SAVANNAH STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

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DEEMER DANA
& FROEHLE LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Savannah State University Foundation, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Savannah State University Foundation, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Savannah State University Foundation, Inc. and Subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

In our report dated September 13, 2012, we expressed an opinion that the 2012 consolidated financial statements did not fairly present the financial position, results of operations, and cash flows of Savannah State University Foundation, Inc. and Subsidiaries in accordance with accounting principles generally accepted in the United States of America because Savannah State University Foundation, Inc. had not maintained the appropriate records in order to properly classify its net assets based on the existence or absence of donor-imposed restrictions. As described in Note 3, Savannah State University Foundation, Inc. has corrected its accounting records for these items and restated its 2012 consolidated financial statement presentation of net assets to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the restated 2012 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deemer Dana & Froehle LLP

Savannah, Georgia
September 19, 2013

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30,

	2013	Restated 2012
ASSETS		
Cash and cash equivalents	$ 184,190	$ 147,931
Investments	151,804	141,203
Restricted bond proceeds	4,147,872	5,772,894
Lease receivables	91,700,566	72,755,579
Other receivables	298,912	7,077,290
Prepaid expenses	6,198	7,382
Construction in progress	-	11,525,784
Bond issuance costs and fees - net of accumulated amortization	2,081,941	2,171,524
Swap restructuring costs - net of accumulated amortization	334,960	352,252
Land	7,590	7,590
	$ 98,914,033	$ 99,959,429
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 91,021	$ 704,177
Accrued liabilities	268,523	275,697
Interest rate swap liability	9,946,852	14,772,345
Revenue bonds payable	82,947,750	84,112,207
	93,254,146	99,864,426
NET ASSETS		
Unrestricted	5,478,564	(67,695)
Temporarily restricted	71,323	52,698
Permanently restricted	110,000	110,000
	5,659,887	95,003
	$ 98,914,033	$ 99,959,429

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30,

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012 Total
SUPPORT AND REVENUE					
Contributions	$ 63,449	$ 10,000	$ -	$ 73,449	$ 19,861
Fundraising	4,240	-	-	4,240	3,338
Interest and dividend				-	
income	4,511,497	7,481	-	4,518,978	3,563,124
Gain on sale of leased assets	185,993	-	-	185,993	6,398,770
Net realized and unrealized gain on investments	-	3,270	-	3,270	4,958
Net realized and unrealized loss on restricted investments	-	-	-	-	(189,134)
Rental income	465,788	-	-	465,788	395,402
Net assets released from program restrictions	2,126	(2,126)	-	-	-
Total support and revenue	5,233,093	18,625	-	5,251,718	10,196,319
EXPENSES					
Program expenses	16,558	-	-	16,558	524
Scholarships	38,500	-	-	38,500	18,500
Fundraising	-	-	-	-	5,961
Management and general	91,526	-	-	91,526	15,683
Amortization	106,875	-	-	106,875	106,875
Rental expenses	160,742	-	-	160,742	242,223
Insurance	16,452	-	-	16,452	223,714
Interest	3,966,970	-	-	3,966,970	3,284,641
Bank charges and fees	49,235	-	-	49,235	48,273
Professional fees	65,469	-	-	65,469	56,365
Total expenses	4,512,327	-	-	4,512,327	4,002,759
NET INCREASE	720,766	18,625	-	739,391	6,193,560
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENTS	4,825,493	-	-	4,825,493	(6,984,709)
INCREASE (DECREASE) IN NET ASSETS	5,546,259	18,625	-	5,564,884	(791,149)
NET ASSETS - beginning of year	(67,695)	52,698	110,000	95,003	886,152
NET ASSETS - end of year	$ 5,478,564	$ 71,323	$ 110,000	$ 5,659,887	$ 95,003

See Notes to Consolidated Financial Statements.

