

MIDDLE GEORGIA STATE UNIVERSITY  
FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2019

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**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, 2019, 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, 2019, 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.*

March 3, 2020

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents without donor restrictions	\$ 889,439
Cash and cash equivalents with donor restrictions	2,442,156
Cash and cash equivalents - agency funds	299,052
Unconditional promises to give	528,036
Prepaid expenses and other assets	31,782
Investments with donor restrictions, at market	721,697

Total Current Assets 4,912,162

PROPERTY AND EQUIPMENT, NET 182,058

OTHER ASSETS

Cash and cash equivalents - restricted for endowments	126,507
Cash surrender value of life insurance	74,785
Unconditional promises to give, net of current portion	1,134,212
Endowment investments, at market	12,573,295

Total Other Assets 13,908,799

TOTAL ASSETS \$ 19,003,019

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, 2019

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 113,438
Scholarships payable	349,365
Promises to give payable, current portion	577,348
Agency funds	299,052
	<hr/>
Total Current Liabilities	1,339,203
	<hr/>
LONG-TERM LIABILITIES	
Promises to give payable, net of current portion	5,000
	<hr/>
Total Long-term Liabilities	5,000
	<hr/>
TOTAL LIABILITIES	1,344,203
	<hr/>
NET ASSETS	
Without donor restrictions	
Undesignated	632,677
Designated by Board	296,792
	<hr/>
	929,469
	<hr/>
With donor restrictions	
Purpose restricted	7,094,955
Perpetual in nature	9,634,392
	<hr/>
	16,729,347
	<hr/>
TOTAL NET ASSETS	17,658,816
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 19,003,019
	<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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 898,602	\$ 2,645,484	\$ 3,544,086
Contributed services and materials	402,608	34,655	437,263
Special event income, net	66,357	41,613	107,970
Interest and dividend income, net of fees	13,271	333,100	346,371
Net realized and unrealized gain (loss) on investments	-	1,655,318	1,655,318
Grants and other income	15,469	1,716	17,185
	<u>1,396,307</u>	<u>4,711,886</u>	<u>6,108,193</u>
Net assets released from restrictions			
Transfers	(31,027)	31,027	-
Restrictions satisfied by payments	1,795,630	(1,795,630)	-
	<u>1,764,603</u>	<u>(1,764,603)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>3,160,910</u>	<u>2,947,283</u>	<u>6,108,193</u>
<b>EXPENSES</b>			
Program services			
Scholarships	392,373	-	392,373
College support and enhancement	1,396,453	-	1,396,453
	<u>1,788,826</u>	<u>-</u>	<u>1,788,826</u>
Supporting services			
Foundation administration	256,914	-	256,914
Fundraising	336,725	-	336,725
	<u>593,639</u>	<u>-</u>	<u>593,639</u>
<b>TOTAL EXPENSES</b>	<u>2,382,465</u>	<u>-</u>	<u>2,382,465</u>
<b>CHANGE IN NET ASSETS</b>	778,445	2,947,283	3,725,728
<b>NET ASSETS - BEGINNING</b>	<u>151,024</u>	<u>13,782,064</u>	<u>13,933,088</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 929,469</u>	<u>\$ 16,729,347</u>	<u>\$ 17,658,816</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, 2019

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ 3,725,728
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	(1,386,068)
Depreciation expense	23,242
Donated assets	(101,931)
Reinvestment of interest and dividends	(332,350)
(Increase) decrease in surrender value of life insurance	503
Uncollectible promises to give	38,349
(Increase) decrease in	
Promises to give, net	(542,290)
Prepaid expenses	8,588
Increase (decrease) in	
Accounts payable	(57,855)
Scholarships payable	32,023
Promises to give payable	567,348
Contributions restricted for long-term purposes	(225,557)
Amortization of discount on promises to give	62,572
	<u>1,812,302</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Purchases of investments	(2,255,762)
Proceeds from sale of investments	2,256,086
	<u>324</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Collection of contributions restricted for long-term purposes	266,695
	<u>266,695</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,079,321
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>1,378,781</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u><u>\$ 3,458,102</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, 2019

