

MIDDLE GEORGIA STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2017

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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, 2017, and the related consolidated statements of activities and cash flows 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, 2017, 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.

May 30, 2018

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 185,108
Cash and cash equivalents - agency funds	270,448
Unconditional promises to give	324,840
Prepaid expenses	<u>20,141</u>

Total Current Assets 800,537

PROPERTY AND EQUIPMENT, NET 228,542

OTHER ASSETS

Cash and cash equivalents - restricted for endowments	124,014
Cash surrender value of life insurance	73,260
Unconditional promises to give, net of current portion	293,396
Investments for long-term purposes	<u>12,154,909</u>

Total Other Assets 12,645,579

TOTAL ASSETS \$ 13,674,658

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 29,431
Scholarships payable	166,381
Promises to give payable, current portion	5,000
Agency funds	<u>270,448</u>

Total Current Liabilities 471,260

LONG-TERM LIABILITIES

Promises to give payable, net of current portion	<u>15,000</u>
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TOTAL LIABILITIES 486,260

NET ASSETS

Unrestricted	
Undesignated	81,349
Designated	<u>183,056</u>

Total Unrestricted 264,405

Temporarily restricted 3,426,081

Permanently restricted 9,497,912

TOTAL NET ASSETS 13,188,398

TOTAL LIABILITIES AND NET ASSETS \$ 13,674,658

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 253,357	\$ 425,681	\$ 502,351	\$ 1,181,389
Contributed services and materials	199,435	257,577	-	457,012
Special event income, net	74,834	50,970	-	125,804
Interest and dividend income, net of fees	1,503	317,642	-	319,145
Net realized and unrealized gain (loss) on investments	(143)	1,055,922	-	1,055,779
	<u>528,986</u>	<u>2,107,792</u>	<u>502,351</u>	<u>3,139,129</u>
Net assets released from restrictions				
Transfers	(1,000)	(20,750)	21,750	-
Restrictions satisfied by payments	1,073,862	(1,073,862)	-	-
	<u>1,072,862</u>	<u>(1,094,612)</u>	<u>21,750</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,601,848</u>	<u>1,013,180</u>	<u>524,101</u>	<u>3,139,129</u>
EXPENSES				
Program services				
Scholarships	367,543	-	-	367,543
College support and enhancement	874,355	-	-	874,355
	<u>1,241,898</u>	<u>-</u>	<u>-</u>	<u>1,241,898</u>
Supporting services				
Foundation administration	237,162	-	-	237,162
Fundraising	106,111	-	-	106,111
	<u>343,273</u>	<u>-</u>	<u>-</u>	<u>343,273</u>
TOTAL EXPENSES	<u>1,585,171</u>	<u>-</u>	<u>-</u>	<u>1,585,171</u>
CHANGE IN NET ASSETS	16,677	1,013,180	524,101	1,553,958
NET ASSETS - BEGINNING	247,728	2,412,901	9,021,922	11,682,551
Prior period adjustment	-	-	(48,111)	(48,111)
NET ASSETS - ENDING	<u>\$ 264,405</u>	<u>\$ 3,426,081</u>	<u>\$ 9,497,912</u>	<u>\$ 13,188,398</u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ 1,553,958
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Net unrealized gain on investments reported at fair value	(1,267,505)
Depreciation expense	3,874
Donated assets	(232,416)
Reinvestment of interest and dividends	(309,484)
Increase in surrender value of life insurance	(2,081)
Uncollectible promises to give	26,969
(Increase) decrease in	
Promises to give, net	(100,784)
Prepaid expenses	(20,141)
Increase (decrease) in	
Accounts payable	(176,851)
Scholarships payable	18,906
Promises to give payable	(5,000)
Contributions restricted for long-term purposes	(502,351)
Amortization of discount on promises to give	(30,107)
	<u>(1,043,013)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,043,013)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Change in cash restricted for endowments	(1,228)
Proceeds from sale of investments	5,530,086
Purchases of investments	(4,909,635)
	<u>619,223</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>619,223</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Collection of contributions restricted for long-term purposes	190,880
	<u>190,880</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>190,880</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(232,910)
BEGINNING CASH AND CASH EQUIVALENTS	<u>418,018</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 185,108</u></u>

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 of the Foundation include the accounts of 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 Romeiser Properties LLC's were formed for the sole purpose of purchasing land surrounding the perimeter of the campus of the University and were dormant as of and for the year ended December 31, 2017. 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Codification Topic No. ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Foundation or the passage of time. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation.