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 5,564,884	$ (791,149)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Amortization of bond issuance costs and fees	89,583	89,583
Amortization of swap restructuring costs	17,292	17,293
Net amortization of bond premiums and discount	10,543	10,545
Net realized and unrealized gain on investments	(10,601)	(4,958)
Net realized and unrealized loss on restricted investments	-	189,134
Gain on sale of leased assets	(185,993)	(6,398,770)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Other receivables	71,791	65,512
Prepaid expenses	1,184	166,788
Increase (decrease) in liabilities		
Accounts payable	(613,156)	(2,258,030)
Accrued liabilities	(7,174)	(669)
Interest rate swap liability	(4,825,493)	6,984,709
Net cash provided by (used in) operating activities	112,860	(1,930,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	-	8,363
Proceeds from the sale of restricted investments	-	7,454,058
Proceeds from payment of lease receivables	657,446	50,335
Construction costs	(1,184,069)	(15,449,601)
Net cash used in investing activities	(526,623)	(7,936,845)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal on revenue bonds	(1,175,000)	(435,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,588,763)	(10,301,857)
BEGINNING CASH AND CASH EQUIVALENTS	5,920,825	16,222,682
ENDING CASH AND CASH EQUIVALENTS	$ 4,332,062	$ 5,920,825

NOTE 1. NATURE OF OPERATIONS

The Savannah State College Foundation, Inc. (the "Foundation") was incorporated in the State of Georgia on February 29, 1972, as a not-for-profit corporation. The purpose of the Foundation was the establishment of an endowment fund to be used for the advancement of Savannah State College and for the promotion of the education and welfare of faculty and students. The Foundation changed its name to the Savannah State University Foundation, Inc. effective February 22, 2008.

The SSU Foundation Real Estate Ventures, LLC ("REV"), a wholly-owned subsidiary of the Foundation, was organized as a single member limited liability company on March 31, 2006. The purpose of REV is to acquire, renovate, operate, and manage two apartment complexes as student housing on the campus of Savannah State University (the "University"). REV is included in the consolidated financial statements of the Foundation.

The SSU Community Development I, LLC ("CDI"), a wholly-owned subsidiary of the Foundation, was organized as a single member limited liability company on July 16, 2010. The purpose of CDI is to acquire and develop land for a sports and intramural complex and to construct and furnish three new buildings and renovate an existing building as student housing on the campus of the University. CDI is included in the consolidated financial statements of the Foundation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>
The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

<u>Cash and Cash Equivalents</u>
The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

<u>Restricted Bond Proceeds</u>
Proceeds from the issuance of the bonds payable are held by an independent trustee and are restricted for the purpose of funding construction costs, interest, debt service reserves, cost of issuance, and administrative fees. Investments made by the trustee are in accordance with the trust indenture and are carried at fair market value, and are included with cash and cash equivalents on the consolidated statements of cash flows.

<u>Revenue Recognition</u>
The Foundation accounts for contributions and unconditional promises-to-give as revenue in the period received at their fair value. Revenue from investment and rental activities are recognized as earned.

<u>Investments</u>
Investments consist of money market funds, mutual funds, and marketable securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the consolidated statements of activities.

<u>Fair Value of Financial Instruments</u>
Cash and cash equivalents, restricted bond proceeds, receivables, prepaid expenses, accounts payable, and accrued liabilities are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Lease receivables are carried at an amount net of unearned interest income which approximates fair value. Bonds payable are carried at the amounts owed, which approximates fair value.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and Amortization
Bond issuance costs and fees incurred to secure financing are amortized over the term of the bonds using the straight-line method and are presented net of accumulated amortization. Bond premiums and discount are amortized over the term of the bonds using the straight-line method and are included in interest.

Construction in Progress
Construction in progress is stated at cost and includes planning, development, and construction costs, as well as capitalized interest. When construction is completed and the asset is placed in service, the asset is transferred to the University in a capital lease transaction.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation's 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.

Income Tax Exemption
The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC, is subject to federal income tax.

Subsequent Events
Subsequent events have been evaluated for potential recognition and/or disclosure through September 19, 2013. This represents the date the consolidated financial statements were available to be issued.

NOTE 3. CLASSIFICATION OF NET ASSETS

In prior years, the consolidated financial statements for Savannah State University Foundation, Inc. and Subsidiaries were qualified due to the Foundation not maintaining the necessary records to properly classify its net assets based on the existence or absence of donor-imposed restrictions.

During the year ending June 30, 2013, the Foundation obtained the necessary information to correct the presentation of net assets to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the restated 2012 consolidated financial statements is different from that expressed in our previous report. As a result of the restatement, the 2012 net assets have been properly classified as unrestricted, temporarily restricted, or permanently restricted as appropriate. There was no effect on total net assets.

