

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014 AND 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Dalton State College Foundation, Inc.:

We have audited the accompanying consolidated financial statements of the Dalton State College Foundation, Inc., (a nonprofit organization), which are comprised of the Consolidated Statements of Financial Position as of March 31, 2014 and 2013, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated 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 audit. We conducted our audit 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 misstatements 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.

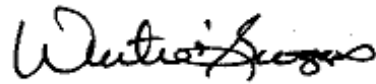
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors  
Dalton State College Foundation, Inc.  
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**Opinion**

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Dalton State College Foundation, Inc., as of March 31, 2014 and 2013, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Sincerely,



Winter & Scoggins  
Certified Public Accountants, P.C.

Dalton, Georgia  
September 11, 2014

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,357,412	\$ 1,889,295
Investments	19,110,862	17,735,572
Alternative investments	6,347,786	5,799,683
Note receivable - Athletic Club	385,482	19,915
Unconditional promises to give - current portion	136,290	130,183
Prepaid expenses	<u>304,804</u>	<u>222,436</u>
TOTAL CURRENT ASSETS	<u>27,642,636</u>	<u>25,797,084</u>
PROPERTY AND EQUIPMENT	<u>6,525,182</u>	<u>7,580,872</u>
NON-CURRENT ASSETS:		
Unconditional promises to give, less current portion	24,594	200,535
Deferred tax benefit	156,646	150,094
Mortgage acquisition costs	<u>5,772</u>	<u>9,846</u>
TOTAL NON-CURRENT ASSETS	<u>187,012</u>	<u>360,475</u>
	<u>\$ 34,354,830</u>	<u>\$ 33,738,431</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 119,392	\$ 77,152
CRAT Payable - current portion	19,138	19,138
Mortgage payable - current portion	<u>2,025,126</u>	<u>67,251</u>
TOTAL CURRENT LIABILITIES	<u>2,163,656</u>	<u>163,541</u>
LONG TERM LIABILITES		
CRAT payable, less current portion	28,049	47,187
Deferred income tax liability	89,686	68,769
Mortgage payable, less current portion	<u>-</u>	<u>2,025,126</u>
TOTAL LONG TERM LIABILITIES	<u>117,735</u>	<u>2,141,082</u>
TOTAL LIABILITIES	<u>2,281,391</u>	<u>2,304,623</u>
NET ASSETS:		
Unrestricted	15,931,182	16,489,937
Temporarily restricted	6,334,414	5,373,656
Permanently restricted	<u>9,807,843</u>	<u>9,570,215</u>
TOTAL NET ASSETS	<u>32,073,439</u>	<u>31,433,808</u>
	<u>\$ 34,354,830</u>	<u>\$ 33,738,431</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITY

For the year ended March 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 79,409	\$ 675,559	\$ 237,628	\$ 992,596
Dividends	279,530	93,776	162,926	536,232
Net realized gains on investments	413,811	138,824	241,192	793,827
Unrealized gains on investments	356,012	119,433	207,504	682,949
Change in net present value of pledges receivable	2,245	731	1,302	4,278
Earnings on restricted assets used to fund future operations and scholarships		612,924	(612,924)	-
Net assets released from restriction	680,489	(680,489)		-
Net unrelated business income	<u>4,894</u>	<u>-</u>	<u>-</u>	<u>4,894</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,816,390</u>	<u>960,758</u>	<u>237,628</u>	<u>3,014,776</u>
<b>EXPENSES:</b>				
Program service	2,078,196	-	-	2,078,196
General and administrative	214,697	-	-	214,697
Fundraising	<u>82,252</u>	<u>-</u>	<u>-</u>	<u>82,252</u>
<b>TOTAL EXPENSES</b>	<u>2,375,145</u>	<u>-</u>	<u>-</u>	<u>2,375,145</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
	(558,755)	960,758	237,628	639,631
NET ASSETS - Beginning of year	<u>16,489,937</u>	<u>5,373,656</u>	<u>9,570,215</u>	<u>31,433,808</u>
NET ASSETS - End of year	<u>\$15,931,182</u>	<u>\$ 6,334,414</u>	<u>\$ 9,807,843</u>	<u>\$32,073,439</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITY

For the year ended March 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 53,362	\$ 750,102	\$ 122,971	\$ 926,435
Dividends	273,120	74,839	165,668	513,627
Net realized gains on investments	26,508	7,264	16,079	49,851
Unrealized losses on investments	721,731	197,768	437,785	1,357,284
Change in net present value of pledges receivable	6,361	1,670	3,849	11,880
Earnings on restricted assets used to fund current operations and scholarships		623,381	(623,381)	-
Net assets released from restrictions	829,859	(516,878)	(312,981)	-
Net unrelated business (loss)	52,810	-	-	52,810
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,963,751</u>	<u>1,138,146</u>	<u>(190,010)</u>	<u>2,911,887</u>
<b>EXPENSES:</b>				
Program service	1,347,598	-	-	1,347,598
General and administrative	198,798	-	-	198,798
Fundraising	55,443	-	-	55,443
<b>TOTAL EXPENSES</b>	<u>1,601,839</u>	<u>-</u>	<u>-</u>	<u>1,601,839</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
	361,912	1,138,146	(190,010)	1,310,048
<b>NET ASSETS - Beginning of year</b>	<u>16,128,025</u>	<u>4,235,510</u>	<u>9,760,225</u>	<u>30,123,760</u>
<b>NET ASSETS - End of year</b>	<u>\$16,489,937</u>	<u>\$ 5,373,656</u>	<u>\$ 9,570,215</u>	<u>\$ 31,433,808</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2014