	Program Activities			Supporting Activities			Total Expenses
	University Support	Scholarships	Total Programs	Management & General	Fundraising	Total Support	
Bank and credit card fees	\$ -	\$ -	\$ -	\$ 3,885	\$ -	\$ 3,885	\$ 3,885
Conferences and meetings	9,421	-	9,421	1,537	-	1,537	10,958
Depreciation	23,242	-	23,242	-	-	-	23,242
Dues and subscriptions	33,081	-	33,081	7,600	872	8,472	41,553
Food and beverage	87,809	-	87,809	2,890	1,328	4,218	92,027
Grants	1,029,995	-	1,029,995	164,896	284,360	449,256	1,479,251
Insurance	-	-	-	6,882	-	6,882	6,882
Miscellaneous	4,339	-	4,339	600	48	648	4,987
Office supplies	2,430	-	2,430	6,475	295	6,770	9,200
Postage	959	-	959	296	10	306	1,265
Printing	7,723	-	7,723	2,236	5,947	8,183	15,906
Professional fees	7,358	-	7,358	54,227	39,127	93,354	100,712
Program supplies	147,349	-	147,349	4,336	3,522	7,858	155,207
Scholarships	-	392,373	392,373	-	-	-	392,373
Small gifts	12,788	-	12,788	146	972	1,118	13,906
Travel	29,959	-	29,959	908	244	1,152	31,111
<b>Totals</b>	<b>\$ 1,396,453</b>	<b>\$ 392,373</b>	<b>\$ 1,788,826</b>	<b>\$ 256,914</b>	<b>\$ 336,725</b>	<b>\$ 593,639</b>	<b>\$ 2,382,465</b>

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, 2019. All significant intercompany accounts and transactions have been eliminated. The LLC's were administratively dissolved and closed on August 26, 2019.

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.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of financial position, 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 financial position.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

Cash and cash equivalents without donor restrictions	\$ 889,439
Cash and cash equivalents with donor restrictions	2,442,156
Cash and cash equivalents - restricted for endowments	<u>126,507</u>
Total	<u>\$ 3,458,102</u>

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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2019, there was \$437,263 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 in excess of \$5,000 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. Depreciation is computed using the straight-line method over an estimated useful life as determined by management.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated are donated personnel expenses included in grants expense, which are allocated on the basis of estimates of time and effort.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, 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. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There were no unrelated business activities for the year ended December 31, 2019. 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.

Contributions 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 restriction.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through March 3, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in the statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. We have adopted these provisions in the accompanying financial statements.

NOTE 3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Foundation's financial assets as of December 31, 2019 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	\$ 3,757,154
Unconditional promises to give	1,662,248
Cash surrender value	74,785
Investments	<u>13,294,992</u>
Total financial assets	18,789,179
Less amounts not available to be used within one year due to	
Self-imposed designations for the construction of Enrollment Center	113,736
Agency funds	299,052
Donor restricted for construction of Enrollment Center	2,793,877
Donor restricted to provide scholarships and University support	4,301,078
Donor restricted to maintain as an endowment	<u>9,634,392</u>
	<u>17,142,135</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,647,044</u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS (Continued)

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, 2019.

NOTE 4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2019 these policies had a cash surrender value of \$74,785 and a death benefit of \$138,103.

NOTE 5. PROMISES TO GIVE

As of December 31, 2019, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$ 528,036
Receivable in one to five years	<u>1,206,033</u>
Total unconditional promises to give	1,734,069
Less: Discounts to net present value	<u>(71,821)</u>
Net unconditional promises to give	<u><u>\$ 1,662,248</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 promised. The discount rates used range between 1% to 2.5%.

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, 2019. 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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS

Investments consisted of the following as of December 31, 2019:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Cash	\$ 1,273,767	\$ -	\$ 1,273,767
Equities	7,928,424	1,039,365	6,889,059
Fixed income	4,092,801	449,232	3,643,569
	<u>\$ 13,294,992</u>	<u>\$ 1,488,597</u>	<u>\$ 11,806,395</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.

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 \$232,415. Accumulated depreciation on the aircraft totaled \$50,357 as of December 31, 2019. Depreciation expense for the year ended December 31, 2019 totaled \$23,242. The donor imposed a 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. PROMISES-TO-GIVE PAYABLE

The Foundation has committed to an unconditional promise to give of \$10,000 to The Community Foundation of Central Georgia (unrelated party) and \$572,348 to the University as a grant for reimbursement of two aircraft purchased by the University. The promise to give to The Community Foundation of Central Georgia is payable in equal installments of \$5,000 over the next two years. The promise to give to the University is due in one payment in the following year. 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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. AGENCY FUNDS

The Foundation has 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 \$299,052. 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, 2019, the Foundation's Board of Trustees has designated, from net assets without donor restrictions, \$183,056 as operating reserves and \$113,736 for the construction of the University Enrollment Center.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to appropriation and expenditure for specified purpose:

Academic programs	\$ 878,285
Athletics	137,490
Construction of Enrollment Center	2,793,877
Scholarships	346,400
	4,156,052

Endowments:

Subject to appropriation and expenditure for specified purpose:

Academic programs	1,762,541
Scholarships	1,176,362
	2,938,903

Perpetual in nature, earnings from which are subject to Foundation's spending policy and appropriation:

Academic programs	5,356,187
Scholarships	4,203,420

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.  
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Subject to appropriation and expenditure when specified event occurs	
Cash value of life insurance policy, proceeds upon death endowed for scholarships	\$ 74,785
	<u>9,634,392</u>
Total endowments	<u>12,573,295</u>
Total net assets with donor restrictions	<u>\$ 16,729,347</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 Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets without donor restrictions. The Board of Trustees of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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NOTE 12. ENDOWMENTS (Continued)

- (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.

Changes in donor-restricted endowment funds for the year ended December 31, 2019 are as follows:

	<u>With Donor Restrictions</u>		Total
	Purpose restrictions	Perpetual restriction	
Beginning endowment net assets	\$ 1,410,151	\$ 9,403,701	\$ 10,813,852
Investment return			
Investment income	395,582	-	395,582
Net realized and unrealized gain (loss)	1,655,318	-	1,655,318
Total investment return	2,050,900	-	2,050,900
Contributions and discount	-	221,756	221,756
Transfers	(4,343)	8,935	4,592
Appropriations for expenditures	(517,805)	-	(517,805)
Ending endowment net assets	<u>\$ 2,938,903</u>	<u>\$ 9,634,392</u>	<u>\$ 12,573,295</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 \$9,634,392, a current fair value of \$12,573,295 and a deficiency of \$5,202, as of December 31, 2019. 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.

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NOTE 12. ENDOWMENTS (Continued)

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 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 with large financial institutions. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, cash deposits in excess of \$250,000 are insured under the Georgia Secure Deposit Program (SDP). This program provides additional unlimited insurance protection to depositors of public funds within the State of Georgia who maintain cash deposits with participating financial institutions. All of the Foundation's financial institutions are participants under the Georgia SDP, with the exception of one. The one bank that is not a participant did not hold deposits in excess of the FDIC limit. Therefore all cash deposits are insured. Insurance provided under FDIC totaled \$626,507 and insurance provided by the Georgia SDP totaled \$4,082,025 as of December 31, 2019.

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NOTE 14. CONCENTRATION OF CONTRIBUTIONS

Three donors made contributions that accounted for 65% of overall contributions for the year ended December 31, 2019 and two donors accounted for 59% of total promises to give as of December 31, 2019. Most contributions come from sources in the central Georgia area.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Middle Georgia State University holds an annual math tournament for high school students in the middle Georgia area. The Foundation awards scholarships to the winners of the tournament to be used toward tuition at Middle Georgia State University. The recipient of the scholarship must attend Middle Georgia State University and use the scholarship within one year of the date of graduation from high school; otherwise, the scholarship is forfeited. The amount of the scholarships outstanding as of December 31, 2019 is \$6,750.

NOTE 16. 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 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

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NOTE 15. FAIR VALUE MEASUREMENTS (Continued)

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.

Fair value of assets and liabilities measured on a recurring basis at December 31, 2019 is as follows:

	Fair Value	Level 1	Level 2
Cash surrender value of life insurance	\$ 74,785	\$ -	\$ 74,785
Endowment investments			
Cash and cash equivalents	1,273,767	1,273,767	-
Equities	7,928,424	7,928,424	-
Corporate bonds	4,092,801	-	4,092,801
Total endowment investments	13,294,992	9,202,191	4,092,801
	\$ 13,369,777	\$ 9,202,191	\$ 4,167,586

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 \$79,000.

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, 2019 for various supporting expenses and scholarships totaled \$349,366.

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, 2019 was \$447,587.