NOTE 4. INVESTMENTS

The fair values of investments at June 30, by type of investments are as follows:

	2013	2012
Money market funds	$ 433	$ 426
Marketable securities	13,910	9,873
Mutual funds	137,461	130,904
	$ 151,804	$ 141,203

NOTE 5. RESTRICTED BOND PROCEEDS

Cash held in The Bank of New York Trust Company, N.A. ("BONY") trust accounts at June 30, that are restricted for debt service and construction include the following:

	2013	2012
SSU Foundation Real Estate Ventures, LLC		
Series 2008A Bonds		
Repair/Replacement Account	$ 119,489	$ 119,489
Interest Account	-	26,307
Surplus Account	156,657	163,157
Surplus Account	628,966	379,946
Hedge Payment Account	-	76,560
Restructuring Cost of Issuance Account	3,571	3,571
Series 2008B Bonds		
Repair/Replacement Account	272,637	330,837
Interest Account	3	23,313
Surplus Account	393,994	450,270
Surplus Account	905,064	515,040
Hedge Payment Account	-	69,968
Restructuring Cost of Issuance Account	2,746	2,746
SSU Community Development I, LLC		
Series 2010 Bonds		
Revenue Fund	232,886	232,886
Debt Service Reserve Fund	1,271,644	1,271,644
Cost of Issuance Account	70,000	70,000
Project Fund	-	1,520,999
Surplus Fund	90,215	205,999
Capitalized Interest Account	-	310,162
	$ 4,147,872	$ 5,772,894

NOTE 6. LEASE RECEIVABLES

Lease Receivable – University Village
On February 27, 2008, REV entered into a rental agreement with the Board of Regents of the University System of Georgia (the "Board of Regents") for the benefit of the University whereby the Board of Regents will lease the University Village facility from REV. The initial term of the lease commenced on February 27, 2008, until June 30, 2008, and is renewable on a year-to-year basis for 24 consecutive years, the last option period to end no later than June 1, 2032. With each annual renewal the Board of Regents will be obligated to pay an annual rent which will be sufficient for REV to pay debt service on the Series 2008A Bonds. Payments are due on the 15th day of February, May, August, and November.

Lease Receivable – University Commons
On February 27, 2008, REV entered into a rental agreement with the Board of Regents for the benefit of the University whereby the Board of Regents will lease the Indigo Pointe facility (now known as University Commons) from REV. The initial term of the lease commenced on August 1, 2008, until June 30, 2009, and is renewable on a year-to-year basis for 24 consecutive years, the last option period to end no later than June 1, 2033. With each annual renewal the Board of Regents will be obligated to pay an annual rent which will be sufficient for REV to pay debt service on the Series 2008B Bonds. Payments are due on the 15th day of February, May, August, and November.

Lease Receivable – Tiger Point
On December 29, 2010, CDI entered into a rental agreement with the Board of Regents for the benefit of the University whereby the Board of Regents will lease the Tiger Point facility from CDI. The initial term of the lease commenced on August 1, 2011, until June 30, 2012, and is renewable on a year-to-year basis for 29 consecutive years, the last option period to end no later than June 30, 2041. With each annual renewal the Board of Regents will be obligated to pay an annual rent which will be sufficient for CDI to pay debt service on the Series 2010 Bonds. Payments are due on the 1st day of December and June.

Lease Receivable – Tiger Place
On December 29, 2010, CDI entered into a rental agreement with the Board of Regents for the benefit of the University whereby the Board of Regents will lease the Tiger Place facility from CDI. The initial term of the lease commenced on August 1, 2011, until June 30, 2012, and is renewable on a year-to-year basis for 29 consecutive years, the last option period to end no later than June 30, 2041. With each annual renewal the Board of Regents will be obligated to pay an annual rent which will be sufficient for CDI to pay debt service on the Series 2010 Bonds. Payments are due on the 1st day of December and June.

Lease Receivable – Camilla Hubert
On December 29, 2010, CDI entered into a rental agreement with the Board of Regents for the benefit of the University whereby the Board of Regents will lease the Camilla Hubert facility from CDI. The initial term of the lease commenced on August 1, 2011, until June 30, 2012, and is renewable on a year-to-year basis for 29 consecutive years, the last option period to end no later than June 30, 2041. With each annual renewal the Board of Regents will be obligated to pay an annual rent which will be sufficient for CDI to pay debt service on the Series 2010 Bonds. Payments are due on the 1st day of December and June.

