

**MEDICAL COLLEGE OF GEORGIA
FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
MODIFIED CASH BASIS**

JUNE 30, 2010 and 2009

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Medical College of Georgia Foundation, Inc.
Augusta, Georgia

We have audited the accompanying consolidated statements of assets, liabilities and net assets – modified cash basis of the Medical College of Georgia Foundation, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of revenues and expenses and changes in net assets – modified cash basis for the years then ended. These financial statements are the responsibility of the Foundation’s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these consolidated financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Medical College of Georgia Foundation, Inc., as of June 30, 2010 and 2009, and their revenues and expenses and changes in net assets for the years then ended on the basis of accounting described in Note 1.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads "Elliott Davis, LLC".

Augusta, Georgia
September 16, 2010

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
Consolidated Statements of Assets, Liabilities and Net Assets - Modified Cash Basis

	June 30,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 7,771,773	\$ 13,984,760
Student loans receivable	322,547	318,204
Investments	105,493,715	95,476,331
Investment properties, net	3,334,383	3,278,004
Property and equipment, net	1,819,478	1,839,031
Cash value of life insurance, net	310,307	364,843
Other assets	81,005	46,615
	\$ 119,133,208	\$ 115,307,788
LIABILITIES AND NET ASSETS		
LIABILITIES		
Liability for split-interest agreements	\$ 1,391,466	\$ 1,922,075
Total liabilities	1,391,466	1,922,075
NET ASSETS		
Unrestricted and undesignated	4,451,216	4,246,051
Unrestricted, designated by the Board	7,599,278	7,683,003
Temporarily restricted	10,531,762	17,632,105
Permanently restricted	95,159,486	83,824,554
	117,741,742	113,385,713
	\$ 119,133,208	\$ 115,307,788

The accompanying notes are an integral part of these consolidated financial statements.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
Consolidated Statements of Revenues and Expenses and
Changes in Net Assets - Modified Cash Basis

	For the years ended	
	June 30,	
	2010	2009
REVENUES, GAINS AND OTHER SUPPORT		
Private gifts & contributions	\$ 3,318,622	\$ 3,731,390
Realized & unrealized gain/(loss) on investments	9,688,683	(31,195,309)
Interest & dividends	1,760,894	2,590,364
Rents & other	568,457	628,332
Change in value in split interest agreements	530,609	346,894
	15,867,265	(23,898,329)
EXPENSES		
Program disbursements (educational, research and patient care)	10,033,399	6,377,949
Management and general	1,118,926	1,138,869
Fundraising	358,911	377,909
	11,511,236	7,894,727
Excess (deficit) of revenues over expenses	4,356,029	(31,793,056)
NET ASSETS, BEGINNING OF YEAR	113,385,713	145,178,769
NET ASSETS, END OF YEAR	\$ 117,741,742	\$ 113,385,713

The accompanying notes are an integral part of these consolidated financial statements.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Medical College of Georgia Foundation, Inc. (the "Foundation") is a nonprofit corporation incorporated under the laws of the State of Georgia in 1954. The purposes of the Foundation are to serve the needs and interests of the Medical College of Georgia and MCG Health System and to benefit and promote the well being of the Medical College and the patient and family-centered care at MCG Health System, to receive and administer funds for the support and enhancement of the Medical College of Georgia and MCG Health System, and to manage funds and investments in accordance with donor instructions for restricted gifts. The Foundation provides support for advanced study by members of the College's faculty, research in the health sciences fields, scholarships to qualified students and other institutional programs. The Foundation functions as an independent corporation governed by its articles of incorporation, by-laws and its Board of Directors.

Central Square, LLC, a wholly owned subsidiary of the Foundation, was formed as a single member limited liability corporation in 1997 to serve as the holder of the land and building for the Central Square Shopping Center. Central Square, LLC is included in the consolidation of the Foundation's financial statements and all material inter-foundation accounts and transactions have been eliminated.