	<u>Program Service</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
UNRESTRICTED:				
College support:				
Capital projects	\$ 1,157,525			\$ 1,157,525
Scholarships and awards	361,722			361,722
Athletic scholarships	70,410			
Faculty support	163,091			163,091
Academic program support	140,129			140,129
Alumni relations	10,161			10,161
Student life programs	6,435			6,435
Other college support	65,445			65,445
Salaries and benefits supplements	64,547	17,139	27,710	109,396
Real estate holding expenses	12,433			12,433
Donor recognition and fund raising			41,659	41,659
Fees and commissions		64,878		64,878
Professional services		33,992		33,992
Meetings and events		2,069	7,285	9,354
Insurance and bonding		8,848		8,848
Database enhancement and support	14,139			14,139
Office supplies	2,517			2,517
Dues and memberships	2,375	8,395		10,770
Continuing professional education		6,555		6,555
Campus events	7,267			7,267
Bank and credit card fees		2,533		2,533
Staff travel		563		563
Bad debts		69,725		69,725
CRAT expenses	-	-	5,598	5,598
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,078,196</u>	<u>\$ 214,697</u>	<u>\$ 82,252</u>	<u>\$ 2,304,735</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS



DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2013

	<u>Program Service</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
UNRESTRICTED:				
College Support:				
Capital projects	\$ 548,635	\$ -	\$ -	\$ 548,635
Scholarships and awards	330,140			330,140
Athletic scholarships	27,047			
Faculty support	118,828			118,828
Academic program support	149,131			149,131
Alumni relations	56,329	-	-	56,329
Student life programs	1,732	-	-	1,732
Other college support	9,552	-	-	9,552
Salaries and benefits supplements	71,815	14,934	29,081	115,830
Real estate holding expense	19,903		-	19,903
Donor recognition and fund raising	-		9,087	9,087
Fees and commissions	-	66,408	-	66,408
Professional services	-	28,251	-	28,251
Meeting and events	-	1,331	10,581	11,912
Insurance and bonding	-	14,281	-	14,281
Database enhancement and support	-	5,745	-	5,745
Office supplies	871	1,740	871	3,482
Dues and memberships	4,800	679	-	5,479
Continuing professional education	-	4,540	225	4,765
Campus events	5,908			5,908
Bank and credit card fees		1,388	-	1,388
Staff travel	2,907			2,907
Bad debts	-	59,501	-	59,501
CRAT expenses	-	-	5,598	5,598
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,347,598</u>	<u>\$ 198,798</u>	<u>\$ 55,443</u>	<u>\$ 1,574,792</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in Net Assets	\$ 639,631	\$ 1,310,048
Adjustment to reconcile increase in Net Assets to net cash provided by operating activities		
Depreciation	83,623	82,020
Amortization	4,074	4,074
Deferred income tax	14,366	5,747
Net realized and unrealized (gains) losses on investments	(1,476,776)	(1,407,135)
Non-cash college support	1,000,000	
Change in operating assets and liabilities		
Decrease (increase) in unconditional promises to give	194,182	2,782,333
Decrease (increase) in prepaid expenses	(82,368)	(80,120)
Decrease (increase) in other current assets	(365,567)	(19,915)
Increase (decrease) in accounts payable and accrued expenses	42,240	30,902
Increase (decrease) in CRAT payable	(19,138)	(19,138)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>34,267</u>	<u>2,688,816</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(5,294,335)	(661,422)
Proceeds from the sale of investments	4,823,369	438,941
Purchase of property and equipment	(27,933)	(1,486,748)
<b>NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(498,899)</u>	<u>(1,709,229)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of mortgage payable	(67,251)	(63,586)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(67,251)</u>	<u>(63,586)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(531,883)	916,001
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,889,295</u>	<u>973,294</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 1,357,412</u>	<u>\$ 1,889,295</u>
<b>SUPPLEMENTARY DISCLOSURES</b>		
Interest paid	\$ 115,843	\$ 118,679

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

DALTON STATE COLLEGE FOUNDATION, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended March 31, 2014 and 2013

A. Summary of Significant Accounting Policies:

The consolidated financial statements of Dalton State College Foundation, Inc. (the Foundation), and Dalton State Acquisitions, Inc., have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958-605-05 and ASC 958-205-05. The significant accounting policies followed by the Foundation are described below.