Lease Receivable – Tiger Court and Sports Complex
On December 29, 2010, CDI entered into a rental agreement with the Board of Regents for the benefit of the University whereby the Board of Regents will lease the Tiger Court facility and the Sports Complex from CDI. The Initial term of the leased commenced on August 1, 2012, until June 30, 2013, and is renewable on a year-to-year basis for 28 consecutive years, the last option period to end no later than June 30, 2041. With each annual renewal the Board of Regents will be obligated to pay an annual rent which will be sufficient for CDI to pay debt service on the Series 2010 Bonds. Payments are due on the 1st day of December and June.

NOTE 6. LEASE RECEIVABLES (continued)

Future minimum net amounts due under the lease receivables at June 30, 2013, are as follows:

Year Ended June 30,	University Village	University Commons	Tiger Point	Tiger Place
2014	$ 1,713,178	$ 1,480,655	$ 398,317	$ 530,855
2015	1,764,574	1,525,075	399,868	530,855
2016	1,816,014	1,570,827	399,868	530,855
2017	1,870,494	1,617,952	399,868	530,855
2018	1,926,609	1,666,490	399,868	530,855
2019-2023	10,535,487	9,113,053	2,006,245	2,664,891
2024-2028	12,213,518	10,564,526	2,021,433	2,677,591
2029-2033	11,157,217	13,106,711	2,029,459	2,698,619
2034-2038	-	-	2,045,053	2,710,248
2039-2041	-	-	1,234,696	1,637,668
	42,997,091	40,645,289	11,334,675	15,043,292
Less unearned income	15,276,046	15,985,909	5,103,499	6,771,486
Net lease receivables	$ 27,721,045	$ 24,659,380	$ 6,231,176	$ 8,271,806

Year Ended June 30,	Camilla Hubert	Tiger Court	Sports Complex	Total
2014	$ 311,910	$ 1,032,510	$ 321,082	$ 5,788,507
2015	311,910	1,063,239	323,354	5,918,875
2016	312,023	1,095,136	326,036	6,050,759
2017	314,113	1,127,940	326,036	6,187,258
2018	314,113	1,141,504	326,036	6,305,475
2019-2023	1,572,597	5,730,040	1,632,615	33,254,928
2024-2028	1,580,200	5,767,679	1,640,622	36,465,569
2029-2033	1,590,768	5,806,343	1,653,372	38,042,489
2034-2038	1,602,275	5,841,699	1,663,982	13,863,257
2039-2041	963,312	4,399,530	1,263,644	9,498,850
	8,873,221	33,005,620	9,476,779	161,375,967
Less unearned income	3,994,871	17,387,749	5,155,841	69,675,401
Net lease receivables	$ 4,878,350	$ 15,617,871	$ 4,320,938	$ 91,700,566

NOTE 7. OTHER RECEIVABLES

During the year ended June 30, 2012, three construction projects were completed and were in use by the University. However, the capital lease for these assets did not take effect until August 1, 2012. Consequently an other receivable was recorded to recognize the costs of the completed projects in the amount of $6,774,431 as of June 30, 2012. Also included in other receivables is interest in the amount of $298,912 and $302,859 at June 30, 2013 and 2012, respectively.

NOTE 8. BOND ISSUANCE COSTS AND FEES

Bond issuance costs and fees are made up of the following as of June 30:

	2013	2012
Bond issuance costs and fees - Series 2008A	$ 671,027	$ 671,027
Bond issuance costs and fees - Series 2008B	546,361	546,361
Bond issuance costs and fees - Series 2010	1,227,900	1,227,900
	2,445,288	2,445,288
Less accumulated amortization	363,347	273,764
	$ 2,081,941	$ 2,171,524

NOTE 9. SWAP RESTRUCTURING COSTS

In December 2010, the two interest rate swap agreements further described in Note 10, were amended and restated in order to reduce the fixed interest rates on the Series 2008A and Series 2008B Bonds. REV incurred swap restructuring costs totaling $378,191 which will be amortized over the remaining terms of the Bonds. Amortization expense for the years ended June 30, 2013 and 2012, was $17,292 for each year.