MCG Foundation Center, LLC, a wholly owned subsidiary of the Foundation, was formed as a single member limited liability corporation in 2004 to hold title to real estate and similar property donated to the Foundation. MCG Foundation Center, LLC is included in the consolidation of the Foundation's financial statements and all material inter-foundation accounts and transactions have been eliminated.

Resurgens Properties, LLC, a wholly owned subsidiary of the Foundation, was formed as a single member limited liability corporation in 2007 to hold title to real estate and similar property purchased by the Foundation. Resurgens Properties, LLC is included in the consolidation of the Foundation's financial statements and all material inter-foundation accounts and transactions have been eliminated.

Basis of accounting

The Foundation's policy is to prepare its consolidated financial statements on a modified cash basis of accounting that includes recording of depreciation on long-lived assets and liabilities for split-interest agreements. Under that basis, revenue and the related assets are recognized when collected rather than when earned and expenses are recognized when paid rather than when incurred. Consequently, contributions receivable from donors, investment income receivable, accounts payable to vendors and accrued expenses are not included in the consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements on a modified cash basis of accounting requires management 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the fair value of certain investments and the assumptions made in recording liabilities for split-interest agreements.

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Classification of net assets

Unrestricted net assets are not subject to donor-imposed restrictions. Net assets included in this class include the receipts of unrestricted gifts and earnings on unrestricted funds.

Temporarily restricted net assets are subject to donor-imposed restrictions. Net assets included in this class include gifts for restricted purposes and earnings on restricted funds.

Permanently restricted net assets are subject to donor-imposed restrictions such that the net assets be maintained permanently by the Foundation. Net assets included in this class include gifts in which donors stipulate that the corpus be held in perpetuity and only the earnings on the net assets are to be expended.

Fair value measurements

Within the Codification, *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurement. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the standard, fair value measurements are disclosed by level within that hierarchy.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasury Securities.
- Level 2:** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , Continued

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

Cash and cash equivalents

The Foundation places its cash with high quality financial institutions. The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, including short-term financial instruments in the Foundation's investment accounts. At times such cash may be in excess of Federal Deposit Insurance Corporation (FDIC) limits.

Investments

Investments consist of:

- Traditional equity securities (long only)
- Traditional fixed income securities (long only)
- Marketable real assets
- Marketable alternative securities (hedge funds, hedge fund-of-funds)
- Non-marketable alternatives (private real assets, private equity)

Investments in traditional equity securities, fixed-income funds, and marketable real assets with readily determinable fair values and all investments in debt securities are reported at fair value with the realized and unrealized gains and losses, net of investment fees, included in the statement of revenues and expenses and changes in net assets –modified cash basis. Publicly traded equity securities, fixed income funds, and marketable real assets are valued using quoted market prices (Level 1) and exchange rates, if applicable.

Investments in marketable or non-marketable alternative securities ("alternative investments") consisting of private equity funds and hedge funds are reported at their estimated fair value. The estimated fair value is provided by the fund managers using the most current information available and adjusted for current activity. Fund managers of marketable alternative securities provide values based on observable quoted market prices and exchange rates for similar publicly held securities and valuation estimates of derivative instruments on a monthly basis (Level 2).

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , Continued

Non-marketable alternative securities consist of private real estate, real assets, and private equity funds. Real estate and real assets are valued based on appraisals of properties and assets held and are conducted by third-party appraisers retained by the funds' manager. Fund managers typically value privately held companies at cost as adjusted based on recent arms' length transactions. Real assets are physical or identifiable assets such as commodities (oil, precious metals, agriculture, etc.) and real estate. Also, the equity of corporations in the energy or natural resource sectors are included in this category since they are closely tied to the underlying real asset markets. For hedge funds-of-funds, valuations provided by the underlying fund managers are evaluated by the funds-of-funds investment managers who believe such values are reasonable at June 30, 2010 and 2009. The values assigned to alternative investments are based on current information and do not represent amounts which might ultimately be realized (Level 3). Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been realized had a ready market for the investments existed and those differences could be material. The change in net assets related to marketable alternative investments is presented as realized and unrealized losses based on the estimated fair value of each fund manager.

