ATLANTA HISTORICAL SOCIETY, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of
Atlanta Historical Society, Inc.

We have audited the accompanying consolidated financial statements of Atlanta Historical Society, Inc. and Subsidiary (the "Organization") (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atlanta Historical Society, Inc. and Subsidiary as of June 30, 2015 and 2014, and the consolidated changes in net assets and cash flows for the years then ended in conformity with GAAP.

Smith + Howard

November 2, 2015

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Cash and cash equivalents	$ 13,952,794	$ 9,139,806
Investments	66,904,360	72,244,079
Pledges receivable, net	5,474,857	6,515,548
Other receivables	96,812	71,508
Merchandise inventory	193,669	170,651
Prepaid expenses	456,681	426,441
Property and equipment, net	31,254,162	26,075,019
Irrevocable charitable remainder trust, net of present value	4,773,714	-
Irrevocable beneficial interest trusts	7,902,689	7,907,418
Total Assets	$ 131,009,738	$ 122,550,470

LIABILITIES AND NET ASSETS

	2015	2014
Financing agreements	$ 4,942,820	$ 5,042,821
Accounts payable and accrued expenses	1,276,707	496,599
Interest rate swap liability	62,068	183,185
Deferred dues and other revenue	666,968	617,791
Total Liabilities	6,948,563	6,340,396
Net assets		
Unrestricted	66,807,417	69,197,214
Temporarily restricted	39,202,031	28,956,404
Permanently restricted	18,051,727	18,056,456
Total Net Assets	124,061,175	116,210,074
	$ 131,009,738	$ 122,550,470

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds
Revenue, gains and other support:				
Contributions	$ 1,648,709	$ 5,954,512	$ -	$ 7,603,221
Grants	116,922	5,783,305	-	5,900,227
Admissions	1,002,293	-	-	1,002,293
Membership dues	308,469	-	-	308,469
Program service fees	201,207	-	-	201,207
Merchandise sales	1,119,412	-	-	1,119,412
Rental income	754,876	-	-	754,876
Investment income	542,847	424,304	-	967,151
Other income	1,353,500	-	-	1,353,500
Net assets released from restrictions	1,916,494	(1,916,494)	-	-
Changes in irrevocable beneficial interest trusts	-	-	(4,729)	(4,729)
Total revenue, gains and other support	8,964,729	10,245,627	(4,729)	19,205,627
Expenses and other gains:				
Expenses:				
Program services:				
Library, archival, museum and horticultural collections	1,842,054	-	-	1,842,054
Programs, education and interpretation	1,125,811	-	-	1,125,811
Facility and security services	3,618,599	-	-	3,618,599
Auxiliary services	1,676,817	-	-	1,676,817
Total program services	8,263,281	-	-	8,263,281
Support services:				
Administration	2,149,395	-	-	2,149,395
Development	470,264	-	-	470,264
Communications	592,703	-	-	592,703
Total support services	3,212,362	-	-	3,212,362
Total expenses	11,475,643	-	-	11,475,643
Other gains:				
Gain on interest rate swap	(121,117)	-	-	(121,117)
Total other gains	(121,117)	-	-	(121,117)
Total expenses and other gains	11,354,526	-	-	11,354,526
Increase (decrease) in net assets	(2,389,797)	10,245,627	(4,729)	7,851,101
Net assets:				
Beginning of year	69,197,214	28,956,404	18,056,456	116,210,074
End of year	$ 66,807,417	$ 39,202,031	$ 18,051,727	$ 124,061,175