1. The accompanying financial statements include the accounts of Dalton State College Foundation, Inc., and its wholly owned subsidiary, Dalton State Acquisitions, Inc., for the years ended March 31, 2014, and 2013. Significant intercompany accounts and transactions have been eliminated in consolidation.
2. The Foundation considers all certificates of deposit with maturities that do not exceed ninety days to be cash equivalents for financial statement purposes.
3. Unconditional promises to give are recognized as contributions and receivables when the promise is made. Conditional promises to give are recognized as contributions and receivables when all conditions required for the gift have been met except for the passage of time. The Foundation discounts its unconditional promises to give to their net realizable value utilizing the promises which are expected to be collected in periods exceeding one year.
4. The Foundation's policy is to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method.
5. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.
6. The Foundation receives various donated services that range from limited participation of individuals in fund raising and other services, to active participation in the administrative functions. These services are not recorded as support and revenue because these services do not meet the criteria for recognition under ASC 958-605.05.
7. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require the directors and administrators to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SEE INDEPENDENT AUDITORS' REPORT

DALTON STATE COLLEGE FOUNDATION, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended March 31, 2014 and 2013

B. General:

Dalton State College Foundation, Inc., was incorporated as a non-profit corporation under the Non-Profit Corporation Code of the State of Georgia on December 14, 1967. The organization's purpose is to secure private philanthropic support for the benefit of the students, faculty and staff, academic programs, and growth of Dalton State College.

On August 19, 2005, Dalton State Acquisitions, Inc., was incorporated as a wholly owned subsidiary of Dalton State College Foundation, Inc. Dalton State Acquisitions, Inc., was created to acquire certain parcels of real property that may be used for the future expansion of Dalton State College. Currently, the Wood Valley apartment complex is located on these parcels and was operated by Dalton State Acquisitions, Inc., as residential rentals until July 1, 2009, at which time the complex was converted to student housing that is under lease by Dalton State College.

The Board of Regents of the University System of Georgia believes that GASB 39 applies to its member colleges and their respective Foundations. As such, the Board of Regents has mandated its member colleges consolidate the activity of their Foundations in the College's annual report to the Board of Regents.

C. Cash:

The Foundation maintains its cash balances in accounts at a local bank. These balances are insured by the Federal Deposit Insurance Corporation. As of March 31, 2014 and 2013, the amounts held in bank accounts were in excess of FDIC insurance. Management does not believe that there is significant credit risk associated with these amounts.

D. Fair Value Measurement:

The Foundation has adopted the provisions of ASC 820-10-05. This standard defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. As required by ASC 820-10-05, the quoted prices for these investments are not adjusted.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment.

All alternative investments (See Note G) held at March 31, 2014, and 2013, are classified as Level III investments.

SEE INDEPENDENT AUDITORS' REPORT

DALTON STATE COLLEGE FOUNDATION, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended March 31, 2014 and 2013

E. Investment Strategy:

The Foundation's Investment Committee manages the investment portfolio according to the organization's investment policy as approved by the Board of Directors. The long term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the annual return should at least equal the annual sum of distributions, inflation, administrative costs, and net of management fees. The Foundation portfolio has adopted a "total return" investment approach; current income is considered a secondary consideration. The portfolio must offer sufficient liquidity to meet payments of philanthropic endeavors and operating expenses, as well as principal and interest payments due on any outstanding debt. The investment policy has asset allocation guidelines that allow the Investment Committee to balance the portfolio for current market conditions to achieve a long term rate of return of approximately 8.4% on an annual basis, with a moderate level of risk. Actual results may vary from this amount. The Foundation's investment portfolio had a return of 8.4% for the year ended March 31, 2014.

The Foundation determines distribution rates based on the market values of investments at the end of the fiscal year. The investment policy specifies a maximum distribution rate of 6%, but it also allows for distributions in excess of the maximum for special programs on a temporary basis. At a minimum, the investment policy states that long term rates of return be equal to an amount sufficient to maintain a distribution rate of five percent (5%) annually.

The Foundation has retained a professional investment consultant that assists the Foundation in meeting its investment objectives and monitoring compliance with the Foundation's investment policy. Fees paid to the investment consultant were \$64,878 and \$66,408 for the years ended March 31, 2014 and 2013, respectively.

F. Investments:

Investments consist of restricted, temporarily restricted, and unrestricted net assets which the organization believes will not be needed for their restricted purposes or for operations for a period of at least 90 days. All investments are maintained in readily marketable securities at brokerage houses and custodial trust companies. All investments are stated at their fair market values. The Foundation is liable for any and all market losses. Cash in investments include instruments with a maturity of 30 days or less. The Foundation's investments are exposed to various types of risk, including changes in interest rates, currency fluctuations, and credit risks. Changes in financial markets occur daily, and such changes could materially affect the amounts reported in the Foundation's financial statements.

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**F. Investments (continued):**

As of March 31, investments consisted of the following:

	2014	2013
Cash and cash equivalents	\$ 147,292	\$ 145,538
Equities	15,056,900	12,629,051
Bonds	3,906,670	4,960,983
	\$ 19,110,862	\$ 17,735,572

All investments referred to above are classified as Level I investments (See Note D).