Subsequent Events

Subsequent events have been evaluated through May 30, 2018, 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)

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 are stated at fair value which is based on quoted market rates. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Contributed Services and Assets

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, 2017, there was \$457,012 in contributed services and 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. 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)

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no such income for the year ended December 31, 2017. 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.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE 3. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2017 these policies had a cash surrender value of \$73,260 and a death benefit of \$135,007.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. PROMISES TO GIVE

As of December 31, 2017, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$ 324,840
Receivable in one to five years	<u>323,503</u>
Total unconditional promises to give	648,343
Less: Discounts to net present value	<u>(30,107)</u>
Net unconditional promises to give	<u><u>\$ 618,236</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 has also committed to an unconditional promise to give \$20,000 to an unrelated non-profit organization in equal installments of \$5,000 over the next four years. The amount is included as promises to give payable on the statement of financial position.

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, 2017. This conditional promise is for the purpose of funding and existing scholarship endowment.

NOTE 5. INVESTMENTS

Investments consisted of the following as of December 31, 2017:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
	<u> </u>	<u> </u>	<u> </u>
Merrill Lynch			
Cash	\$ 1,006,742	\$ -	\$ 1,006,742
Equities	1,382,247	23,513	1,358,734
Mutual funds	9,731,047	890,087	8,840,960
Other	<u>34,873</u>	<u>-</u>	<u>34,873</u>
	<u><u>\$ 12,154,909</u></u>	<u><u>\$ 913,600</u></u>	<u><u>\$ 11,206,436</u></u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS

The Foundation's investments are reported at fair value. Expenses related to investment income, including custodial fees and investment advisory fees, for the year ended December 31, 2017 totaled to \$49,785. These fees have been netted with interest and dividend income in the accompanying statements of activities. Cash in the brokerage account is included in investments because it is for long-term purposes and part of the endowment. During 2017, the Foundation invested in several alternative funds that are publicly traded but do not have readily determinable market values. These funds typically invest in derivative type contracts but are not used to leverage the portfolio or for speculative investments. Realized and unrealized gains and losses are allocated monthly to individual endowments based on the relationship of the market value of each endowment to the total market value of the accounts.

NOTE 6. 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 \$3,874 as of December 31, 2017. Depreciation expense for the year ended December 31, 2017 totaled \$3,874.

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 utilized by the University.

NOTE 7. RESTRICTIONS AND LIMITATIONS ON CASH AND NET ASSETS

Designated Net Assets

The Foundation's Board of Trustees has designated \$183,056 as operating reserves as of December 31, 2017.

Restrictions on Cash

Certain restrictions have been applied to cash balances as of December 31, 2017 from donors. Restricted cash consists of a certificate of deposit of \$124,014.

Restricted Net Assets

Permanently restricted net assets are disclosed in NOTE 8. The Foundation's temporarily restricted net assets other than the donor-restricted endowments disclosed in NOTE 8 totaled of \$860,118. These net assets are restricted for scholarships, botanical gardens, economic development and other various university support.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS

The Foundation's endowment consists of individual funds established for a variety of purposes and includes donor-restricted endowment funds. 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 organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

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 time restriction with purpose restrictions under the SPMIFA. If, due to market conditions or appropriations, the temporarily restricted fund falls below zero, this amount is reclassified to unrestricted net assets until the deficiency is corrected. Donor-restricted endowment funds consist of the following as of December 31, 2017:

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Peyton Anderson Endowed Chairs	\$ -	\$ 472,839	\$ 2,000,000
Georgia Eminent Scholar Endowed Chair	-	152,669	1,010,786
MSC General Endowment	-	640,533	1,508,355
Dorothy D. Brown Humanities Faculty Development	-	3,772	4,410
Barnes Book Fund	-	3,612	5,100
Invest in Success - Faculty Research and Scholarly Activity	-	15,121	14,850
Library Humanities	-	47,374	160,170
Invest in Success - Nursing Faculty	-	273,879	635,275
Carol Porter Endowed	-	4,543	11,369
Scholarship Funds:			
Junior Woman's Volunteer Network of Macon	-	1,437	5,450
Bobby B. Singley Memorial	-	3,903	20,125
Gail Burdsall Cowan Memorial	-	3,421	10,851
Hattie Elizabeth Wilder Endowed	-	555	3,000
Jo Hammond Memorial	-	1,177	6,712
Louise Y. Lockhart	-	4,212	12,825
John B. Harris, Jr. Memorial	-	1,907	12,500
Charles H. Jones Family Foundation Presidential	-	40,060	57,500
Evelyn T. Bickford Memorial	-	4,594	22,252
Stephen Portch Study Abroad Endowed	-	8,762	27,025
Joan B. Huffman Women's Caucus	-	4,393	21,200
Jay Ragland Memorial	-	9,682	33,400
Peyton Anderson Foundation Endowed Presidential	-	215,555	522,500
Bill Elieson Scholarship for Excellence in Information Technology	-	6,533	23,178
Macon Business and Professional Women's Club	-	2,367	10,000
Gwen Sell Sorrell Study Abroad	-	10,763	38,798
Joe E. Timberlake, III Endowed	-	4,713	20,000
Community Foundation of Central Georgia Endowed Scholarship in Business	-	5,288	40,000
Billy Lee Kimbrel Memorial Endowed	-	4,129	20,000
Addie Taylor Foskey Endowed	-	3,103	20,000
Byrd Family Endowed	-	8,607	25,554
David R. Adams Memorial Scholarship	-	17,185	45,245
David A. Bell, PhD. Endowed	-	11,552	105,203

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Betty and Charles Heard	\$ -	\$ 21,135	\$ 31,776
Community Foundation of Central Georgia	-	9,577	20,000
Kaiser Permanente Nursing	-	26,785	85,000
Dr. Barbara Thomas Frizzell	-	6,380	29,106
Eugene Alvarez, Ph.D. Endowed	-	25,713	124,482
Jeremy Christian Wearn Memorial	-	8,291	36,297
1959 Class Endowed	-	14,465	43,499
Jessie S. & H. Grady Bradley Memorial	(982)	-	20,768
Barbara J. Stickel CGHS Endowed	-	19,685	100,000
Veterans Scholarship Endowed	-	1,459	3,095
State Bank & Trust Company Endowed	-	3,824	20,000
Fountain Car Wash & Lube Endowed	-	4,219	20,096
Mary M. Pope Memorial Endowed	-	5,507	30,000
A. Donald Faulk, Jr. Endowed	-	3,564	20,000
Chandler A. Reid Endowed	-	4,964	29,389
Charles Quinn Endowed	-	4,286	19,507
Titus Family Endowed	-	664	4,200
Howard, Moore & McDuffie Endowed	-	2,428	20,000
Thomas Reed Park, Jr. Memorial Endowed	-	3,463	25,000
Moore Family Endowed	-	5,104	50,000
Sodexo Endowed Scholarship	-	13,882	100,000
Ginny Sonavec Memorial Endowed Scholarship	-	1,372	20,360
Scholarship for needs based students	-	1,208	25,060
Greatness Campaign	(5,314)	-	251,170
Burgess Scholarship	(143)	-	43,683
John and Elaine Ricks Endowed Scholarship	-	-	20,646
Robert Sapp Endowed Baseball Scholarship	-	1,473	21,250
Craig Young Endowed Baseball Scholarship	-	1,515	20,000
Chris and Melody Blake Endowed Scholarship	-	671	23,568
Ben G. Porter Foundation Scholarship	-	9,083	20,000
Piedmont Construction Group Endowed Scholarship	-	-	72,805
Alan Weller Endowed Aviation Scholarship	-	7	-
Atlantic Southeastern Airlines Endowed	-	58,478	50,000
Tom Porter Endowed	-	6,201	37,443
Ann Newton Phillips Memorial Endowed	-	408	80,439
Auburn & Pauline Webb Endowed	-	3,704	13,291
Bernadette K. Loftin Endowed	-	3,670	14,391
Bertie Mae Garrett Endowed	-	11,902	44,036

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Betty & Ellen Evans Endowed	\$ (369)	\$ -	\$ 11,879
Carl & Edna Kuipers Endowed	-	8,470	75,302
Centennial Scholarship	-	29,529	151,994
ComSouth Corporation Endowed	-	4,587	25,000
Dublin Brick Endowed	-	6,294	28,476
Ed Allen Memorial Endowed	-	10,224	49,426
George & Maxine Lowery Endowed	(572)	-	9,692
Jacob Martin Endowed	-	30	3,639
Kilchriss Endowed	-	11,355	39,407
McVay Science Endowed	-	108	12,927
Nellie H. Allen Memorial Endowed	-	49,784	269,615
Nolan H. & Frances B. Barlow Endowed	(386)	-	15,196
Peacock Endowed	-	46,835	150,045
Russ Hinson Memorial Endowed	-	28,731	30,814
Russ Holder Endowed	-	9,771	27,853
Wallace and Virginia Harris Endowed Scholarship	-	68,554	500,000
W.J. Story Endowed	-	6,925	24,892
Walker-Creek Endowed	-	3,714	27,765
	<u>\$ (7,766)</u>	<u>\$ 2,558,238</u>	<u>\$ 9,497,912</u>