The Foundation's investments are exposed to risks, including changes in interest rates and market fluctuations. Changes in financial markets occur daily and it is quite likely that changes in the carrying values of investments will occur in the near term. Such changes could materially affect the amounts reported in the Foundation's consolidated modified cash basis financial statements.

Donated gifts of securities are recorded based on their estimated fair value at the date the donation is received. Realized gains and losses on sale of securities represent the difference between net proceeds received and the carrying value of the investment.

Investment income, including interest and dividends and realized and unrealized losses, are presented in the accompanying statements of revenues and expenses and changes in net assets – modified cash basis net of investment fees. Pooled investment earnings and related expenses are allocated on a quarterly basis based on the percentage of ownership interest of each fund in the investment pool.

Property and equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation. The Foundation capitalizes the acquisition of property and equipment assets in excess of \$1,000 having an estimated useful life which extends substantially beyond the year of acquisition. Property and equipment assets that are not capitalized are expensed when acquired. Depreciation is computed by the straight-line method based on useful lives ranging from 5 to 40 years.

Life insurance contracts

Life insurance contracts owned by the Foundation are recorded at their cash surrender value as the Foundation has the full rights to the cash value of the policies. Some policies are being funded with contributions from donors and others are funded by the existing cash value in the policy. The Foundation will collect on the face values of the policies when the insured deceases and will apply the proceeds to the restricted or unrestricted purposes intended by the donor. The Foundation netted the cash value of life insurance with related policy loans as the loans are to be liquidated by deduction of the proceeds of the policy upon maturity or cancellation.

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , Continued

Charitable remainder trusts

The Foundation has been named the beneficiary of cash and property under charitable remainder annuity trusts and charitable remainder unitrusts. Under certain agreements (split-interest agreements), the Foundation has been named trustee for the trusts. For trusts where the Foundation is the trustee, a liability has been recorded at the estimated present value of the life interest amount payable to the beneficiary. The estimated present value of amounts due to beneficiaries is determined by the Foundation using certain actuarial assumptions and the Internal Revenue Service discount rate in place at the time of the donation.

Contributions

Under the modified cash basis of accounting, contributions are recognized as unrestricted revenue when received by the Foundation. The Foundation reports gifts of cash and other assets as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues and expense and changes in net assets – modified cash basis.

Functional allocation

The Foundation considers all program expenses to be in the functional category of education, research and patient care and administration for the support of the Medical College of Georgia and MCG Health System. Management and general expenses consist of the costs of administering the Foundation. Expenses are charged to program, management and general, or fundraising based on the nature of the cost and the function benefited. When an expense benefits more than one function, the cost is allocated based on estimates by management.

Tax status

The Foundation is recognized as an organization exempt from federal income tax under Section 501(2) of the U. S. Internal Revenue Code (the "Code"), as an organization described in Section 501(c)(3) of the Code, except for taxes or income from activities unrelated to its exempt purpose and is classified as a public charity under Section 509(a)(1). Donations to the Foundation are deductible as charitable contributions as provided for by income tax regulations.

Subsequent events

These financial statements have not been updated for subsequent events occurring after September 16, 2010, which is the date these financial statements were available to be issued.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 2 – STUDENT LOANS RECEIVABLE

Student loans receivables consisted of the following at June 30:

	2010	2009
Student loans, Medical College of Georgia bearing interest at 7% - 9%, due on demand, unsecured	\$ 195,512	\$ 193,297
Student loans bearing interest at 7% - 9%, with various due dates, unsecured	127,035	124,907
	\$ 322,547	\$ 318,204

NOTE 3 - INVESTMENTS

Investments at fair value consisted of the following at June 30:

