

MIDDLE GEORGIA STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Functional Expenses	7
Notes to the Consolidated Financial Statements	8



**HOWARD, MOORE
& MCDUFFIE, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS

The Board of Trustees
Middle Georgia State University Foundation, Inc.

We have audited the accompanying financial statements of Middle Georgia State University Foundation, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle Georgia State University Foundation, Inc. and its subsidiaries as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Howard, Moore & McDuffie, P.C.

June 24, 2019

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 577,527
Cash and cash equivalents - restricted	676,000
Cash and cash equivalents - agency funds	316,306
Unconditional promises to give	1,111,236
Prepaid expenses and other assets	<u>40,370</u>

Total Current Assets 2,721,439

PROPERTY AND EQUIPMENT, NET 205,300

OTHER ASSETS

Cash and cash equivalents - restricted for endowments	125,254
Cash surrender value of life insurance	75,288
Unconditional promises to give, net of current portion	150,781
Investments for long-term purposes	<u>11,474,967</u>

Total Other Assets 11,826,290

TOTAL ASSETS \$ 14,753,029

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 171,293
Scholarships payable	317,342
Promises to give payable, current portion	5,000
Agency funds	316,306
	<hr/>
Total Current Liabilities	809,941
LONG-TERM LIABILITIES	
Promises to give payable, net of current portion	10,000
	<hr/>
TOTAL LIABILITIES	819,941
NET ASSETS	
Without donor restrictions	
Undesignated	(132,032)
Designated by Board	283,056
	<hr/>
	151,024
With donor restrictions	
Purpose restricted	4,378,363
Perpetual in nature	9,403,701
	<hr/>
	13,782,064
	<hr/>
TOTAL NET ASSETS	13,933,088
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 14,753,029
	<hr/> <hr/>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 164,690	\$ 2,235,450	\$ 2,400,140
Contributed services and materials	194,868	32,554	227,422
Special event income, net	67,969	43,146	111,115
Interest and dividend income, net of fees	393	363,935	364,328
Net realized and unrealized gain (loss) on investments	143	(975,186)	(975,043)
Grants and other income	27,139	-	27,139
	<u>455,202</u>	<u>1,699,899</u>	<u>2,155,101</u>
Net assets released from restrictions			
Transfers	10,123	(10,123)	-
Restrictions satisfied by payments	831,705	(831,705)	-
	<u>841,828</u>	<u>(841,828)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,297,030</u>	<u>858,071</u>	<u>2,155,101</u>
EXPENSES			
Program services			
Scholarships	334,521	-	334,521
College support and enhancement	731,887	-	731,887
	<u>1,066,408</u>	<u>-</u>	<u>1,066,408</u>
Supporting services			
Foundation administration	284,390	-	284,390
Fundraising	59,613	-	59,613
	<u>344,003</u>	<u>-</u>	<u>344,003</u>
TOTAL EXPENSES	<u>1,410,411</u>	<u>-</u>	<u>1,410,411</u>
CHANGE IN NET ASSETS	(113,381)	858,071	744,690
NET ASSETS - BEGINNING	<u>264,405</u>	<u>12,923,993</u>	<u>13,188,398</u>
NET ASSETS - ENDING	<u>\$ 151,024</u>	<u>\$ 13,782,064</u>	<u>\$ 13,933,088</u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ 744,690
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Net unrealized (gain) loss on investments reported at fair value	771,958
Depreciation expense	23,242
Reinvestment of interest and dividends	(359,978)
Increase in surrender value of life insurance	(2,028)
Uncollectible promises to give	3,910
(Increase) decrease in	
Promises to give, net	(741,173)
Prepaid expenses	(20,229)
Increase (decrease) in	
Accounts payable	141,862
Scholarships payable	150,961
Promises to give payable	(5,000)
Contributions restricted for long-term purposes	(147,688)
Amortization of discount on promises to give	(20,858)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>539,669</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Change in cash restricted for endowments	(1,240)
Purchases of investments	(3,123,077)
Proceeds from sale of investments	3,391,039
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>266,722</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Collection of contributions restricted for long-term purposes	262,028
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>262,028</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,068,419
BEGINNING CASH AND CASH EQUIVALENTS	<u>185,108</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 1,253,527</u></u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Activities			Supporting Activities			Total Expenses
	University Support	Scholarships	Total Programs	Management & General	Fundraising	Total Support	
Bank and credit card fees	\$ -	\$ -	\$ -	\$ 5,470	\$ -	\$ 5,470	\$ 5,470
Conferences and meetings	46,573	-	46,573	12,558	869	13,427	60,000
Depreciation	23,242	-	23,242	-	-	-	23,242
Dues and subscriptions	22,978	-	22,978	3,760	225	3,985	26,963
Food and beverage	51,069	-	51,069	11,174	53	11,227	62,296
Grants	345,024	-	345,024	119,140	49,527	168,667	513,691
Insurance	-	-	-	6,796	-	6,796	6,796
Miscellaneous	5,720	-	5,720	4,385	-	4,385	10,105
Office supplies	403	-	403	7,237	-	7,237	7,640
Postage	245	-	245	166	6,221	6,387	6,632
Printing	5,653	-	5,653	12,163	232	12,395	18,048
Professional fees	175,670	-	175,670	59,767	-	59,767	235,437
Program supplies	190,309	-	190,309	32,685	2,486	35,171	225,480
Scholarships	-	334,521	334,521	-	-	-	334,521
Small gifts	3,674	-	3,674	480	-	480	4,154
Travel	33,750	-	33,750	8,609	-	8,609	42,359
Totals	\$ 904,310	\$ 334,521	\$ 1,238,831	\$ 284,390	\$ 59,613	\$ 344,003	\$ 1,582,834

Note: University Support includes \$172,423 of direct external and internal investment fees that are netted with revenue on the Statement of Activities.

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

Middle Georgia State University Foundation, Inc. (the Foundation) is a nonprofit corporation existing to support and enhance public higher education in the middle Georgia area. Primarily, it serves to support its affiliate, Middle Georgia State University (the University). The Foundation also awards scholarships to students who are enrolled or plan to enroll in Middle Georgia State University. Support for the Foundation comes from public donations and various fundraising events.

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries: Middle Georgia State University Foundation, Inc.; Romeiser Properties I, LLC; Romeiser Properties II, LLC; Romeiser Properties III, LLC; and Romeiser Properties IV, LLC. Each of the four LLC's were formed for the sole purpose of engaging in real estate transactions for the benefit of the University. All assets of the LLC's have been transferred to the University resulting in their dormancy as of and for the year ended December 31, 2018. All significant intercompany accounts and transactions have been eliminated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and funding for the construction of a new enrollment center on the University's campus. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, or has promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service or time restrictions have been met.

The Foundation's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes, held in agency funds or received with donor-imposed restrictions limiting their use to long-term purposes are not considered operating cash and cash equivalents for the purpose of the statement of cash flows.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

Investments in marketable securities with readily determinable fair value are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund; and reducing management fees. Realized and unrealized gains and

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Donated Services

The Foundation recognizes contributed services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2018, there was \$227,422 in contributed services, materials, advertising, professional services, and various items and prizes donated for the Foundation's fundraising activities. A substantial number of volunteers contribute significant amounts of time in the Foundation's program services; however, no amounts have been reported in the financial statements for this because no objective basis is available to measure the value of such contributions.

Property and Equipment

All acquisitions of property and equipment with long-term useful lives and all expenditures for repairs, maintenance, renewal and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed using the straight-line method over an estimated useful life as determined by management.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Total program expenses on the statement of functional expenses are not the same amount as shown on the statement of activities. This is because direct and indirect investment fees are netted with investment income on the statement of activities, but included as professional fees in the statement of functional expenses.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is at least reasonably possible that a change in the estimate will occur in the near term. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. There were no unrelated business activities for the year ended December 31, 2018. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Subsequent Events

Subsequent events have been evaluated through June 24, 2019, which is the date the financial statements were available to be issued.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

NOTE 3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Foundation's financial assets as of December 31, 2018 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets are year end:	
Cash and cash equivalents	\$ 1,695,087
Unconditional promises to give	1,262,017
Cash surrender value	75,288
Investments	<u>11,474,967</u>
Total financial assets	14,507,359
Less amounts not available to be used within one year due to	
Self-imposed designations for the construction of Enrollment Center	100,000
Donor restricted for construction of Enrollment Center	1,570,000
Donor restricted to provide scholarships and University support	2,808,363
Donor restricted to maintain as an endowment	<u>9,403,701</u>
	<u>13,882,064</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 625,295</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$183,056 as of December 31, 2018.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2018 these policies had a cash surrender value of \$75,288 and a death benefit of \$136,456.

NOTE 5. PROMISES TO GIVE

As of December 31, 2018, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$	1,111,236
Receivable in one to five years		<u>160,030</u>
Total unconditional promises to give		1,271,266
Less: Discounts to net present value		<u>(9,249)</u>
Net unconditional promises to give	\$	<u><u>1,262,017</u></u>

Significant individual promises to give receivable in more than one year are discounted using the risk-free rate of return comparable to current U.S. Treasury notes as of the year pledged. The discount rates used range between 1% to 2%.

The Foundation was the recipient of a conditional promise to give during 2016 in the amount of \$48,111. This conditional promise to give is not reflected in the financial statements because the condition that gives the Foundation the right to collect the promise has not been satisfied as of December 31, 2018. No ownership or variance power was received as a result of this transaction. This conditional promise is for the purpose of funding and existing scholarship endowment.

NOTE 6. INVESTMENTS

Investments consisted of the following as of December 31, 2018:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Cash	\$ 1,211,790	\$ -	\$ 1,211,790
Equities	1,269,885	(38,129)	1,308,014
Mutual funds	8,335,944	(130,336)	8,466,280
Corporate bonds	<u>657,348</u>	<u>7,113</u>	<u>650,235</u>
	<u><u>\$ 11,474,967</u></u>	<u><u>\$ (161,352)</u></u>	<u><u>\$ 11,636,319</u></u>

The Foundation's investments are reported at fair value. Cash in the brokerage account is included in investments because it is for long-term purposes and part of the endowment.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. PROPERTY AND EQUIPMENT

The Foundation's property and equipment consists solely of one aircraft used for instructional purposes by the University. The aircraft was donated to the Foundation with an appraised value of \$232,416. Accumulated depreciation on the aircraft totaled \$27,116 as of December 31, 2018. Depreciation expense for the year ended December 31, 2018 totaled \$23,242. The donor imposed restriction that the airplane could not be sold within a three year period from the date of the gift. Therefore, net assets with donor restrictions are release as depreciation on the airplane is recognized.

The Foundation utilizes office space provided by the University. No amounts have been reflected in the financial statements for use of these facilities because such space is minimal in relation to the overall property owned and operated by the University.

NOTE 8. CONTRIBUTIONS PAYABLE

The Foundation has also committed to an unconditional promise to give \$15,000 to The Community Foundation of Central Georgia (unrelated party) in equal installments of \$5,000 over the next three years. Unconditional promises that the Foundation expects to pay in more than one year are measured using present value techniques that consider the promised cash flows and the Foundation's year-end incremental borrowing rate. The Foundation has no debt or open lines of credit. Therefore, the Foundation's risk-free rate of return used for discounting promises to give is used for purposes of discounting contributions payable. Management has determined that the discount is trivial and therefore is not reflected in these financial statements.

NOTE 9. AGENCY FUNDS

During 2016, The Foundation agreed to be the fiscal agent for funds received on behalf of Macon Business Improvement District, LLC (Macon BID). Macon BID has been designated as a business improvement district established by an ordinance of the Bibb County Commission to provide a wide range of services. Pursuant to the ordinance, Macon BID is required to designate a non-profit organization recognized by Section 501(c)(3) of the Internal Revenue Code to act as fiscal agent to administer grant funds. The Foundation's Board of Trustees agreed to be the fiscal agent for the duration of Macon BID's existence. The Foundation's financial statements include these cash funds and an offsetting current liability on its statement of financial position in the amount of \$316,306. The Foundation has no discretion over the use of these funds and must disburse them at the direction of management of Macon BID.