Changes in donor-restricted endowment funds for the year ended December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning endowment net assets	\$ (2,410)	\$ 1,568,915	\$ 9,021,922	\$ 10,588,427
Investment return				
Investment income	670	367,563	-	368,233
Net realized and unrealized gain (loss)	(143)	1,055,922	-	1,055,779
Total investment return	<u>527</u>	<u>1,423,485</u>	<u>-</u>	<u>1,424,012</u>
Contributions and discount	-	-	502,351	502,351
Transfers	-	8,146	21,750	29,896
Appropriations for expenditures	(5,883)	(442,308)	-	(448,191)
Prior period adjustment	-	-	(48,111)	(48,111)
Ending endowment net assets	<u>\$ (7,766)</u>	<u>\$ 2,558,238</u>	<u>\$ 9,497,912</u>	<u>\$ 12,048,384</u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$7,766 as of December 31, 2017. These deficiencies resulted from 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 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.

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NOTE 9. 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, 2017, the Foundation's uninsured cash in financial institutions totaled \$429,820, of which \$270,753 is attributed to agency funds held on behalf of Macon BID, LLC. Uninsured cash in brokerage accounts totaled \$556,081. Total uninsured cash was \$985,901.

NOTE 10. CONCENTRATION OF CONTRIBUTIONS

Sixteen contributors gave over \$15,000 and are responsible for 67% of total contributions during the year ended December 31, 2017. Additionally, 80% of promises to give as of December 31, 2017 are from seven contributors. Most contributions come from sources in the central Georgia area.

NOTE 11. 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, 2017 is \$7,050.

NOTE 12. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. FAIR VALUE MEASUREMENTS (Continued)

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 for alternative investments is determined by the value of underlying assets less obligations and fund fees divided by the number of issued and outstanding shares or units in the fund as reported by the fund manager.

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, 2017 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	\$ 73,260	\$ -	\$ 73,260	\$ -
Endowment investments				
Cash and cash equivalents	1,006,742	1,006,742	-	-
Equities	1,382,247	1,382,247	-	-
Mutual funds	9,731,047	9,731,047	-	-
Alternative investments	34,873	-	-	34,873
Total endowment investments	12,154,909	12,120,036	-	34,873
	<u>\$ 12,228,169</u>	<u>\$ 12,120,036</u>	<u>\$ 73,260</u>	<u>\$ 34,873</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. FAIR VALUE MEASUREMENTS (Continued)

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended December 31, 2017.

	Alternative Funds
Beginning balance	\$ 988,829
Transfers	(1,024,671)
Total gains or losses (realized/unrealized)	56,253
Reinvested earnings	14,462
Ending balance	\$ 34,873

Transfers out of level 3 fair value measurements resulted in a decision made by management to liquidate all of the Foundation's alternative investments. The residual amount in level 3 fair value measurements represents an audit hold-back by the fund managers until the audit of the fund is completed. Once the audit of the fund is completed, the remaining hold-back will be adjusted and remitted to the Foundation.

NOTE 13. 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 totaled \$63,850.

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.

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, 2017 was \$151,059.

NOTE 14. 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

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NOTE 14. AGENCY FUNDS (Continued)

in the amount of \$270,448. The Foundation has no discretion over the use of these funds and must disburse them at the direction of management of Macon BID.

NOTE 15. PRIOR PERIOD ADJUSTMENT

An adjustment to permanently restricted funds was recorded to correct an accounting error recorded in the prior year. A conditional promise to give was recorded in the financial statements in error for the 2016 reporting year. Under FASB ASC 958-605-25, a conditional promise to give is recognized when the conditions on which they depend are substantially met. As such, the conditional promise to give should not have been recognized because conditions underlying the promise to give had not been substantially met. The effect of the prior period adjustment reduced promises to give and permanently restricted net assets on the statement of financial position by \$48,111.