	2010		2009	
Cash and cash equivalents	2.8%	\$ 3,003,609	1.1%	\$ 1,016,887
Domestic equity	22.0%	23,142,837	21.3%	20,371,520
International equity	20.7%	21,845,357	20.9%	19,960,511
Fixed income	10.2%	10,745,459	10.6%	10,155,533
Real assets	13.8%	14,610,624	14.4%	13,710,398
Alternative strategies	30.5%	32,145,829	31.7%	30,261,482
Total		\$ 105,493,715		\$ 95,476,331

Investments held under split-interest agreements in which the Foundation is the trustee were approximately \$2,000,000 and \$2,500,000 at June 30, 2010 and 2009 respectively.

Investment returns are reported net of investment fees totaling approximately \$980,000 and \$950,000 for the year ended June 30, 2010 and 2009 respectively.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS VALUATION

The following table summarizes the valuation of the Foundation's investments as of June 30, 2010 and 2009 respectively, based on their placement within the fair value hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 55,506	\$ 2,948,103	\$ -	\$ 3,003,609
Domestic equity	23,132,262	10,575	-	23,142,837
International equity	17,031,471	4,813,886	-	21,845,357
Fixed income	9,388,916	1,356,543	-	10,745,459
Real assets	5,962,307	6,022,127	2,626,190	14,610,624
Alternative strategies	983,376	2,736,794	28,425,659	32,145,829
Total assets at fair value	\$ 56,553,838	\$ 17,888,028	\$ 31,051,849	\$ 105,493,715

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 43,615	\$ 973,272	\$ -	\$ 1,016,887
Domestic equity	20,371,520	-	-	20,371,520
International equity	6,133,450	13,827,061	-	19,960,511
Fixed income	6,072,592	4,082,941	-	10,155,533
Real assets	4,156,534	-	9,553,864	13,710,398
Alternative strategies	-	-	30,261,482	30,261,482
Total assets at fair value	\$ 36,777,711	\$ 18,883,274	\$ 39,815,346	\$ 95,476,331

NOTE 5 – INVESTMENT PROPERTIES

Investment properties leased under operating leases or land held for investment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Central Square Shopping Center	\$ 3,505,464	\$ 3,358,104
Land and improvements held for investment	994,212	994,212
	4,499,676	4,352,316
Less accumulated depreciation	(1,165,293)	(1,074,312)
	\$ 3,334,383	\$ 3,278,004

Depreciation expense for investment properties totaled \$90,981 and \$94,241 for the year ended June 30, 2010 and 2009, respectively.

Approximately 68% of Central Square Shopping Center is leased to a regional food supermarket. The lease requires minimum annual rental payments of \$252,780, expires in 2011 and is renewable for a total of an additional ten years at substantially similar lease terms.

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MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 5 – INVESTMENT PROPERTIES, Continued

Future minimum rents receivable under the operating lease agreements are as follows for the years ending June 30:

2011	\$ 418,205
2012	174,354
2013	156,607
2014	134,840
Thereafter	346,052
	<u>\$ 1,230,058</u>

The Foundation also holds for investment, or future development, approximately 10 acres of land in Richmond, Houston and Walton counties in Georgia. The aggregate cost of these investment properties held for investment or development was \$994,212 at June 30, 2010 and 2009.

NOTE 6- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Foundation center land	\$ 1,203,747	\$ 1,203,747
Resurgens land	533,509	527,842
Leasehold improvements	38,002	38,002
Furniture, fixtures, equipment and automobiles	229,689	223,308
	<u>2,004,947</u>	<u>1,992,899</u>
Less accumulated depreciation	(185,469)	(153,868)
	<u>\$ 1,819,478</u>	<u>\$ 1,839,031</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$31,601 and \$41,222 respectively.

NOTE 7 – NET ASSETS

Endowment

The Medical College of Georgia Foundation, Inc.'s endowment consists of approximately 250 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Board of Directors classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts and other additions to the permanent endowment, and (c) accumulations to the permanent endowment.

