

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

**CONSOLIDATED FINANCIAL STATEMENTS
MODIFIED CASH BASIS**

JUNE 30, 2009 and 2008

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

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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. and Subsidiaries (a nonprofit organization) as of June 30, 2009 and 2008, 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. and Subsidiaries, as of June 30, 2009 and 2008, and its revenue, 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 supplementary 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.

Elliott Davis, LLC

Augusta, Georgia
September 14, 2009

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

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 13,984,760	\$ 14,999,787
Certificates of deposits	-	1,107,082
Student loans receivable	318,204	313,155
Investments	95,476,331	125,655,318
Investment properties, net	3,278,004	3,360,882
Property and equipment, net	1,839,031	1,624,036
Cash value of life insurance, net	364,843	382,702
Other assets	46,615	4,779
	<u>\$ 115,307,788</u>	<u>\$ 147,447,741</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Liability for split-interest agreements	\$ 1,922,075	\$ 2,268,972
Total liabilities	<u>1,922,075</u>	<u>2,268,972</u>
NET ASSETS		
Unrestricted and undesignated	4,246,051	4,061,135
Unrestricted, designated by the Board	7,683,003	9,429,893
Temporarily restricted	17,632,105	17,513,255
Permanently restricted	83,824,554	114,174,486
	<u>113,385,713</u>	<u>145,178,769</u>
	<u>\$ 115,307,788</u>	<u>\$ 147,447,741</u>

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

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

	For the years ended	
	June 30,	
	2009	2008
REVENUES, GAINS AND OTHER SUPPORT		
Private gifts & contributions	\$ 3,731,390	\$ 6,264,288
Realized & unrealized loss on investments	(31,195,309)	(5,898,234)
Interest & dividends	2,590,364	3,302,483
Rents & other	628,332	928,473
Loss on disposal of leasehold improvements	-	(573,088)
Change in value in split interest agreements	346,894	73,686
	(23,898,329)	4,097,608
EXPENSES		
Program disbursements (educational, research and patient care)	6,377,949	6,867,155
Management and general	1,138,869	1,187,377
Fundraising	377,909	812,367
	7,894,727	8,866,899
Deficit of revenues over expenses	(31,793,056)	(4,769,291)
NET ASSETS, BEGINNING OF YEAR	145,178,769	149,948,060
NET ASSETS, END OF YEAR	\$ 113,385,713	\$ 145,178,769

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

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 and all material inter-company 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 and all material inter-company 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 and all material inter-company 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.

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.

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective July 1, 2008, the Foundation adopted the provisions of Statement of Financial Accounting Standards No. 157 ("SFAS 157" or the "Statement"), *Fair Value Measurements* and there was no material impact on the Foundation's financial statements. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined in SFAS 157 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Statement enables the reader of the financial statements to assess the inputs used to develop the measurements of fair value. Inputs are classified as observable or unobservable. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's own assumptions about market participants developed based on the best information available in the circumstances. SFAS 157 established a hierarchy for ranking the quality and reliability of the information used to determine the fair values. The fair value hierarchy is categorized into three levels and assets and liabilities carried at fair value will be classified in one of these levels:

Level 1 – Valuations based on quoted prices in active markets for identical assets. Active markets include exchanges such as the New York Stock Exchange and NASDAQ. Level 1 also includes US Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers on active markets.

Level 2 – Valuations based on observable market inputs in less active markets or unobservable inputs that are corroborated by market data.

Level 3 – Valuations based on unobservable inputs that are not corroborated by market data.

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)

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments, continued

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 revenue and expenses and changes in net assets. 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).

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 fund-of-funds investment managers who believe such values are reasonable at June 30, 2009 and 2008. 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 several risks, such as 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 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, expenses and net assets on a 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.

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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

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.

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.

Reclassifications

Certain prior year amounts have been reclassified in the accompanying financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or the Foundation's net assets.

Subsequent Events

These financial statements have not been updated for subsequent events occurring after September 11, 2009, which is the date these financial statements were available to be issued.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – STUDENT LOANS RECEIVABLE

Student loans receivables consisted of the following at June 30:

	2009	2008
Student loans, Medical College of Georgia bearing interest at 7% - 9%, due on demand, unsecured	\$ 193,297	\$ 190,431
Student loans bearing interest at 7% - 9%, with various due dates, unsecured	124,907	122,724
	\$ 318,204	\$ 313,155

NOTE 3 - INVESTMENTS

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

	2009		2008	
Cash and cash equivalents	1.1%	\$ 1,016,887	0.4%	\$ 601,027
Domestic equity	21.3%	20,371,520	34.0%	42,760,318
International equity	20.9%	19,960,511	16.0%	19,908,760
Fixed income	10.6%	10,155,533	17.0%	21,417,184
Real assets	14.4%	13,710,398	2.6%	3,322,372
Alternative strategies	31.7%	30,261,482	30.0%	37,645,657
Total		\$ 95,476,331		\$ 125,655,318

Investments held under split-interest agreements in which the Foundation is the trustee were approximately \$2,500,000 and \$4,000,000 at June 30, 2009 and 2008 respectively.

Investment returns are reported net of investment fees totaling approximately \$950,000 and \$1,000,000 for the year ended June 30, 2009 and 2008 respectively.

NOTE 4 – INVESTMENTS VALUATION

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

	Level 1	Level 2	Level 3	Total
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

(Continued)

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS VALUATION, Continued

The following is a reconciliation of Level 3 investments for the year ended June 30, 2009:

Balance, beginning of year	\$ 40,825,860
Total losses (realized and unrealized)	(10,747,256)
Net purchases, contributions, sales and distributions	9,736,742
Balance, end of year	<u>\$ 39,815,346</u>

NOTE 5 – INVESTMENT PROPERTIES

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

	2009	2008
Central Square Shopping Center	\$ 3,358,104	\$ 3,346,742
Land and improvements held for investment	994,212	994,212
	4,352,316	4,340,954
Less accumulated depreciation	(1,074,312)	(980,072)
	<u>\$ 3,278,004</u>	<u>\$ 3,360,882</u>

Depreciation expense for investment properties totaled \$94,241 and \$93,986 for the year ended June 30, 2009 and 2008, 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.

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

2010		\$ 387,567
2011		327,627
2012		71,165
2013		19,200
		<u>\$ 805,559</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, 2009 and 2008.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2009	2008
Foundation Center Land	\$ 1,203,747	\$ 1,203,747
Resurgens Land	527,842	306,847
Leasehold improvements	38,002	-
Furniture, fixtures, equipment and automobiles	223,308	271,318
	1,992,899	1,781,912
Less accumulated depreciation	(153,868)	(157,876)
	\$ 1,839,031	\$ 1,624,036

Depreciation expense for the years ended June 30, 2009 and 2008 was \$41,222 and \$122,706 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.

Spending Policy

The Medical College of Georgia Foundation's current year distribution is 3.7% of a rolling average using the prior 3 fiscal years.

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.

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MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS, Continued

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>

Endowment net assets consist of the following at June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (314,797)	\$ 42,891,887	\$ 69,326,212	\$ 111,903,302
Board designated	-	9,394,893	35,000	9,429,893
Total net assets	<u>\$ (314,797)</u>	<u>\$ 52,286,780</u>	<u>\$ 69,361,212</u>	<u>\$ 121,333,195</u>

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets 7/01/08	\$ (314,797)	\$ 52,286,780	\$ 69,361,212	\$ 121,333,195
Net asset reclassification	8,987,000	(7,765,715)	(1,221,285)	-
Investment income	799,310	1,234,923	-	2,034,233
Gain/-Loss	(12,052,886)	(18,033,709)	-	(30,086,595)
Other income	3,772	4,160	-	7,932
Contributions	-	-	1,880,906	1,880,906
Endowment distribution	(1,404,530)	(2,177,998)	-	(3,582,529)
Other transfers	(429,455)	(609,866)	-	(1,039,320)
Endowment net assets 6/30/09	<u>\$ (4,411,586)</u>	<u>\$ 24,938,575</u>	<u>\$ 70,020,833</u>	<u>\$ 90,547,822</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, 2009, the Foundation paid \$26,000 under this lease agreement. The Foundation leased office space from the Medical College of Georgia under an operating lease until September 30, 2008, when the lease was terminated by the Medical College of Georgia. The Foundation paid no rent subsequent to June 30, 2008 and prior to the termination of the lease. For the year ended June 30, 2008, the Foundation paid \$34,000 under this lease agreement.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - PUBLIC MATCHING FUNDS

For the year ended June 30, 2008, the Foundation received \$10,000 from the Board of Regents for matching funds from public sources. No amount was received for the 2009 fiscal year. Since 1989, the Foundation has received approximately \$7,160,000 from the Board of Regents.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Foundation has a 401(a) defined contribution plan covering Foundation employees in 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, 2009 and 2008 were approximately \$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 \$33,900 and \$13,000 for the years ended June 30, 2009 and 2008.

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. AND SUBSIDIARIES
Schedule of Assets, Liabilities and Net Assets by Fund - Modified Cash Basis
 June 30, 2009

	Current Funds	Life Income Fund	Student Loan Fund	Endowment Fund	Property and Equipment Fund	Total All Funds
ASSETS						
Cash and cash equivalents	\$ 13,808,964	\$ -	\$ 175,796	\$ -	\$ -	\$ 13,984,760
Student loans receivable	190,431	-	127,773	-	-	318,204
Investments	-	2,435,901	-	93,040,430	-	95,476,331
Investment properties, net	214,212	270,000	-	510,000	2,283,792	3,278,004
Property and equipment, net	-	-	-	-	1,839,031	1,839,031
Cash value of life insurance, net	7,269	-	-	357,574	-	364,843
Other assets	46,615	-	-	-	-	46,615
Due (to) from other funds	3,514,614	(127,660)	-	(3,360,182)	(26,772)	-
Total Assets	<u>\$ 17,782,105</u>	<u>\$ 2,578,241</u>	<u>\$ 303,569</u>	<u>\$ 90,547,822</u>	<u>\$ 4,096,051</u>	<u>\$ 115,307,788</u>
LIABILITIES						
Liability for split-interest agreements	\$ -	\$ 1,922,075	\$ -	\$ -	\$ -	\$ 1,922,075
Total Liabilities	<u>\$ -</u>	<u>\$ 1,922,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,922,075</u>
NET ASSETS						
Unrestricted and undesignated	\$ 150,000	\$ -	\$ -	\$ -	\$ 4,096,051	\$ 4,246,051
Unrestricted, designated by the Board	-	-	-	7,683,003	-	7,683,003
Temporarily restricted	17,632,105	-	-	-	-	17,632,105
Permanently restricted	-	656,166	303,569	82,864,819	-	83,824,554
TOTAL NET ASSETS	<u>\$ 17,782,105</u>	<u>\$ 656,166</u>	<u>\$ 303,569</u>	<u>\$ 90,547,822</u>	<u>\$ 4,096,051</u>	<u>\$ 113,385,713</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 17,782,105</u>	<u>\$ 2,578,241</u>	<u>\$ 303,569</u>	<u>\$ 90,547,822</u>	<u>\$ 4,096,051</u>	<u>\$ 115,307,788</u>

See report of independent certified public accountants.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC. AND SUBSIDIARIES
Schedule of Revenues, Expenses and Changes in Net Assets by Fund - Modified Cash Basis
For the Year Ended June 30, 2009

	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	\$ 21,396	\$ 1,828,580	\$ -	\$ 507	\$ 1,880,907	\$ -	\$ 3,731,390
Realized & unrealized gains(loss) on investments	2,559	287	(1,111,560)	-	(30,086,595)	-	(31,195,309)
Interest & dividends	448,945	4,616	100,386	2,184	2,034,233	-	2,590,364
Rents & other	145,290	51,511	602	-	7,932	422,997	628,332
Change in value in split interest agreements	-	-	346,894	-	-	-	346,894
Net assets released from restrictions	6,551,887	(6,018,846)	(294,960)	-	-	(238,081)	-
	<u>7,170,077</u>	<u>(4,133,852)</u>	<u>(958,638)</u>	<u>2,691</u>	<u>(26,163,523)</u>	<u>184,916</u>	<u>(23,898,329)</u>
EXPENSES							
Program disbursements (educational, research and patient care)	6,377,949	-	-	-	-	-	6,377,949
Management and general	1,138,869	-	-	-	-	-	1,138,869
Fundraising	377,909	-	-	-	-	-	377,909
	<u>7,894,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,894,727</u>
Excess (deficit) of revenues over expenses	(724,650)	(4,133,852)	(958,638)	2,691	(26,163,523)	184,916	(31,793,056)
Transfers between funds	724,650	4,252,702	(355,502)	-	(4,621,850)	-	-
Change in net assets	-	118,850	(1,314,140)	2,691	(30,785,373)	184,916	(31,793,056)
NET ASSETS, BEGINNING OF YEAR	150,000	17,513,255	1,970,306	300,878	121,333,195	3,911,135	145,178,769
NET ASSETS, END OF YEAR	\$ 150,000	\$ 17,632,105	\$ 656,166	\$ 303,569	\$ 90,547,822	\$ 4,096,051	\$ 113,385,713

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