NOTE 10. INTEREST RATE SWAP AGREEMENTS

In order to mitigate interest rate risk associated with the Series 2008A Bonds and Series 2008B Bonds (See Note 11), REV entered into two interest rate swap agreements with Wells Fargo Bank, N.A. (formerly Wachovia Bank, N.A). Pursuant to the agreements, REV paid a fixed rate of 4.3862% on the Series 2008A Bonds and a fixed rate of 4.555% on the Series 2008B Bonds based on the outstanding principal of the respective bond issues.

In December 2010, the interest rate swap agreements were amended and restated in order to lower the fixed rate on the Bonds. The Series 2008A Bonds are now fixed at 3.830% and the Series 2008B Bonds are now fixed at 3.945%.

The fair value of the interest rate swap agreements is recognized in the accompanying consolidated statements of financial position as a liability in the amount of $9,946,852 and $14,772,345 for the years ended June 30, 2013 and 2012, respectively. REV recorded a gain of $4,825,493 and a loss of $6,984,709 for the years ended June 30, 2013 and 2012, respectively.

NOTE 11. REVENUE BONDS PAYABLE

Revenue bonds payable consist of the following at June 30:

	2013	2012
Series 2008A Bonds - par value of bonds outstanding	$ 25,175,000	$ 25,500,000
Bond premium, net of accumulated amortization of $24,035 and $14,421 in 2013 and 2012, respectively	181,864	191,478
	25,356,864	25,691,478
Series 2008B Bonds - par value of bonds outstanding	22,375,000	22,595,000
Bond premium, net of accumulated amortization of $19,929 and $11,951 in 2013 and 2012, respectively	158,680	166,658
	22,533,680	22,761,658
Series 2010 Bonds - par value of bonds outstanding	35,845,000	36,475,000
Bond discount, net of accumulated amortization of $70,339 and $42,204 in 2013 and 2012, respectively	(787,794)	(815,929)
	35,057,206	35,659,071
	$ 82,947,750	$ 84,112,207

Series 2008A Bonds
The Savannah Economic Development Authority (the "Issuer") offered the Series 2008A Savannah Economic Development Authority Revenue Refunding and Improvement Bonds (the "Series 2008A Bonds") in February 2008 in the amount of $26,245,000. The proceeds were loaned to REV to advance refund all outstanding prior bonds, fund a portion of the cost to construct and equip a dining/recreational facility, fund capitalized interest on the bonds, and pay the cost of issuance of the bonds.

The Series 2008A Bonds were initially issued at the weekly rate determined each Wednesday and payable on the first business day of each calendar month as determined by Wachovia Bank, N.A. In conjunction with the issuance of the Series 2008A Bonds, REV entered into an interest rate swap agreement. Pursuant to the amended and restated agreement and for the period commencing December 17, 2010 and ending June 1, 2032, REV will pay a fixed rate of 3.830%. (See Note 10). In addition, effective December 17, 2010, all of the Series 2008A Bonds became bank bonds held by Wells Fargo Bank, N.A.

NOTE 11. REVENUE BONDS PAYABLE (continued)

Series 2008A Bonds (continued)
The following represents the mandatory principal redemptions on the Series 2008A Bonds until maturity on various dates through June 1, 2032, and in the aggregate:

June 1 of the Year Ended June 30,	Principal Amount	Interest Rate
2014	$ 390,000	3.830%
2015	460,000	3.830%
2016	530,000	3.830%
2017	610,000	3.830%
2018	695,000	3.830%
Thereafter	22,490,000	3.830%
	$ 25,175,000	

Series 2008B Bonds
The Savannah Economic Development Authority (the "Issuer") offered the Series 2008B Savannah Economic Development Authority Revenue Refunding and Improvement Bonds (Indigo Point Project) (the "Series 2008B Bonds") in February 2008 in the amount of $22,975,000. The proceeds were loaned to REV to finance the acquisition and enhancement of an existing apartment complex and convert it to a student housing facility, fund a portion of the cost to construct and equip a dining/recreational facility, fund capitalized interest on the bonds, and pay the cost of issuance of the bonds.

The Series 2008B Bonds were initially issued at the weekly rate determined each Wednesday and payable on the first business day of each calendar month as determined by Wachovia Bank, N.A. In conjunction with the issuance of the Series 2008B Bonds, REV entered into an interest rate swap agreement. Pursuant to the amended and restated agreement and for the period commencing December 17, 2010 and ending June 1, 2033, REV will pay a fixed rate of 3.945%. (See Note 10). In addition, effective December 17, 2010, all of the Series 2008B Bonds became bank bonds held by Wells Fargo Bank, N.A.