**G. Alternative Investments:**

The Foundation’s investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of global equity, fixed income, real estate, commodities, and private equity markets. In addition, the organization seeks to produce consistent capital appreciation with controlled volatility and reduced risk of major down turns in the markets. The organization seeks to enhance the returns by focusing to a large extent on illiquid portfolio funds that the organization believes offer the potential for higher long-term returns than more liquid funds or investment vehicles. Accordingly, it is anticipated that there will be less liquidity associated with these investments than other investments of the same type.

Several of the financial instruments contained in this classification contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on the balance sheet. However, due to the nature of the limited interests in these investee funds, the risk with respect to such transactions is limited to the capital balance in each investee fund.

Fair value for alternative investments is based on estimates provided by external investment managers. Management reviews and evaluates fair value provided by external investment managers, including valuation methods and assessments used in determining fair value. The ultimate realizable value of the alternative investments may differ from the estimated fair values provided by external investment managers and these differences may be material. There are currently no plans to sell these investments prior to their liquidation.

Alternative investments consist of two classes, private equity and hedge funds. These investments require that the Foundation make commitments for investments over the course of the investment’s period. As of March 31, 2014, approximately \$1,065,250 of capital commitments remain outstanding.

Investments in private equity funds provide growth equity or take full ownership of the companies in which they invest. Portions of these investments are in start-up and early stage companies. Private investments also include positions in real assets, including real estate and commodities.

SEE INDEPENDENT AUDITORS’ REPORT

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**G. Alternative Investments (continued):**

Investments in hedge funds take long and short positions in largely equity securities, credit securities, and event-driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility. This fund of funds mechanism was chosen by the Foundation as the most practical approach to achieve diversification of the alternative investment portfolio.

As of March 31, 2014, and 2013, approximately seventy-four percent (74%) of alternative investments were contained in one hedge fund.

For the year ended March 31, 2014, the changes in investments classified as Level III are as follows:

	Private Investments	Hedge Funds	Total
Balance, April 1, 2013	\$ 1,531,939	\$ 4,267,744	\$ 5,799,683
Realized gains		-	-
Unrealized gains	285,591	429,801	715,392
Purchases	173,950	-	173,950
Sales	(300,439)	-	(300,439)
Transfers in and/or out of Level III	<u>(40,800)</u>	<u>-</u>	<u>(40,800)</u>
Balance, March 31, 2014	<u>\$ 1,650,241</u>	<u>\$ 4,697,545</u>	<u>\$ 6,347,786</u>

For the year ended March 31, 2013, the changes in investments classified as Level III are as follows:

	Private Investments	Hedge Funds	Total
Balance, April 1, 2012	\$ 1,341,129	\$ 3,923,347	\$ 5,264,476
Realized gains	-	-	-
Unrealized gains	155,580	344,397	499,977
Purchases	53,600	-	53,600
Sales	(18,370)	-	(18,370)
Transfers in and/or out of Level III	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2013	<u>\$ 1,531,939</u>	<u>\$ 4,267,744</u>	<u>\$ 5,799,683</u>

All investments referred to above are classified as Level III investments (See Note D).

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**H. Unconditional Promises to Give:**

As of March 31, unconditional promises to give consisted of the following:

	2014	2013
Present value of unconditional promises to give	\$ 212,149	\$ 416,018
Less allowance for uncollectibles	51,265	85,300
	160,884	330,718
Less current portion	136,290	130,183
Non-current portion	\$ 24,594	\$ 200,535
Less than one year	\$ 136,290	\$ 130,183
One to five years	28,185	205,580
More than five years	-	2,825
	164,475	338,588
Less discount to present value	3,591	7,870
Total expected to be collected	\$ 160,884	\$ 330,718

The discount rate used on the long-term promises to give was 1.64% and 1.39% as of March 31, 2014, and 2013, respectively. The promises to give were generated by commitments from corporations and individuals in the community. An allowance for uncollectible promises to give has been recorded of \$51,265 as March 31, 2014. Of this amount, \$39,000 is attributable to the current portion. There are no enforceable rights by the Foundation to collect these promises.

Management reviews all uncollected unconditional promises to give annually utilizing responses to audit confirmations and other information they are aware of concerning the ability and willingness of donors to honor their commitments. Promises determined to be uncollectible are written off when that determination is made. Bad debt expense as of March 31, 2014, and 2013 was \$69,275 and \$59,201, respectively.