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds
Revenue, gains and other support:				
Contributions	$ 1,273,007	$ 14,770,008	$ -	$ 16,043,015
Grants	114,826	300,807	-	415,633
Admissions	1,028,268	-	-	1,028,268
Membership dues	327,648	-	-	327,648
Program service fees	162,376	-	-	162,376
Merchandise sales	1,196,167	-	-	1,196,167
Rental income	1,079,074	-	-	1,079,074
Investment income	7,804,715	2,968,527	-	10,773,242
Other income	800,000	-	-	800,000
Net assets released from restrictions	3,223,028	(3,223,028)	-	-
Changes in irrevocable beneficial interest trusts	-	-	633,446	633,446
Total revenue, gains and other support	17,009,109	14,816,314	633,446	32,458,869
Expenses and other gains:				
Expenses:				
Program services:				
Library, archival, museum and horticultural collections	1,519,721	-	-	1,519,721
Programs, education and interpretation	1,144,440	-	-	1,144,440
Facility and security services	3,781,306	-	-	3,781,306
Auxiliary services	1,252,129	-	-	1,252,129
Total program services	7,697,596	-	-	7,697,596
Support services:				
Administration	1,956,371	-	-	1,956,371
Development	453,919	-	-	453,919
Communications	773,134	-	-	773,134
Total support services	3,183,424	-	-	3,183,424
Total expenses	10,881,020	-	-	10,881,020
Other gains:				
Gain on interest rate swap	(97,823)	-	-	(97,823)
Total other gains	(97,823)	-	-	(97,823)
Total expenses and other gains	10,783,197	-	-	10,783,197
Increase (decrease) in net assets	6,225,912	14,816,314	633,446	21,675,672
Net assets:				
Beginning of year	62,971,302	14,140,090	17,423,010	94,534,402
End of year	$ 69,197,214	$ 28,956,404	$ 18,056,456	$ 116,210,074

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 7,851,101	$ 21,675,672
Adjustments to reconcile increase in net assets to net cash required by operating activities		
Depreciation	1,113,451	1,089,623
Capital campaign contributions	(6,196,831)	(8,618,878)
Estimated fair value of donated investments	(578,407)	(2,734,500)
Net realized and unrealized (gains) losses on investments	332,795	(9,405,790)
Gain on interest rate swap	(121,117)	(97,823)
Irrevocable charitable remainder trust	(4,773,714)	-
Change in irrevocable beneficial interest trusts	4,729	(633,446)
Changes in operating assets and liabilities:		
Pledges receivable	1,040,691	(4,731,376)
Other receivables	(25,304)	28,554
Merchandise inventory	(23,018)	(11,639)
Prepaid expenses	(30,240)	137,247
Accounts payable and accrued expenses	214,207	224,905
Deferred dues and other revenue	49,177	(5,103)
Net cash required by operating activities	(1,142,480)	(3,082,554)
Cash flows from investing activities:		
Acquisition of property and equipment	(5,726,693)	(1,517,186)
Proceeds from sales of investments	6,595,470	2,706,508
Purchases of investments	(1,588,546)	(2,231,374)
Net cash required by investing activities	(719,769)	(1,042,052)
Cash flows from financing activities:		
Proceeds from capital campaign contributions	6,775,238	11,353,378
Borrowings under financing agreements	799,064	836,409
Repayments under financing agreements	(899,065)	(1,476,462)
Net cash provided by financing activities	6,675,237	10,713,325

(Continued)

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

ATLANTA HISTORICAL SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

(Continued)	2015	2014
Net increase in cash and cash equivalents	4,812,988	6,588,719
Cash and cash equivalents at beginning of year	9,139,806	2,551,087
Cash and cash equivalents at end of year	$ 13,952,794	$ 9,139,806

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	$ 178,781	$ 207,770

Non-Cash Investing Activity:
At June 30, 2015, accounts payable and accrued expenses included $565,901 of construction payables related to ongoing construction in progress.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Atlanta Historical Society, Inc. (the "Society") through its collections, facilities, programs, exhibitions, and publications, preserves and interprets historical subjects pertaining to Atlanta and its environs and of interest to Atlanta's diverse audiences.

The Atlanta History Center includes five signature exhibitions and three changing exhibition galleries in the Atlanta History Museum, two historic houses, archives/special libraries and 33 acres of gardens. The Atlanta History Center offers historical perspectives integrating history, education and life-enrichment programs through lecture series, seminars and tours. Admission and program service fees are received for certain of these activities. Auxiliary operations maintained by the Society include a museum store and facility rentals. Additional sources of revenue include contributions and grants from governmental agencies and private donors and membership dues from Society members.