The following represents the mandatory principal redemptions on the Series 2008B Bonds until maturity on various dates through June 1, 2033, and in the aggregate:

June 1 of the Year Ended June 30,	Principal Amount	Interest Rate
2014	$ 270,000	3.945%
2015	330,000	3.945%
2016	390,000	3.945%
2017	455,000	3.945%
2018	525,000	3.945%
Thereafter	20,405,000	3.945%
	$ 22,375,000	

NOTE 11. REVENUE BONDS PAYABLE (continued)

Series 2010 Bonds
The Savannah Economic Development Authority (the "Issuer") offered the Series 2010 Savannah Economic Development Authority Revenue Bonds (SSU Community Development I, LLC) (the "Series 2010 Bonds") in December 2010 in the amount of $36,475,000. The proceeds were loaned to CDI to acquire and develop land for a sports and intramural complex, to construct and furnish three new buildings and renovate an existing building to be used as student housing, fund capitalized interest on the bonds, fund a debt service reserve for the bonds, and pay the cost of issuance of the bonds.

The following represents the mandatory principal redemptions of the Series 2010 Bonds until maturity on various dates through June 15, 2041, and in the aggregate.

June 15 of the Year Ended June 30,	Principal Amount	Interest Rate
2014	$ 560,000	3.000%
2015	650,000	4.000%
2016	690,000	3.250%
2017	720,000	4.000%
2018	745,000	4.000%
Thereafter	32,480,000	4.000 - 5.750%
	$ 35,845,000	

NOTE 12. FAIR VALUE MEASUREMENTS

FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 12. FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds: Valued at the net asset values of shares held by the Foundation at year end.

Marketable securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value of shares held by the Foundation at year end.

U.S. Treasury bills and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

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

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 433	$ -	$ -	$ 433
Marketable securities	13,910	-	-	13,910
Mutual funds	137,461	-	-	137,461
Total assets at fair value	$ 151,804	$ -	$ -	$ 151,804

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 426	$ -	$ -	$ 426
Marketable securities	9,873	-	-	9,873
Mutual funds	130,904	-	-	130,904
Total assets at fair value	$ 141,203	$ -	$ -	$ 141,203

NOTE 13. GROUND LEASE

In conjunction with the issuance of the Series 2008A Bonds, REV entered into a ground lease ("Lease") on February 27, 2008, with the Board of Regents (as "lessor") for the use of certain real property on the campus of the University, under an Assignment and Assumption of Ground Lease. The premises will be used by REV for the purpose of operating and maintaining a student housing facility, at the sum of $10 per year payable in advance. The term of the Lease is from February 27, 2008 until June 1, 2032. The term of the Lease, upon request of REV, may be extended for one extension period of up to five years. REV agreed to surrender possession of the premises and improvements at the end of the Lease.

In conjunction with the issuance of the Series 2010 Bonds, CDI entered into four ground leases on December 29, 2010, with the Board of Regents (as "lessor") for the use of certain real property on the campus of the University, under an Assignment and Assumption of Ground Lease. The premises will be used by CDI for the purpose of operating and maintaining student housing facilities, at the sum of $10 per year payable in advance. The term for three of the leases is from August 1, 2011 until June 30, 2041. The fourth lease is from August 1, 2012 until June 30, 2041. The terms of the four leases upon request of CDI, may be extended for one extension period of up to five years. CDI agreed to surrender possession of the premises and improvements at the end of the leases.

NOTE 14. INCOME TAXES

FASB ASC requires management to annually evaluate the Foundation's tax positions, including accounting and measurement of uncertain tax positions. For the years ending June 30, 2013 and 2012, management concluded that no uncertain tax positions had been taken that would require adjustment to or disclosure in the consolidated financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by federal, state, or local tax authorities for years before 2009.

NOTE 15. SUPPLEMENTAL CASH FLOW INFORMATION

REV paid cash in the amount of $2,372,589 and $2,398,439, for interest during the years ended June 30, 2013 and 2012, respectively.

CDI paid cash in the amount of $1,909,213, for interest for the years ended June 30, 2013 and 2012. Interest of $318,202 for 2013 and $1,032,884 for 2012 was capitalized during construction.

CDI recorded a transfer from construction in progress and other receivables to lease receivables in the amount of $19,602,433 during the year ended June 30, 2013.

CDI recorded a transfer from construction in progress to lease receivables in the amount of $19,164,552 and from construction in progress to other receivables in the amount of $6,774,431 in non-cash transactions during the year ended June 30, 2012.

NOTE 16. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Foundation and the REV to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash equivalents are maintained at high-quality financial institutions. The Foundation and REV have not experienced any losses on their cash or cash equivalents. At June 30, 2013 and 2012, cash deposits did not exceed the insurance limits of the Federal Deposit Insurance Corporation.

SUPPLEMENTAL INFORMATION

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS

	Savannah State University Foundation, Inc.	SSU Foundation Real Estate Ventures, LLC	SSU Community Development I, LLC	Total
Cash and cash equivalents	$ 103,609	$ 73,281	$ 7,300	$ 184,190
Investments	151,804	-	-	151,804
Restricted bond proceeds	-	2,483,127	1,664,745	4,147,872
Lease receivables	-	52,380,425	39,320,141	91,700,566
Other receivables	-	298,912	-	298,912
Prepaid expenses	2,544	3,654	-	6,198
Bond issuance costs and fees - net of accumulated amortization	-	954,688	1,127,253	2,081,941
Swap restructuring costs - net of accumulated amortization	-	334,960	-	334,960
Land	7,590	-	-	7,590
	$ 265,547	$ 56,529,047	$ 42,119,439	$ 98,914,033

LIABILITIES AND NET ASSETS

	Savannah State University Foundation, Inc.	SSU Foundation Real Estate Ventures, LLC	SSU Community Development I, LLC	Total
LIABILITIES				
Accounts payable	$ -	$ 56,800	$ 34,221	$ 91,021
Accrued liabilities	-	189,760	78,763	268,523
Interest rate swap liability	-	9,946,852	-	9,946,852
Revenue bonds payable	-	47,890,544	35,057,206	82,947,750
	-	58,083,956	35,170,190	93,254,146
NET ASSETS				
Unrestricted	84,224	(1,554,909)	6,949,249	5,478,564
Temporarily restricted	71,323	-	-	71,323
Permanently restricted	110,000	-	-	110,000
	265,547	(1,554,909)	6,949,249	5,659,887
	$ 265,547	$ 56,529,047	$ 42,119,439	$ 98,914,033

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2012
(Restated)

ASSETS

	Savannah State University Foundation, Inc.	SSU Foundation Real Estate Ventures, LLC	SSU Community Development I, LLC	Total
Cash and cash equivalents	$ 74,905	$ 73,026	$ -	$ 147,931
Investments	141,203	-	-	141,203
Restricted bond proceeds	-	2,161,204	3,611,690	5,772,894
Lease receivables	-	53,070,011	19,685,568	72,755,579
Other receivables	-	302,859	6,774,431	7,077,290
Prepaid expenses	-	2,375	5,007	7,382
Construction in progress	-	-	11,525,784	11,525,784
Bond issuance costs and fees - net of accumulated amortization	-	1,004,012	1,167,512	2,171,524
Swap restructuring costs - net of accumulated amortization	-	352,252	-	352,252
Land	7,590	-	-	7,590
	$ 223,698	$ 56,965,739	$ 42,769,992	$ 99,959,429

LIABILITIES AND NET ASSETS

	Savannah State University Foundation, Inc.	SSU Foundation Real Estate Ventures, LLC	SSU Community Development I, LLC	Total
LIABILITIES				
Accounts payable	$ -	$ -	$ 704,177	$ 704,177
Accrued liabilities	-	196,146	79,551	275,697
Interest rate swap liability	-	14,772,345	-	14,772,345
Revenue bonds payable	-	48,453,136	35,659,071	84,112,207
	-	63,421,627	36,442,799	99,864,426
NET ASSETS				
Unrestricted	61,000	(6,455,888)	6,327,193	(67,695)
Temporarily restricted	52,698	-	-	52,698
Permanently restricted	110,000	-	-	110,000
	223,698	(6,455,888)	6,327,193	95,003
	$ 223,698	$ 56,965,739	$ 42,769,992	$ 99,959,429