**I. Prepaid Expenses:**

As of March 31, prepaid expenses consist of the following:

	2014	2013
Repair and replacement reserves	\$ 138,326	\$ 108,187
Prepaid income tax	146	2,805
Property tax escrow	104,205	60,723
Prepaid insurance	25,044	16,965
Insurance escrow	37,083	33,756
	\$ 304,804	\$ 222,436

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**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**J. Property and Equipment :**

As of March 31, property and equipment consist of the following:

	2014	2013
Land	\$ 2,957,084	\$ 2,957,084
CRI land & building		1,000,000
Land - Wood Valley Apartments	925,000	925,000
Buildings - Wood Valley Apartments	2,796,165	2,796,165
Appliances - Wood Valley Apartments	29,817	17,107
Building renovations - Wood Valley Apartments	484,739	469,516
	7,192,805	8,164,872
Less accumulated depreciation	667,623	584,000
	\$ 6,525,182	\$ 7,580,872

The Foundation's real estate holdings are intended to be donated to Dalton State College or for the College's benefit. Before the property can be transferred, there may be additional costs associated with conditioning the property for transfer. On July 17, 2013, the Foundation agreed, at the request of the College, to transfer the CRI land and building to the Dalton State Athletic Club, Inc., for use by the College's athletic department. The value of this gift is shown on the Consolidated Statement of Functional Expenses for the year ended March 31, 2014 as capital projects expense and is deemed to be \$1,000,000. As of March 31, 2014, the timeframe for other such transfers is undeterminable, and the costs associated with such transfers cannot be reasonably determined.

The only property and equipment in service is associated with the Wood Valley Apartments. For the year ended March 31, 2014, and 2013, depreciation expense was \$83,623 and \$82,020, respectively.

**K. CRAT Payable:**

On May 8, 2007, a charitable remainder annuity trust was established by a local family naming the Foundation as trustee and ultimate beneficiary of the trust. Under the terms of the trust, the grantor is paid an annuity amount equal to nine percent (9%) of the net fair market value of the assets of the trust as of the date of the trust in equal quarterly installments from trust income and, to the extent income is not sufficient, from principal for the lifetime of the last surviving grantor. The trust was initially funded with marketable securities with a fair market value of \$274,845 as of May 8, 2007.

The present value of the expected outflows from the trust were calculated using the 2004 period life tables issued by the Social Security Administration and was discounted using the 30-year Treasury bill interest rate in effect at May 8, 2007 (4.80%). The difference between the fair market value of the assets transferred to the trust and the present value of the expected outflows were recorded as temporarily restricted contributions as required by Generally Accepted Accounting Principles.

During the years ended March 31, 2014, and 2013, the trust generated investment incomes of \$11 and \$12, incurred investment management fees of \$0 and \$0 and distributed payments to the grantor in the

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**K. CRAT Payable (continued):**

amount of \$24,736 and \$24,736, thus reducing the principal of the trust by \$19,138 and \$19,138, respectively.

As of March 31, 2014, and 2013, the investments contained within the CRAT had a fair market value of \$106,507 and \$131,231 which are included in Note D, and the expected CRAT liability was \$47,187 and \$66,325, respectively.

**L. Mortgage Payable:**

On September 30, 2005, Dalton State Acquisitions, Inc., assumed an outstanding note payable dated February 2, 2005, related to the purchase of the Wood Valley apartment complex. The principal balance of the note at the time of assumption was \$2,475,000 and accrues interest at an annual rate of 5.54%. Interest only was payable for the first twelve months and beginning on March 11, 2006, principal and interest are payable in monthly installments of \$15,258. The note matures on February 11, 2015, with a final payment due at that time of \$1,996,217.

The mortgage payable contains certain provisions, including a requirement that the fixed charge coverage ratio be not less than 1.0 to 1.0. Additionally, the note provisions contain a substantial prepayment penalty of one percent (1%) of the outstanding loan balance at the time of payoff plus all interest that would have accrued if the mortgage was not paid off. As of March 31, 2014, there are no plans to accelerate the repayment of the mortgage and the Foundation is currently in discussions as to whether to encumber the property again upon maturity of the current mortgage.

**M. Concentrations:**

For the year ended March 31, 2013, approximately 54% of contributions were received from one donor.

**N. Permanently Restricted Net Assets:**

As of March 31, permanently restricted net assets consist of the following funds:

	<u>2014</u>	<u>2013</u>
Bandy Heritage Center Endowment Fund	\$ 970,797	\$ 970,797
Bandy Chair in History Endowment Fund	1,000,000	1,000,000
Georgia Eminent Scholar Endowment Fund	1,698,250	1,698,250
Georgia Eminent Scholar Endowment Matching Fund	1,000,000	1,000,000
Goizueta Foundation Chair in Ed. Endowment Fund	1,000,000	1,000,000
Goizueta Foundation Scholarship Endowment Fund	700,000	700,000
Various endowed funds	<u>3,038,741</u>	<u>2,801,113</u>
	<u>\$ 9,807,843</u>	<u>\$ 9,570,215</u>

SEE INDEPENDENT AUDITORS' REPORT

DALTON STATE COLLEGE FOUNDATION, INC.  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the years ended March 31, 2014 and 2013

N. Permanently Restricted Net Assets (continued):

The Foundation has received from various donors endowments for various named scholarship funds, faculty chair funds, and award funds. The principal amounts of these funds are to be maintained in perpetuity, and the income from the endowments is to provide scholarships to students and support to the faculty of the College with certain qualifications as prescribed by the donors.