MMH/AHS, LLC (the "Subsidiary") operates a third historic property, the Margaret Mitchell House. The Margaret Mitchell House, located in Midtown Atlanta, is a two-acre campus featuring the apartment where Margaret Mitchell wrote her Pulitzer Prize-winning novel Gone with the Wind, a visitors' center and exhibition gallery; a Gone With the Wind movie museum; and a museum shop. In addition, the Margaret Mitchell House is the home of the Literary Center at the Margaret Mitchell House which preserves the legacy of Margaret Mitchell through regular literary events, creative writing classes for adults and youth, and community initiatives that engage younger generations in the process of writing, reading and reciting literature.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society and its wholly owned Subsidiary. The accounts of the Subsidiary include all the activities from August 1, 2004, the date of its contribution to the Society. All significant inter-organization accounts and transactions have been eliminated in consolidation. The Society and the Subsidiary are together referred to herein as the Organization.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose. The assets, liabilities and net assets of the Organization are reported in three self-balancing categories as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Organization and its purposes.

- Temporarily restricted net assets are resources that are used by the Organization and limited by donor-imposed restrictions that either expire by the passage of time or can be removed by actions of the Organization (see Note 6).

- Permanently restricted net assets are resources that are used by the Organization and limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization (see Note 7). Permanently restricted net assets are adjusted for unrealized gains and losses on permanently restricted investments; interest, dividends and realized gains and losses are recognized as temporarily restricted or unrestricted investment income, depending on donor-imposed restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Endowment Fund

FASB requires the following consolidated financial statement disclosure for the Organization for the years ended June 30, 2015 and 2014.

- Classification of net assets

  Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of the Organization and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the Organization.
(7) The investment policies of the Organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Return Objectives and Risk Parameters

  The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Organization, the endowment assets are invested in a manner to attain an average annual real total return, net of investment management fees, of at least 5% over the long term. The annual real return should equal or exceed the spending rate indicated in the Organization's spending policy described below. Actual returns in any given year may vary from this amount.

- Strategies Employed for Achieving Objectives

  To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

- Spending Policy

  The Organization has a spending policy approved by the Organization's Board of Trustees that is designed to ensure that the real value of both the funds and of the spending stream is maintained over time. To this end, spending for each fiscal year will be increased by an amount equal to the previous calendar year's rate of Consumer Price Inflation (CPI), plus one percent. In the event this amount exceeds 6% of the market value of the fund as of December 31 of the previous calendar year, spending will be limited to this latter amount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 44,041,424	$ 9,122,961	$ 10,149,038	$ 63,313,423
Cash contributions	19,137	1,161,342	-	1,180,479
Investment fees	(182,646)	(64,173)	-	(246,819)
Investment return:				
Income	777,662	273,233	-	1,050,895
Net appreciation	6,960,285	2,445,505	-	9,405,790
Used in operations	(1,820,170)	(639,519)	-	(2,459,689)
Endowment net assets, June 30, 2014	49,795,692	12,299,349	10,149,038	72,244,079
Cash contributions	15,000	479,158	-	494,158
Investment fees	(240,885)	(58,121)	-	(299,006)
Investment return:				
Income	812,040	282,344	-	1,094,384
Net depreciation	(269,194)	(63,601)	-	(332,795)
Used in operations	(4,672,012)	(1,624,448)	-	(6,296,460)
Endowment net assets, June 30, 2015	$ 45,440,641	$ 11,314,681	$ 10,149,038	$ 66,904,360

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and pledges receivable. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are carried at fair value. The investment return of the Organization includes interest and dividends and realized and unrealized gains and losses. Investment income (interest and dividends) and gains and losses on investments carried at fair value are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Income is recognized from interest and dividends as earned.

The Organization maintains master investment accounts for its endowment net assets. Investment income and gains and losses are allocated annually to the individual net assets based on the relationship of the fair value of each fund to the total fair value of the master investment accounts, as adjusted for additions to or deductions from the individual net assets.

Fair Values Measured on Recurring Basis

The FASB issued a pronouncement on fair value measurement defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. The statement, when adopted by the Organization, did not have any impact on the Organization's consolidated financial statements.

FASB establishes 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 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Fair Value Measurement (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Total net assets (liabilities) at fair value classified within Level 3 were $15,324,719 and $16,384,952, as of June 30, 2015 and 2014, respectively. At June 30, 2015, level 3 assets consist of a hedge fund investment, limited liability partnership, irrevocable beneficial interest trusts, irrevocable charitable remainder trust and interest rate swap liability. Such amounts were 12% and 13% of total assets as of June 30, 2015 and 2014, respectively. The table below represents fair value measurement hierarchy of the Organization's net assets (liabilities) at fair value as of June 30:

	2015			
	Fair Value	Level 1	Level 2	Level 3
Temporary cash	$ 467,827	$ 467,827	$ -	$ -
Common stocks - domestic	18,986,972	18,986,972	-	-
Fixed income mutual fund	12,440,997	12,440,997	-	-
Mutual fund	6,039,824	6,039,824	-	-
International equities	19,695,261	-	19,695,261	-
Alternative investment	7,484,098	-	-	7,484,098
Commodities	1,464,327	-	1,464,327	-
Certificate of deposit	325,054	325,054	-	-
Total investments	66,904,360	38,260,674	21,159,588	7,484,098
Irrevocable beneficial interest trusts	7,902,689	-	-	7,902,689
Irrevocable charitable remainder trust	4,773,714	-	-	4,773,714
Interest rate swap liability	(62,068)	-	-	(62,068)
	$ 79,518,695	$ 38,260,674	$ 21,159,588	$ 20,098,433

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Fair Value Measurement (Continued)

	2014			
	Fair Value	Level 1	Level 2	Level 3
Temporary cash	$ 1,142,914	$ 1,142,914	$ -	$ -
Common stocks - domestic	21,923,707	21,923,707	-	-
Fixed income mutual fund	14,415,126	14,415,126	-	-
Mutual fund	5,948,973	5,948,973	-	-
International equities	19,344,861	-	17,887,258	1,457,603
Alternative investment	7,203,116	-	-	7,203,116
Commodities	1,940,329	-	1,940,329	-
Certificate of deposit	325,053	325,053	-	-
Total investments	72,244,079	43,755,773	19,827,587	8,660,719
Irrevocable beneficial interest trusts	7,907,418	-	-	7,907,418
Interest rate swap liability	(183,185)	-	-	(183,185)
	$ 79,968,312	$ 43,755,773	$ 19,827,587	$ 16,384,952

Fair values for investments are determined by reference to quoted market prices, market transactions and other relevant information.

Level 3 Measurements

Beneficial Interest in Perpetual Trusts and Charitable Remainder Trust

Fair value for the irrevocable beneficial interests in perpetual trusts and irrevocable charitable remainder trust are measured using the fair value of the assets held in the trust as reported by the respective trustees as of June 30, 2015. The Organization considers the measurement of its beneficial interest in these trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustees, the Organization does not have the ability to direct the trustees to value or redeem them.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 Measurements (Continued)

Interest Rate Swap

The interest rate swap dealer determines fair values for the interest rate swap liability by constructing mid-market forward curves with available market data from external and internal sources. Once constructed, the mid-market forward curves generate a nominal amount for each of a transaction's expected future payments. The interest rate swap dealer discounts those expected future payments at the respective zero rate, and the sum of all discounted payments equals fair value of the interest rate swap. The interest rate swap dealer does not account for nonperformance risk in their determination of the fair value. Management of the Organization finds this risk to be negligible.

The following is a summary of key inputs used to determine the fair value for the interest rate swap agreement as of June 30, 2015:

	Variable Rate Curve	Fixed Rate	Discount Rate
Interest Rate Swap Agreement	LIBOR	2.72%	Avg of LIBOR curve

Alternative Investment

The Organization has an investment in a fund of funds which invests in a series of investment strategies. The investment company's objective is to seek capital appreciation through investing in certain private investment funds. The fair values of the investment have been determined using the net asset value per share of the funds.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2015 and 2014:

Balance, June 30, 2013	$ 14,452,795
Market gains and changes in fair value	1,932,157
Balance, June 30, 2014	16,384,952
Irrevocable charitable remainder trust	4,773,714
Sale of investments	(1,714,817)
Market gains and changes in fair value	654,584
Balance, June 30, 2015	$ 20,098,433

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merchandise Inventory

Merchandise inventory represents inventory in the museum store; such inventory is valued at the lower of cost or market, with cost determined using the specific identification method.

Property and Equipment

Property and equipment acquired or constructed with unrestricted operating or temporarily restricted resources are transferred to unrestricted net assets in the year the assets are placed in service. Purchased property and equipment is carried at cost. Costs associated with constructed property, primarily construction costs and related labor costs, are included in construction in process until the property is placed in service. Donated property and equipment are recorded at estimated fair value as of the date received.

Costs associated with permanent exhibitions, including design, development, procurement and construction costs, are capitalized. Such costs do not include additions to collections. The Organization expenses the costs associated with nonpermanent exhibits the first time the exhibit is shown on public display. Nonpermanent exhibit costs incurred prior to public display are included in other assets.

Property and equipment are depreciated over their estimated useful lives using the straight-line method.

Impairment

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Organization evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2015 and 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Financial Instruments

The Organization accounts for derivative financial instruments in accordance with GAAP, which requires that all derivative instruments be recorded on the consolidated statements of financial position at their respective fair values.

The Organization uses an interest rate swap agreement in the management of interest rate risk and carries this derivative instrument on the consolidated statements of financial position at fair value. The interest rate swap agreement effectively fixes the interest rate on a portion of variable rate borrowings under the Organization's note payable (see Note 5). The initial fair value and subsequent changes in the fair value of the agreement are reported as a gain or loss in the accompanying consolidated statement of activities and changes in net assets.

Historical Collections

The Organization's historical buildings and collections are essential in enabling the Organization to fulfill its mission and purpose. The Organization's collections are made up of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are regularly performed.

The Organization carries its historical buildings and collections at no value. The cost of purchased historical buildings or collections is reported as an expense. Contributed historical buildings or collections are not valued. During 2015 and 2014, approximately $64,000 and $39,000, respectively, was charged to Organization, archival, museum, and horticultural collections for the purchase of historical collections.

Betterments and improvements to historical buildings are capitalized and carried at cost. Except for betterments and improvements to historical buildings, expenditures for restoration, stabilization and reconstruction are charged to expense when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue

Contributions and grants (including unconditional promises to give, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

The Organization recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted operating net assets and presented in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Except for contributions of historical buildings or collections, the Organization recognizes contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

The Organization receives grants from governmental agencies and private donors. Grants from governmental agencies primarily relate to the study and research of the museum and archival collection of the Organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue (Continued)

Admissions revenue to tour the museum and other collections of the Organization is recognized upon the commencement of each tour. The Organization receives advance payments for membership dues, which are deferred and recognized ratably as revenue over the one-year period to which the dues relate. Sales from the museum stores are recognized when the goods are sold. Program service fees primarily relate to educational and family programs and lectures and are recorded as revenue at the time of the program or lecture. Rental income, which primarily relates to the rental of facilities at the museum, including a ballroom and restaurant for events and parties, is recorded as revenue at the time of the event. Management fees primarily relate to monthly fees collected for the storage and maintenance of collections in addition to expenses incurred relating to those collections such as compensation and utilities. Revenue is recognized as services are provided.

Split Interest Agreements

The Organization is the beneficiary of certain irrevocable beneficial interest trusts held and administered by third parties. Either fair value of the trusts, if known, or the present value of the estimated future cash receipts from the trusts is recognized as an asset and contribution revenue in the appropriate class of net assets at the date such trusts are established. The carrying value of the assets is adjusted annually for changes in fair value of the trusts or changes in the estimates of future receipts. Distributions associated with such trusts are recognized as investment income when earned.

The Organization is also the beneficiary of an irrevocable charitable remainder trust. The agreement has been established by a donor whereby the Organization will receive the fair value of trust assets upon the termination of the trusts. Trust assets are maintained by third-party trustees. The Organization recorded these trusts at the present value of the estimated future benefit to be received, which total $4,773,714 as of June 30, 2015. The trust is reported in temporarily restricted net assets. Significant assumptions used in valuing these trusts are the discount rate of 6% and life expectancy of donors under IRS Publication 1457.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

Donated goods, such as materials, equipment or other assets, are reported as contributions at their estimated fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded as contributions at their estimated fair values in the period the services are performed. These services totaled approximately $95,000 in 2015 $99,000 in 2014.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fund-Raising Expenses

Fund-raising expenses are reflected as development expenses in the accompanying consolidated statement of activities and changes in net assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately $257,000 and $169,000 in 2015 and 2014, respectively.

Concentrations

During 2015, 73% of the Organization's net contributions and grants were received from three donors. At June 30, 2015, 73% of the Organization's net pledges receivable were due from one donor. In general, the Organization does not find itself dependent upon any one donor.

Income Tax Status

The Subsidiary is treated as a partnership for federal and state income tax purposes. Since the Society is the sole member of the Subsidiary, all income, losses and tax credits from the Subsidiary's activities are reported on the Society's income tax returns.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Society qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501 (c) (3). Income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In the opinion of management, the Society had no significant taxable unrelated business income during 2015 or 2014. Additionally, in the opinion of management, the activities of the Subsidiary are not subject to unrelated business taxable income. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying consolidated financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the years ending before June 30, 2012.

Use of Estimates

The Organization prepares its consolidated financial statements in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The components of investment income for 2015 and 2014 were as follows:

	2015	2014
Investment income, including income from beneficial interest trusts	$ 1,299,946	$ 1,367,452
Net realized and unrealized gains (losses) on investments	(332,795)	9,405,790
	$ 967,151	$ 10,773,242

The investment income for fiscal 2015 and 2014 is included in unrestricted and temporarily restricted investment income in the accompanying consolidated statement of activities and changes in net assets. Such investment income also includes interest income, primarily associated with cash and cash equivalents.

NOTE 3 - PLEDGES RECEIVABLE

At June 30, pledges receivable were as follows:

	2015	2014
Capital improvements	$ 5,964,487	$ 6,420,970
Other	160,422	143,683
	6,124,909	6,564,653
Less discount for present value	(650,052)	(49,105)
	$ 5,474,857	$ 6,515,548

The estimated future cash flows are as follows for years ending June 30:

2016	$ 2,059,944
2017	558,250
2018	515,000
2019	500,000
2020	500,000
Thereafter	1,991,715
	$ 6,124,909

NOTE 3 - PLEDGES RECEIVABLE (Continued)

At June 30, 2015 and 2014, the allowance for uncollectible pledges was not significant.

At June 30, 2015 and 2014, pledges receivable were discounted to their present values using an interest rate of 3%.

Conditional Pledges

At June 30, 2015 and 2014, the Organization had conditional pledges of $16,200,000 and $32,000,000, respectively, benefiting the move and restoration of the Cyclorama to the Atlanta History Center. The Cyclorama is a panoramic painting which depicts the Battle of Atlanta. Since 1921, the painting has been on display in Grant Park. The painting is the property of the City of Atlanta and will remain the property of the City of Atlanta after the move to the Atlanta History Center.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	Life (in Years)	2015	2014
Land		$ 3,630,565	$ 3,630,565
Buildings and improvements	15 – 40	35,092,053	34,427,120
Grounds improvements	15	2,052,553	2,128,436
Furnishings and fixtures	10	378,292	382,018
Office furniture and equipment	7	189,777	189,777
Other equipment	5 – 10	1,373,792	1,418,476
Vehicles	5	9,987	9,987
Permanent exhibitions	5 – 10	7,083,559	7,083,559
Construction in progress		7,398,311	1,770,651
		57,208,889	51,040,589
Less accumulated depreciation		(25,954,727)	(24,965,570)
		$ 31,254,162	$ 26,075,019

Construction in progress consisted of capital expenditures related to the development of the master site plan and renovation and improvement of the gardens and grounds.

Depreciation expense totaled $1,113,451 and $1,089,623 in 2015 and 2014, respectively.

NOTE 5 - FINANCING AGREEMENTS

The Organization has a line of credit agreement with a financial institution in the amount of $800,000. The agreement carries interest at the rate of LIBOR plus 0.90%, (an effective rate of 1.08% at June 30, 2015) and is secured by certain investments of the Organization. Interest payments are due monthly and the unpaid principal is due at the end of the term of the agreements, which expire in February 2016. There were no outstanding borrowings at June 30, 2015 and 2014.

The Organization has a $5,500,000 non-revolving master borrowing loan. Interest is payable monthly at LIBOR plus 0.90% (an effective rate of 1.08% at June 30, 2015). Outstanding interest and principal is due at the end of the term of the agreement, which expires in November 2015. The terms of the agreement will be renegotiated in 2016. The agreement requires a reduction of the principal amount during the term of the agreement. The outstanding principal balances shall not exceed $5,300,000 on January 1, 2014 and the requirement is reduced by $100,000 per year over the next two years thereafter. At June 30, 2015 and 2014, outstanding borrowings totaled $4,942,820 and $5,042,821, respectively.

During 2011, the Organization entered into a new interest rate swap agreement, which converted $5,275,287 of the $5,500,000 non-revolving loan to a 2.72% fixed rate liability. At June 30, 2015, the interest rate swap has a current notional principal amount of $5,042,821 and matures in November 2015. The terms of the agreement will be renegotiated in 2016.

The Organization is subject to certain financial and non-financial covenants on all of its agreements. The Organization was in compliance with these covenants for the years ended June 30, 2015 and 2014.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2015 and 2014, the components of temporarily restricted net assets were as follows:

	2015	2014
Capital improvements	$ 33,549,448	$ 28,148,209
Irrevocable charitable remainder trust	4,773,714	-
Exhibits, research projects and special programs	878,869	808,195
	$ 39,202,031	$ 28,956,404

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions during fiscal 2015 and 2014 by incurring expenses satisfying the purpose specified by donors as follows:

	2015	2014
Capital improvements	$ 945,392	$ 1,779,729
Exhibits, research projects and special programs	971,102	1,443,299
	$ 1,916,494	$ 3,223,028

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2015 and 2014, the components of permanently restricted net assets were as follows:

	2015	2014
General operating purposes	$ 10,149,038	$ 10,149,038
Irrevocable beneficial interest trusts	7,902,689	7,907,418
	$ 18,051,727	$ 18,056,456

NOTE 8 - RETIREMENT PLANS

The Organization has a contributory defined contribution retirement plan covering all full-time employees. The Organization contributes to the plan a sum equivalent to 2% of each eligible employee's salary. All such contributions are fully vested in each participant's account when made. During 2015 and 2014, employer contributions totaled approximately $66,000.

NOTE 9 - COMMITMENTS

The Organization leases certain equipment under noncancelable operating agreements. The leases generally require the Organization to pay taxes, maintenance and insurance. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

NOTE 9 - COMMITMENTS (Continued)

Future minimum rental payments required under operating leases with initial or remaining lease terms in excess of one year are as follows for years ending June 30:

2016	$ 107,425
2017	107,425
2018	89,521
	$ 304,371

Rent expense under all operating leases totaled approximately $123,000 and $124,000 in 2015 and 2014, respectively.

The Organization has entered into construction contracts for capital improvements. The Organization's remaining commitment for construction contracts entered into was approximately $2,440,000 as of June 30, 2015. Subsequent to year end, the Organization entered into construction contracts with a contract value of approximately $10,157,000. Additionally, the Organization contracts for certain maintenance and consulting services. The remaining commitments for these contracts totaled approximately $2,511,428 and $3,182,000 at June 30, 2015 and 2014, respectively, and will be paid out over the five year terms of the contracts.

NOTE 10 - RENTAL INCOME

The Organization has three agreements to lease commercial space. The lease agreements range from 5 to 10 years. One of the leases has a tenant improvement allowance of $200,000, which is to be deducted from the base rent over the lease term. Future minimum rental income under the operating leases for years ending June 30 is as follows:

2016	$ 190,432
2017	196,499
2018	197,369
2019	198,285
2020	204,481
Thereafter	1,612,022
	$ 2,599,088