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS, Continued

Spending Policy

The Medical College of Georgia Foundation's current year distribution is 3.6% of a rolling average using the prior 3 fiscal years ended June 30, 2009, 2008 and 2007, respectively.

Investment Policy

The Foundation uses a broadly diversified portfolio established by its Investment Committee, in consultation with a professional advisory firm. The Foundation portfolio is designed to achieve a total net return on investments which exceeds the rate of inflation (Consumer Price Index) plus 5% over the long term, long-term total return on investments, net of expenses, that is equal to or exceeds selected appropriate investment benchmarks for each class of investments, maintenance of sufficient liquidity to fund current programs and preservation of principal of the assets over the long term with minimal risk appropriate for this objective. The expected return is sufficient to support the spending policy.

Endowment net assets consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (1,425,164)	\$ 23,500,365	\$ 72,075,804	\$ 94,151,005
Board designated	-	7,564,278	35,000	7,599,278
Total net assets	<u>\$ (1,425,164)</u>	<u>\$ 31,064,643</u>	<u>\$ 72,110,804</u>	<u>\$ 101,750,283</u>

Endowment net assets consist of the following at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (4,411,586)	\$ 17,290,571	\$ 69,985,834	\$ 82,864,819
Board designated	-	7,648,003	35,000	7,683,003
Total net assets	<u>\$ (4,411,586)</u>	<u>\$ 24,938,574</u>	<u>\$ 70,020,834</u>	<u>\$ 90,547,822</u>

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
NOTES TO CONSOLIDATED MODIFIED CASH BASIS FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS, Continued

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
July 1, 2009	\$ (4,411,586)	\$ 24,938,574	\$ 70,020,834	\$ 90,547,822
Net asset reclassification	1,140,391	(1,497,530)	357,139	-
Investment income	176,721	1,172,212	-	1,348,933
Gain/-Loss	1,240,586	8,262,814	-	9,503,400
Other income	650	6,835	-	7,485
Contributions	-	-	1,732,831	1,732,831
Endowment distribution	(2,000)	(2,515,837)	-	(2,517,837)
Other transfers	430,074	697,574	-	1,127,648
Endowment net assets				
6/30/10	<u>\$ (1,425,164)</u>	<u>\$ 31,064,642</u>	<u>\$ 72,110,804</u>	<u>\$ 101,750,282</u>

NOTE 8 – OPERATING LEASES

The Foundation leases office space from an unrelated third party under an operating lease renewable annually. For the year ended June 30, 2010, the Foundation paid approximately \$35,000 under this lease agreement.

NOTE 9 - PUBLIC MATCHING FUNDS

Since 1989, the Foundation has received approximately \$7,160,000 from the University System of Georgia Board of Regents.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Foundation has a 401(a) defined contribution plan covering Foundation employees into which the Foundation contributes 25% of an employee's compensation to the plan. Employees are immediately 100% vested in the Foundation's contribution. Total contributions for the years ended June 30, 2010 and 2009 were approximately \$134,000 and \$140,000, respectively.

The Foundation also provides a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code and Foundation employees may make contributions to the 403(b) plan up to the maximum amount allowed by the Internal Revenue Code.

The Foundation also has a 457(f) supplemental retirement plan. Plan contributions were approximately \$35,500 and \$33,900 for the years ended June 30, 2010 and 2009, respectively.

The Foundation has a 457(b) deferred compensation plan for the chief executive officer and the chief financial officer. The participants may elect to make deferrals to the plan up to the maximum permitted by law.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.
Schedule of Assets, Liabilities and Net Assets by Fund - Modified Cash Basis
June 30, 2010

Supplemental Information

	Current Funds	Life Income Fund	Student Loan Fund	Endowment Fund	Property and Equipment Fund	Total All Funds
ASSETS						
Cash and cash equivalents	\$ 7,593,112	\$ -	\$ 178,661	\$ -	\$ -	\$ 7,771,773
Student loans receivable	195,512	-	127,035	-	-	322,547
Investments	-	1,980,492	-	103,513,223	-	105,493,715
Investment properties, net	214,212	270,000	-	510,000	2,340,171	3,334,383
Property and equipment, net	-	-	-	-	1,819,478	1,819,478
Cash value of life insurance, net	5,856	-	-	304,451	-	310,307
Other assets	81,005	-	-	-	-	81,005
Due (to) from other funds	2,592,065	(156,241)	-	(2,577,391)	141,567	-
Total Assets	\$ 10,681,762	\$ 2,094,251	\$ 305,696	\$ 101,750,283	\$ 4,301,216	\$ 119,133,208
LIABILITIES						
Liability for split-interest agreements	\$ -	\$ 1,391,466	\$ -	\$ -	\$ -	\$ 1,391,466
Total Liabilities	\$ -	\$ 1,391,466	\$ -	\$ -	\$ -	\$ 1,391,466
NET ASSETS						
Unrestricted and undesignated	\$ 150,000	\$ -	\$ -	\$ -	\$ 4,301,216	\$ 4,451,216
Unrestricted, designated by the Board	-	-	-	7,599,278	-	7,599,278
Temporarily restricted	10,531,762	-	-	-	-	10,531,762
Permanently restricted	-	702,785	305,696	94,151,005	-	95,159,486
TOTAL NET ASSETS	\$ 10,681,762	\$ 702,785	\$ 305,696	\$ 101,750,283	\$ 4,301,216	\$ 117,741,742
TOTAL NET ASSETS AND LIABILITIES	\$ 10,681,762	\$ 2,094,251	\$ 305,696	\$ 101,750,283	\$ 4,301,216	\$ 119,133,208

See report of independent certified public accountants.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

Supplemental Information

Schedule of Revenues and Expenses and Changes in Net Assets by Fund - Modified Cash Basis
For the Year Ended June 30, 2010

	Current Funds		Life Income Fund	Student Loan Fund	Endowment Fund	Property and Equipment Fund	Total All Funds
	Unrestricted	Restricted					
Revenues, Gains and Other Support							
Private gifts & contributions	\$ 15,300	\$ 1,570,490	\$ -	-	\$ 1,732,832	\$ -	\$ 3,318,622
Realized & unrealized gains(loss) on investments	(52)	(1,157)	186,492	-	9,503,400	-	9,688,683
Interest & dividends	335,692	10,714	63,428	2,127	1,348,933	-	1,760,894
Rents & other	66,456	78,675	600	-	7,485	415,241	568,457
Change in value in split interest agreements	-	-	530,609	-	-	-	530,609
Net assets released from restrictions	10,112,272	(9,675,190)	(192,945)	-	-	(244,137)	-
	10,529,668	(8,016,468)	588,184	2,127	12,592,650	171,104	15,867,265
EXPENSES							
Program disbursements (educational, research and patient care)	10,033,399	-	-	-	-	-	10,033,399
Management and general	1,118,926	-	-	-	-	-	1,118,926
Fundraising	358,911	-	-	-	-	-	358,911
	11,511,236	-	-	-	-	-	11,511,236
Excess (deficit) of revenues over expenses	(981,568)	(8,016,468)	588,184	2,127	12,592,650	171,104	4,356,029
Transfers between funds	981,568	916,125	(541,565)	-	(1,390,189)	34,061	-
Change in net assets	-	(7,100,343)	46,619	2,127	11,202,461	205,165	4,356,029
NET ASSETS, BEGINNING OF YEAR	150,000	17,632,105	656,166	303,569	90,547,822	4,096,051	113,385,713
NET ASSETS, END OF YEAR	\$ 150,000	\$ 10,531,762	\$ 702,785	\$ 305,696	\$ 101,750,283	\$ 4,301,216	\$ 117,741,742

See report of independent certified public accountants.