As of March 31, permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Investments	\$ 3,460,057	\$ 3,770,532
Alternative investments	<u>6,347,786</u>	<u>5,799,683</u>
Total permanently restricted net assets	<u>\$ 9,807,843</u>	<u>\$ 9,570,215</u>

O. Temporarily Restricted Net Assets:

The temporarily restricted net assets are composed of various named scholarship funds, faculty chair funds, and award funds for which the Foundation may use either principal or income and earnings from donor restricted funds to provide scholarships to students and support to the faculty of the College with certain qualifications as prescribed by donors. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the donor's restrictions.

As of March 31, 2014, and 2013, temporarily restricted net assets consisted entirely of investments.

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**P. Unrestricted Net Assets:**

As of March 31, unrestricted net assets consist of the following:

	2014	2013
Cash	\$ 1,357,412	\$ 1,889,295
Promises to give	160,884	330,718
Note receivable - Athletic Club	385,482	19,915
Deferred tax benefit	156,646	150,094
Investments	9,316,391	8,591,384
Prepaid expenses	304,804	222,436
Property and equipment	6,525,182	7,580,872
Loan costs	5,772	9,846
	<u>18,212,573</u>	<u>18,794,560</u>
Less accounts payable and accrued liabilities	119,392	77,152
Less CRAT payable	47,187	66,325
Less deferred tax liability	89,686	68,769
Less mortgage payable	<u>2,025,126</u>	<u>2,092,377</u>
Total unrestricted net assets	<u>\$ 15,931,182</u>	<u>\$ 16,489,937</u>

The Foundation is a named beneficiary of various estates and charitable trusts. The income from these entities is distributed on an annual basis to various beneficiaries in amounts and proportions as determined by the trustees. The trust agreements provide that the principal will be distributed at the discretion of the trustee when certain triggering events occur. As of March 31, 2014, and 2013, no distributions have been received from any trusts.

**Q. Related Party Transactions:**

The Dalton State College Foundation, Inc., was created expressly to provide support for the faculty, students, facilities, and programs of Dalton State College. The Foundation operates under an updated Memorandum of Agreement dated September 18, 2012, whereby the Foundation and College have made certain agreements that define the terms of the relationship. The term of the Agreement is five years.

The administrative offices of the organization are in donated space provided by Dalton State College. The College provides clerical assistance, copying machines, computer equipment, phone service, and other administrative services at no fee to the organization. The organization leases administrative employees from the College. The total amount paid to Dalton State College for the years ending March 31, 2014, and 2013, is \$1,074,153 and \$1,091,270, respectively. Included in the amounts paid to Dalton State College are scholarships of \$361,772 and \$330,140 paid on behalf of students who are unrelated to the organization or the College for the years ended March 31, 2014, and 2013, respectively. The students are credited with the scholarships against tuition by the College during the registration process.

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DALTON STATE COLLEGE FOUNDATION, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended March 31, 2014 and 2013

**Q. Related Party Transactions (continued):**

On July 1, 2009, Dalton State Acquisitions, Inc., entered into an agreement with Dalton State College to lease the Wood Valley apartment complex for student housing. As part of the agreement, the College is responsible for all janitorial, waste disposal, utilities, and cleaning of the complex. Dalton State Acquisitions Inc., remains responsible for the mortgage payment, maintenance, and insurance related to the facility. During the year ended March 31, 2012, application was submitted and approved for waiver of property taxes; thus, no property taxes are due on the Wood Valley Apartments. The initial term of the lease expired on June 30, 2010, and contained renewal options through June 30, 2015. Dalton State College has exercised the renewal options through June 30, 2014. The monthly rent in the initial term is \$26,758. The monthly rental may increase with each renewal based on the increase in certain expenses. This increase is limited to 104% of the prior year rental amount. For the years ended March 31, 2014, and 2013, rental income received from Dalton State College amounted to \$321,096 and \$321,096.

The Dalton State Athletic Club, Inc., (the Club) was formed in March 2013 to support athletics at Dalton State College. The Club is a separate and distinct entity from the Foundation. On October 11, 2012, at the request of the College administration, the Foundation's Executive Committee voted to lend up to \$425,000 at an annual interest rate of five percent (5%) to the Club for the partial renovation of Bandy Gymnasium on campus. Principal and interest are payable in four annual installments beginning in December 2013. The Club has the option to accelerate the payment schedule with no prepayment penalty. As of March 31, 2013, the amount advanced to the Club under this loan was \$19,915.

On March 6, 2014, the Dalton State Athletic Club, Inc., requested and received a modification to the loan term. The annual interest rate was reduced to 0% and the repayment schedule was modified to two (2) equal payments of the outstanding principal balance to be paid on December 31, 2014 and 2015. As of March 31, 2014, the amount advanced to the Club under this loan amounted to \$385,482.

**R. Income Tax Status:**

Dalton State College Foundation, Inc., is exempt from federal income taxes under Internal Revenue Code 501(c)(3). Therefore, no provision for federal and state income taxes is included in the accompanying financial statements.