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Unrestricted			
	Savannah State University Foundation, Inc.	SSU Foundation Real Estate Ventures, LLC	SSU Community Development I, LLC	Total
SUPPORT AND REVENUE				
Contributions	$ 163,449	$ (50,000)	$ (50,000)	$ 63,449
Fundraising	4,240	-	-	4,240
Interest and dividend income	143	2,407,460	2,103,894	4,511,497
Gain on sale of leased assets	-	-	185,993	185,993
Net realized and unrealized gain on investments	-	-	-	-
Rental income	-	342,677	123,111	465,788
Net assets released from program restrictions	2,126	-	-	2,126
Total support and revenue	169,958	2,700,137	2,362,998	5,233,093
EXPENSES				
Program expenses	16,558	-	-	16,558
Scholarships	38,500	-	-	38,500
Management and general	91,526	-	-	91,526
Amortization	-	66,616	40,259	106,875
Rental expenses	-	112,254	48,488	160,742
Insurance	-	9,836	6,616	16,452
Interest	-	2,348,612	1,618,358	3,966,970
Bank charges and fees	150	25,867	23,218	49,235
Professional fees	-	61,466	4,003	65,469
Total expenses	146,734	2,624,651	1,740,942	4,512,327
NET INCREASE	23,224	75,486	622,056	720,766
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENTS	-	4,825,493	-	4,825,493
INCREASE IN NET ASSETS	23,224	4,900,979	622,056	5,546,259
NET ASSETS - beginning of year	61,000	(6,455,888)	6,327,193	(67,695)
NET ASSETS - end of year	$ 84,224	$ (1,554,909)	$ 6,949,249	$ 5,478,564

Savannah State University Foundation, Inc.			Total Savannah State University Foundation, Inc.
Temporarily Restricted	Permanently Restricted	Total	
$ 10,000	$ -	$ 73,449	$ 173,449
-	-	4,240	4,240
7,481	-	4,518,978	7,624
-	-	185,993	-
3,270	-	3,270	3,270
-	-	465,788	-
(2,126)	-	-	-
18,625	-	5,251,718	188,583
-	-	16,558	16,558
-	-	38,500	38,500
-	-	91,526	91,526
-	-	106,875	-
-	-	160,742	-
-	-	16,452	-
-	-	3,966,970	-
-	-	49,235	150
-	-	65,469	-
-	-	4,512,327	146,734
18,625	-	739,391	41,849
-	-	4,825,493	-
18,625	-	5,564,884	41,849
52,698	110,000	95,003	223,698
$ 71,323	$ 110,000	$ 5,659,887	$ 265,547

SAVANNAH STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Savannah State University Foundation, Inc.	SSU Foundation Real Estate Ventures, LLC	SSU Community Development I, LLC	Total
SUPPORT AND REVENUE				
Contributions	$ 69,861	$ (50,000)	$ -	$ 19,861
Fundraising	3,338	-	-	3,338
Interest and dividend income	6,790	2,436,095	1,120,239	3,563,124
Gain on sale of leased assets	-	-	6,398,770	6,398,770
Net realized and unrealized gain on investments	4,958	-	-	4,958
Net realized and unrealized gain on restricted investments	-	-	(189,134)	(189,134)
Rental income	-	332,698	62,704	395,402
Total support and revenue	84,947	2,718,793	7,392,579	10,196,319
EXPENSES				
Program expenses	524	-	-	524
Scholarships	18,500	-	-	18,500
Fundraising	5,961	-	-	5,961
Management and general	15,683	-	-	15,683
Amortization	-	66,616	40,259	106,875
Rental expenses	-	242,223	-	242,223
Insurance	-	162,078	61,636	223,714
Interest	-	2,380,177	904,464	3,284,641
Bank charges and fees	-	25,386	22,887	48,273
Professional fees	-	52,365	4,000	56,365
Total expenses	40,668	2,928,845	1,033,246	4,002,759
NET INCREASE (DECREASE)	44,279	(210,052)	6,359,333	6,193,560
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENTS	-	(6,984,709)	-	(6,984,709)
INCREASE (DECREASE) IN NET ASSETS	44,279	(7,194,761)	6,359,333	(791,149)
NET ASSETS - beginning of year	179,419	738,873	(32,140)	886,152
NET ASSETS - end of year	$ 223,698	$ (6,455,888)	$ 6,327,193	$ 95,003