NOTE 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated Net Assets

As of December 31, 2018, the Foundation's Board of Trustees has designated, from net assets without donor restrictions, \$183,056 as operating reserves and \$100,000 for the construction of the University Enrollment Center.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes.

Subject to expenditure for specified purpose	
University support	\$ 1,398,212
Construction of Enrollment Center	1,570,000
Endowment earnings used for scholarships	1,410,151
Subject to Foundation's spending policy and appropriation	
Endowment requiring income to be used to fund scholarships	9,328,413
Subject to appropriation and expenditure when specified event occurs	
Cash value of life insurance policy that will provide proceeds upon death of insured for an endowment to support funding of scholarships	<u>75,288</u>
Total net assets with donor restrictions	<u>\$ 13,782,064</u>

NOTE 12. ENDOWMENTS

The Foundation's endowment consists of individual funds established primarily to fund scholarships for students enrolled at the University. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation maintains master investment accounts for its donor-restricted endowments. Interest, dividends, realized and unrealized gains and losses, and investment fees from the investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

In accordance with SPMIFA, the Foundation 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 Foundation 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 Foundation, and
- (7) the investment policies of the Foundation.

Donor-Restricted Endowment Funds

The Foundation has a temporarily restricted fund that corresponds with each permanently restricted fund to account for temporarily restricted income earned on the contribution and the amounts expended from each fund. All temporarily restricted funds are subject to a purpose restrictions under the SPMIFA. If, due to market conditions or appropriations, the temporarily restricted fund falls below zero (i.e. "underwater"), the deficit remains in temporarily restricted net assets. Donor-restricted endowment funds consist of the following as of December 31, 2018:

	Deficiency	Fair Value	Original Endowment
Peyton Anderson Endowed Chairs	\$ -	\$ 2,325,713	\$ 2,000,000
Georgia Eminent Scholar Endowed Chair	(36,486)	974,300	1,010,786
MSC General Endowment	-	1,875,945	1,508,355
Dorothy D. Brown Humanities Faculty Developmen	-	7,659	4,410
Barnes Book Fund	-	8,156	5,100
Invest in Success - Faculty Research and Scholarly Activity	-	28,056	14,850
Library Humanities	-	186,885	160,170
Invest in Success - Nursing Faculty	-	817,510	635,275
Carol Porter Endowed	-	14,896	11,369
Scholarship Funds:			
Class of 1955, 1956, 1957 Endowment Fund	(2,258)	36,142	38,400
Hispanic Student Endowed Scholarships	(1,909)	23,091	25,000
Sheridan Family Endowed Scholarship	-	5,400	5,400
Junior Woman's Volunteer Network of Macon	-	6,197	5,450
Bobby B. Singley Memorial	-	22,494	20,125
Gail Burdsall Cowan Memorial	-	12,841	10,851
Hattie Elizabeth Wilder Endowed	-	3,328	3,000
Jo Hammond Memorial	-	7,135	6,712
Louise Y. Lockhart	-	15,349	12,825

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

	Deficiency	Fair Value	Original Endowment
John B. Harris, Jr. Memorial	\$ -	\$ 12,987	\$ 12,500
Charles H. Jones Family Foundation Presidential	-	86,329	57,500
Evelyn T. Bickford Memorial	-	23,416	22,402
Stephen Portch Study Abroad Endowed	-	35,442	29,025
Joan B. Huffman Women's Caucus	-	22,840	21,200
Jay Ragland Memorial	-	38,830	33,400
Peyton Anderson Foundation Endowed Presidential	-	685,915	522,500
Bill Elieson Scholarship for Excellence in Information Technology	-	26,833	23,178
Macon Business and Professional Women's Club	-	11,077	10,000
Gwen Sell Sorrell Study Abroad	-	47,172	39,509
Joe E. Timberlake, III Endowed	-	22,135	20,000
Community Foundation of Central Georgia Endowed Scholarship in Business	(1,075)	38,925	40,000
Billy Lee Kimbrel Memorial Endowed	-	21,688	20,000
Addie Taylor Foskey Endowed	-	20,777	20,000
Byrd Family Endowed	-	31,537	25,554
David R. Adams Memorial Scholarship	-	58,894	46,795
David A. Bell, PhD. Endowed	-	110,716	106,708
Betty and Charles Heard	-	52,713	31,776
Community Foundation of Central Georgia	-	27,607	20,000
Kaiser Permanente Nursing	-	104,625	85,000
Dr. Barbara Thomas Frizzell	-	33,052	31,606
Eugene Alvarez, Ph.D. Endowed	-	135,602	124,482
Jeremy Christian Wearn Memorial	-	43,264	39,307
1959 Class Endowed	-	51,974	43,711
Jessie S. & H. Grady Bradley Memorial	(1,040)	19,728	20,768
Barbara J. Stickel CGHS Endowed	-	107,041	100,000
Veterans Scholarship Endowed	-	4,263	3,095
State Bank & Trust Company Endowed	-	21,302	20,000
Fountain Car Wash & Lube Endowed	-	22,276	20,096
Mary M. Pope Memorial Endowed	-	35,513	31,300
A. Donald Faulk, Jr. Endowed	-	21,484	20,250
Chandler A. Reid Endowed	-	32,541	30,819
Charles Quinn Endowed	-	21,271	19,507
Titus Family Endowed	(127)	(127)	-
Howard, Moore & McDuffie Endowed	(3,177)	16,823	20,000
Thomas Reed Park, Jr. Memorial Endowed	-	26,645	25,000

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

	Deficiency	Fair Value	Original Endowment
Moore Family Endowed	\$ (849)	\$ 54,151	\$ 55,000
Sodexo Endowed Scholarship	-	106,609	100,000
Ginny Sonavec Memorial Endowed Scholarship	(927)	19,483	20,410
Scholarship for needs based students	(468)	24,592	25,060
Burgess Scholarship	(3,289)	46,711	50,000
John and Elaine Ricks Endowed Scholarship	(844)	23,935	24,779
Robert Sapp Endowed Baseball Scholarship	(492)	20,958	21,450
Craig Young Endowed Baseball Scholarship	(359)	19,701	20,060
Chris and Melody Blake Endowed Scholarship	-	25,043	24,039
Ben G. Porter Foundation Scholarship	-	33,972	29,750
Piedmont Construction Group Endowed Scholarship	(1,725)	72,014	73,739
Alan Weller Endowed Aviation Scholarship	-	7	-
Atlantic Southeastern Airlines Endowed	-	98,049	50,000
Tom Porter Endowed	-	39,357	37,443
Ann Newton Phillips Memorial Endowed	-	85,114	82,439
Auburn & Pauline Webb Endowed	-	14,109	13,291
Bernadette K. Loftin Endowed	-	15,906	14,391
Bertie Mae Garrett Endowed	-	51,115	44,036
Betty & Ellen Evans Endowed	(259)	12,120	12,379
Carl & Edna Kuipers Endowed	-	80,840	78,971
Centennial Scholarship	-	162,445	151,994
ComSouth Corporation Endowed	-	26,498	24,999
Dublin Brick Endowed	-	31,250	28,477
Ed Allen Memorial Endowed	-	52,130	49,926
George & Maxine Lowery Endowed	(488)	9,204	9,692
Jacob Martin Endowed	-	3,702	3,639
Kilchriss Endowed	-	44,720	39,407
McVay Science Endowed	-	13,154	12,927
Nellie H. Allen Memorial Endowed	-	286,498	269,615
Nolan H. & Frances B. Barlow Endowed	(1,015)	14,181	15,196
Peacock Endowed	-	182,557	150,044
Russ Hinson Memorial Endowed	-	55,054	31,864
Russ Holder Endowed	-	33,821	27,953
Wallace and Virginia Harris Endowed Scholarship	-	552,749	543,008
W.J. Story Endowed	-	29,603	24,892
Walker-Creek Endowed	-	28,293	27,765
	<u>\$ (56,787)</u>	<u>\$ 10,813,852</u>	<u>\$ 9,403,701</u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

Changes in donor-restricted endowment funds for the year ended December 31, 2018 are as follows:

	<u>With Donor Restrictions</u>		Total
	<u>Purpose restrictions</u>	<u>Perpetual restriction</u>	
Beginning endowment net assets	\$ 2,550,472	\$ 9,497,912	\$ 12,048,384
Investment return			
Investment income	423,018	-	423,018
Net realized and unrealized gain (loss)	(975,043)	-	(975,043)
Total investment return	(552,025)	-	(552,025)
Contributions and discount	1,000	147,688	148,688
Transfers	(91,622)	(241,899)	(333,521)
Appropriations for expenditures	(497,674)	-	(497,674)
Ending endowment net assets	<u>\$ 1,410,151</u>	<u>\$ 9,403,701</u>	<u>\$ 10,813,852</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in donor-restricted endowment funds, with together have an original give value of \$9,403,701, a current fair value of \$10,813,852 and a deficiency of \$56,787, as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to minimize the risk of large losses, preserve principal and increase the inflation adjusted value of the investments over time. This objective is obtained by pursuing a total return investment strategy that encompasses a level of risk consistent with the Foundation's long-term return expectations. The Foundation expects its endowment funds' annualized rate of return over a rolling five year period to provide at least 5% over the rate of inflation as measured

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

by the Consumer Price Index to allow for the application of a prudent spending policy and to outperform a nationally recognized index of balanced fund managers.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4% to 6% of the market value of the investments at fiscal year-end, averaged over a rolling three year period. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 13. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash and cash equivalent balances in several large financial institutions and in a brokerage account. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalents held in brokerage accounts and in trust accounts may be insured by the FDIC, depending on where those funds are ultimately held. At December 31, 2018, the Foundation's uninsured cash in financial institutions totaled \$1,190,228, of which \$325,235 is attributed to agency funds held on behalf of Macon BID, LLC. Uninsured cash in brokerage accounts totaled \$961,791. Total uninsured cash was \$2,152,019.

NOTE 14. CONCENTRATION OF CONTRIBUTIONS

One donor made a contribution that accounted for 57% of overall contributions for the year ended December 31, 2018 and 59% of total promises to give as of December 31, 2018. Most contributions come from sources in the central Georgia area.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE MEASUREMENTS

FASB Codification Topic No. 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and 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; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's and 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.

Fair value for equities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for cash surrender value of life insurance policies is determined by the underwriter for the insurance policy, which is usually a percentage of premiums paid less any unpaid loans against the cash value portion. Fair value of corporate bonds are determined by third-party pricing information, without further adjustment by management. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2018 is as follows:

	Fair Value	Level 1	Level 2
Cash surrender value of life insurance	\$ 75,288	\$ -	\$ 75,288
Endowment investments			
Cash and cash equivalents	1,211,790	1,211,790	-
Equities	1,269,885	1,269,885	-
Mutual funds	8,335,944	8,335,944	-
Corporate bonds	657,348	-	657,348
Total endowment investments	11,474,967	10,817,619	657,348
	<u>\$ 11,550,255</u>	<u>\$ 10,817,619</u>	<u>\$ 732,636</u>

NOTE 16. RELATED-PARTY TRANSACTIONS

Members of the Foundation's Board of Trustees are active in supporting the Foundation through personal donations. Donations received from trustees during the year approximated \$93,000.

Since the primary purpose of the Foundation is to support Middle Georgia State University, the amounts listed as college support in the statements of activities consist of expenses paid to or on behalf of the University and therefore are considered related-party transactions. Amounts owed to the University as of December 31, 2018 for various supporting expenses totaled \$11,716.

The Foundation utilizes staff of the University to carry out day-to-day functions. Staff compensation not reimbursed to the University is recorded as a noncash donations by the Foundation. Total compensation of the University staff used by the Foundation for the year ended December 31, 2018 was \$167,142.