Dalton State Acquisitions, Inc., is classified as a C corporation for federal and state income taxes and files income tax returns separate from its parent. A provision for deferred federal and state income taxes (benefit) of (\$156,646) and (\$150,094) is included in the financial statements related to the activity of Dalton State Acquisitions, Inc., for the years ended March 31, 2014, and 2013, respectively. The deferred tax asset reflects the income tax consequences of a net operating loss carryforward. A deferred tax liability has been recognized in the amount of \$89,686 and \$68,769 for the year ended March 31, 2014 and 2013, respectively, representing temporary differences between the income tax and the financial reporting basis of assets that will result in taxable amounts in the future. Both amounts have been classified as non-current based on management's determination that utilization and/or reversal will be greater than one year from March 31, 2014.

SEE INDEPENDENT AUDITORS' REPORT

**DALTON STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended March 31, 2014 and 2013

**R. Income Tax Status (continued):**

On April 1, 2009, the Foundation adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax provisions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Foundation has analyzed tax examination and does not anticipate any adjustment that would result in material adverse effect on the Foundation's financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at March 31, 2014 and 2013.

Currently, there are no audits for any tax year in progress and the Foundation believes that it is no longer subject to audits for periods prior to 2010.

**S. Net Unrelated Business Income:**

Unrelated business income is derived from Dalton State Acquisitions, Inc.'s, operations of the Wood Valley apartment complex. For the year ended March 31, the income and expenses related to these operations are as follows:

	2014	2013
Operating revenues	\$ 321,096	\$ 321,096
Less operating expenses	98,024	57,875
Less depreciation and amortization expense	87,697	86,094
Less interest expense	116,255	118,679
Income (loss) from operations	19,120	58,448
Plus non-operating income	140	109
Less income tax expense (benefit)	14,366	5,747
Net unrelated business income (loss)	\$ 4,894	\$ 52,810

**T. Evaluation of Subsequent Events:**

On July 9, 2014, the Foundation was informed of the College's desire for approximately three acres of land to construct student housing. This property is a portion of the Wood Valley complex. The transfer is expected to take place in May of 2015, and construction will be begin shortly thereafter. Once construction is complete, the College may no longer use the complex as student housing and the existing structures might be razed.

Management has evaluated subsequent events through September 11, 2014, the date which the financial statements were available to be issued, and has determined there were no additional material events requiring recognition or disclosure in the Foundation's financial statements.



INDEPENDENT AUDITORS' REPORT ON  
ADDITIONAL INFORMATION

To the Board of Directors of the  
Dalton State College Foundation, Inc.

We have audited the consolidated financial statements of the Dalton State College Foundation, Inc., as of and for the years ended March 31, 2014 and 2013, and have issued our report thereon dated September 11, 2014, which contains an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on those financial statements as a whole. The information included in the accompanying Consolidating Statements of Financial Position as of March 31, 2014 and 2013, and the Schedule of Operating Expenses of Wood Valley Apartments for the years ended March 31, 2014 and 2013 is presented for the purposes of additional analysis and is 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 audit 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 aforementioned information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

Winter & Scoggins  
Certified Public Accountants, P.C.

Dalton, Georgia  
September 11, 2014

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

March 31, 2014

	<u>DALTON STATE COLLEGE FOUNDATION</u>	<u>DALTON STATE ACQUISITIONS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
	<u>ASSETS</u>			
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,260,422	\$ 96,990	\$ -	\$ 1,357,412
Investments	19,110,862	-	-	19,110,862
Alternative investments	6,347,786	-	-	6,347,786
Unconditional promises to give	136,290	-	-	136,290
Note receivable - Athletic Club	385,482	-	-	385,482
Prepaid expenses	<u>8,924</u>	<u>295,880</u>	<u>-</u>	<u>304,804</u>
<b>TOTAL CURRENT ASSETS</b>	<u>27,249,766</u>	<u>392,870</u>	<u>-</u>	<u>27,642,636</u>
PROPERTY AND EQUIPMENT, net	<u>2,957,084</u>	<u>3,568,098</u>	<u>-</u>	<u>6,525,182</u>
<b>NON-CURRENT ASSETS:</b>				
Unconditional promises to give	24,594	-	-	24,594
Deferred income tax benefit	-	156,646	-	156,646
Investment in subsidiary	1,962,557	-	(1,962,557)	-
Mortgage acquisition costs	<u>-</u>	<u>5,772</u>	<u>-</u>	<u>5,772</u>
<b>TOTAL NON CURRENT ASSETS</b>	<u>1,987,151</u>	<u>162,418</u>	<u>(1,962,557)</u>	<u>187,012</u>
	<u>\$ 32,194,001</u>	<u>\$ 4,123,386</u>	<u>\$ (1,962,557)</u>	<u>\$ 34,354,830</u>
	<u>LIABILITIES AND NET ASSETS</u>			
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 66,633	\$ 52,759	\$ -	\$ 119,392
Current portion of CRAT payable	19,138	-	-	19,138
Current portion of mortgage payable	<u>-</u>	<u>2,025,126</u>	<u>-</u>	<u>2,025,126</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>85,771</u>	<u>2,077,885</u>	<u>-</u>	<u>2,163,656</u>
<b>LONG TERM LIABILITIES:</b>				
CRAT payable - net of current portion	28,049	-	-	28,049
Deferred income tax liability	-	89,686	-	89,686
Mortgage payable - net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LONG TERM LIABILITIES</b>	<u>28,049</u>	<u>89,686</u>	<u>-</u>	<u>117,735</u>
<b>TOTAL LIABILITIES</b>	<u>113,820</u>	<u>2,167,571</u>	<u>-</u>	<u>2,281,391</u>
<b>NET ASSETS:</b>				
Common stock	-	100,000	(100,000)	-
Additional paid in capital	-	1,862,557	(1,862,557)	-
Unrestricted (retained earnings)	15,937,924	(6,742)	-	15,931,182
Temporarily restricted	6,334,414	-	-	6,334,414
Permanently restricted	<u>9,807,843</u>	<u>-</u>	<u>-</u>	<u>9,807,843</u>
<b>TOTAL NET ASSETS</b>	<u>32,080,181</u>	<u>1,955,815</u>	<u>(1,962,557)</u>	<u>32,073,439</u>
	<u>\$ 32,194,001</u>	<u>\$ 4,123,386</u>	<u>\$ (1,962,557)</u>	<u>\$ 34,354,830</u>

