted expendable net position includes resources in which the foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET POSITION: Unrestricted net position represents resources derived from gifts and contributions and sales and services. These resources are used for transactions relating to the general operations of the foundation, and may be used at the discretion of the foundation to meet current expenses for any purpose.

During the year ended June 30, 2015, the Foundation made distributions of \$2,240,510.29 to or on behalf of the university for both restricted and unrestricted purposes.

2. Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2015, cash and cash equivalents consists of \$1,280,431.91 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$4,669,609.15 in custodial accounts of investment managers of the foundation.

The Foundation also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at <http://www.tn.gov/treasury>.

3. Investments

The Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

As of June 30, 2015, the Foundation had the following investments and maturities.

Investment Type	Fair Value	Investments Maturities (in years)			
		Less than 1	1-5	6-10	No Maturity Date
U.S. Treasury	\$ 13,486.72	\$ -	\$ -	\$ 13,486.72	\$ -
Corporate Stocks	523,774.39	-	-	-	523,774.39
Mutual Bond Funds	19,061,034.01	-	-	-	19,061,034.01
Mutual Equity Funds	34,634,571.52	-	-	-	34,634,571.52
Land	1,903,982.00	-	-	-	1,903,982.00
Other:					
REIT	20,106.24	-	-	-	20,106.24
Private Equity	993,180.00	-	-	-	993,180.00
Natural Resources	296,404.00	-	-	-	296,404.00
Cash Surrender Value Life Ins	18,803.95	-	-	-	18,803.95
Hedge Fund	2,099,494.28	-	-	-	2,099,494.28
Total	\$ 59,564,837.11	\$ -	\$ -	\$ 13,486.72	\$ 59,551,350.39

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale. As of June 30, 2015, the Foundation's investments were rated as follows:

Investment Type	Credit Quality Rating	
	Fair Value	Unrated
Local Gov Investment Pool (LGIP)	\$ 1,280,431.91	\$ 1,280,431.91
Mutual Bond Funds	19,061,034.01	19,061,034.01
Total	\$ 20,341,465.92	\$ 20,341,465.92

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation does not have a deposit policy for custodial credit risk

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the foundation's investment in a single issuer. The Foundation places no limit on the amount it may invest in any one issuer.

Investments of endowment and similar funds are composed on the following:

	<u>Carrying Value</u>
Local Government Investment Pool	\$ 1,280,431.91
Investment Manager Custodial Accounts	4,665,163.48
Mutual Funds	53,627,158.02
Other:	
Real Estate	1,903,982.00
Private Equity Funds	993,180.00
Natural Resources Funds	296,404.00
Hedge Funds	2,099,494.28
Total	<u>\$ 64,865,813.69</u>

Assets of endowment funds are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit fair value at the beginning of the calendar quarter within which the transaction takes place. Of the total units at June 30, 2015, each having a fair value of \$106.464369, 507,466.9066 units were owned by endowment, 13,815.5570 units were owned by quasi-endowment, and 87,990.0497 units were owned by non-endowment operating accounts.

The following tabulation summarizes changes in relationships between cost and fair values of the pooled assets:

FY 2014	<u>Pooled Assets</u>		Net Gains/ (Losses)	Fair Value Per Unit
	<u>Market</u>	<u>Cost</u>		
End of year	\$ 64,865,813.69	\$ 65,220,920.07	\$ (355,106.38)	\$ 106.464369
Beginning of year	66,773,830.85	61,433,767.93	<u>5,340,062.92</u>	<u>115.945985</u>
Unrealized net loss			\$ (5,695,169.30)	
Realized net gains			<u>0.00</u>	
Total net loss			<u>\$ (5,695,169.30)</u>	<u>\$ (9.481616)</u>

The average annual earnings per unit, exclusive of net gains, were \$7.643402 for the year ended June 30, 2015.

Alternative Investments.

The foundation has investments in a hedge fund, a private equity fund, a natural resources fund, and a real estate investment trust. The estimated fair value of these assets is \$3,409,184.52 at June 30, 2015. The largest fund is a hedge fund portfolio which represents 61.6% of portfolio assets.

The foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2015. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. These investments are made in accordance with the foundation's investment policy. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques.

The private equity and natural resources funds represent 37.8% of the fund portfolio fair values. The real estate investment trust represents less than 1% of the portfolio. The fair values for these funds are estimated using various valuation techniques. At June 30, 2015, these investments were valued at the net asset values as determined by the portfolio managers. The funds are issued audited financial statements on a calendar year basis. Using those audited fair values as a beginning point, valuations are adjusted for net capital activity and marketplace considerations to ascertain the reasonableness of estimated fair values provided by the portfolio managers.

4. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning				Ending
	Balance	Additions	Transfers	Reductions	Balance
Land	\$ 403,252.49	\$ 142,194.37	\$ -	\$ 395,846.86	\$ 149,600.00
Buildings	728,692.30	-	-	728,692.30	-
Intangible assets	261,685.25	-	-	-	261,685.25
Projects in progress	-	-	-	-	-
Total	\$ <u>1,393,630.04</u>	\$ <u>142,194.37</u>	\$ <u>-</u>	\$ <u>1,124,539.16</u>	\$ <u>411,285.25</u>
Less accumulated depreciation/amortization:					
Buildings	7,590.54	12,144.87	-	19,735.41	-
Intangible assets	<u>261,685.25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,685.25</u>
	<u>269,275.79</u>	<u>12,144.87</u>	<u>-</u>	<u>19,735.41</u>	<u>261,685.25</u>
Capital assets, net	\$ <u><u>1,124,354.25</u></u>				\$ <u><u>149,600.00</u></u>

Except for depreciation, all reductions were sales or transfers to the university.

5. Long-term liabilities

Long term liability activity for the year ended June 30, 2015, was as follows:

	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion
Payables:					
Notes	\$ <u>1,044,629.75</u>	\$ <u>-</u>	\$ <u>832,222.20</u>	\$ <u>212,407.55</u>	\$ <u>82,222.20</u>
Total long-term liabilities	\$ <u>1,044,629.75</u>	\$ <u>-</u>	\$ <u>832,222.20</u>	\$ <u>212,407.55</u>	\$ <u>82,222.20</u>

Notes Payable

The foundation borrowed funds to gift to the university to help build the Center for Science, Technology, Engineering, and Mathematics building. The note bears an annually adjusted interest rate of 0%, a minimum annual debt service fee of 1% of the unpaid balance, with payments of \$6,851.85 due monthly through January 2018. The balance owed was \$212,407.55 at June 30, 2015.

Debt service requirements to maturity for all notes payable at June 30, 2015, are as follows:

For the				
Years	Ending June 30	Principal	Interest	Total
2016	\$	82,222.20	\$ 0.00	\$ 82,222.20
2017		82,222.20	0.00	82,222.20
2018		<u>47,963.15</u>	<u>0.00</u>	<u>47,963.15</u>
Total	\$	<u>212,407.55</u>	\$ <u>0.00</u>	\$ <u>212,407.55</u>

Endowments - If a donor has not provided specific instructions to the foundation, the foundation's policies and procedures permits the foundation to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the foundation is required to consider its long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The foundation chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, a percentage (as defined by the foundation) of the book value of the endowment or a percentage of the actual earnings as designated by the donor has been authorized for expenditure. The remaining amount, if any, becomes part of the permanent endowment.

Funds Held in Trust by Others - The foundation is beneficiary under the CTC Charitable Lead Trust and the Odom 2nd Chance Trust. The underlying assets are not considered assets of the foundation and are not included in the foundation's financial statements. The foundation received \$74,032.86 from these funds during the fiscal year ended June 30, 2015.