SEE INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION



DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

March 31, 2013

	<u>DALTON STATE COLLEGE FOUNDATION</u>	<u>DALTON STATE ACQUISITIONS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
	<u>ASSETS</u>			
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,733,812	\$ 155,483	\$ -	\$ 1,889,295
Investments	17,735,572	-	-	17,735,572
Alternative investments	5,799,683	-	-	5,799,683
Unconditional promises to give	130,183	-	-	130,183
Note receivable - Athletic Club	19,915	-	-	19,915
Prepaid expenses	-	222,436	-	222,436
<b>TOTAL CURRENT ASSETS</b>	<u>25,419,165</u>	<u>377,919</u>	<u>-</u>	<u>25,797,084</u>
PROPERTY AND EQUIPMENT, net	<u>3,957,084</u>	<u>3,623,788</u>	<u>-</u>	<u>7,580,872</u>
<b>NON-CURRENT ASSETS:</b>				
Unconditional promises to give	200,535	-	-	200,535
Deferred income tax benefit	-	150,094	-	150,094
Investment in subsidiary	1,962,507	-	(1,962,507)	-
Mortgage acquisition costs	-	9,846	-	9,846
<b>TOTAL NON CURRENT ASSETS</b>	<u>2,163,042</u>	<u>159,940</u>	<u>(1,962,507)</u>	<u>360,475</u>
	<u>\$ 31,539,291</u>	<u>\$ 4,161,647</u>	<u>\$ (1,962,507)</u>	<u>\$ 33,738,431</u>
	<u>LIABILITIES AND NET ASSETS</u>			
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 27,522	\$ 49,630	\$ -	\$ 77,152
Current portion of CRAT payable	19,138	-	-	19,138
Current portion of mortgage payable	-	67,251	-	67,251
<b>TOTAL CURRENT LIABILITIES</b>	<u>46,660</u>	<u>116,881</u>	<u>-</u>	<u>163,541</u>
<b>LONG TERM LIABILITIES:</b>				
CRAT payable - net of current portion	47,187	-	-	47,187
Deferred income tax liability	-	68,769	-	68,769
Mortgage payable - net of current portion	-	2,025,126	-	2,025,126
<b>TOTAL LONG TERM LIABILITIES</b>	<u>47,187</u>	<u>2,093,895</u>	<u>-</u>	<u>2,141,082</u>
<b>TOTAL LIABILITIES</b>	<u>93,847</u>	<u>2,210,776</u>	<u>-</u>	<u>2,304,623</u>
<b>NET ASSETS:</b>				
Common stock	-	100,000	(100,000)	-
Additional paid in capital	-	1,862,507	(1,862,507)	-
Unrestricted (retained earnings)	16,501,573	(11,636)	-	16,489,937
Temporarily restricted	5,373,656	-	-	5,373,656
Permanently restricted	9,570,215	-	-	9,570,215
<b>TOTAL NET ASSETS</b>	<u>31,445,444</u>	<u>1,950,871</u>	<u>(1,962,507)</u>	<u>31,433,808</u>
	<u>\$ 31,539,291</u>	<u>\$ 4,161,647</u>	<u>\$ (1,962,507)</u>	<u>\$ 33,738,431</u>

SEE INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

DALTON STATE ACQUISITIONS, INC.

SCHEDULE OF OPERATING EXPENSES OF  
THE WOOD VALLEY APARTMENT COMPLEX

For the years ended March 31, 2014 and 2013

OPERATING EXPENSES:	<u>2014</u>	<u>2013</u>
Repairs & maintenance	\$ 47,339	\$ 20,986
Professional fees	16,958	11,375
Bank service charges	591	156
Taxes - other	50	800
Insurance	<u>33,085</u>	<u>24,558</u>
	<u>\$ 98,023</u>	<u>\$ 57,875</u>

SEE INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION