

MIDDLE GEORGIA STATE UNIVERSITY
FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

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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), which comprise the statements of financial position as of December 31, 2020, and the related 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. as of December 31, 2020, 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, 2021

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS	
Cash and cash equivalents without donor restrictions	\$ 934,851
Cash and cash equivalents with donor restrictions	1,881,194
Agency funds (NOTE 9)	280,324
Cash value of life insurance (NOTE 4)	14,290
Unconditional promises to give (NOTE 5)	1,307,812
Prepaid expenses and other assets	36,974
Property held for sale (NOTE 7)	364,858
Construction-in-process, net (NOTE 7)	553,181
Investments with donor restrictions, at market (NOTE 6)	697,011
Endowment:	
Cash surrender value of life insurance- endowment (NOTE 4)	64,470
Endowment investments, at market (NOTE 12)	13,973,266
	<u>20,108,231</u>
TOTAL ASSETS	<u>\$ 20,108,231</u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 209,695
Scholarships payable	167,350
Promises to give payable (NOTE 8)	10,000
Agency funds	280,324
	<u>667,369</u>
TOTAL LIABILITIES	<u>667,369</u>
NET ASSETS	
Without donor restrictions	
Undesignated	631,156
Designated by Board (NOTE 10)	217,169
	<u>848,325</u>
With donor restrictions (NOTE 11)	
Purpose restricted	8,775,609
Perpetual in nature	9,816,928
	<u>18,592,537</u>
TOTAL NET ASSETS	<u>19,440,862</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,108,231</u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 115,171	\$ 841,662	\$ 956,833
Contributed services and materials	255,312	244,252	499,564
Special event income, net	53,200	13,196	66,396
Interest and dividend income, net of fees	34,684	254,325	289,009
Net realized and unrealized gain (loss) on investments	-	1,525,512	1,525,512
Grants and other income	10,007	14,132	24,139
	<u>468,374</u>	<u>2,893,079</u>	<u>3,361,453</u>
Net assets released from restrictions			
Transfers	895	(895)	-
Restrictions satisfied by payments	1,028,994	(1,028,994)	-
	<u>1,029,889</u>	<u>(1,029,889)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,498,263</u>	<u>1,863,190</u>	<u>3,361,453</u>
EXPENSES			
Program services			
Scholarships	448,159	-	448,159
College support and enhancement	528,683	-	528,683
	<u>976,842</u>	<u>-</u>	<u>976,842</u>
Supporting services			
Foundation administration	227,974	-	227,974
Fundraising	374,591	-	374,591
	<u>602,565</u>	<u>-</u>	<u>602,565</u>
TOTAL EXPENSES	<u>1,579,407</u>	<u>-</u>	<u>1,579,407</u>
CHANGE IN NET ASSETS	(81,144)	1,863,190	1,782,046
NET ASSETS - BEGINNING	<u>929,469</u>	<u>16,729,347</u>	<u>17,658,816</u>
NET ASSETS - ENDING	<u>\$ 848,325</u>	<u>\$ 18,592,537</u>	<u>\$ 19,440,862</u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ 1,782,046
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	(1,525,512)
Donated assets	(182,800)
Reinvestment of interest and dividends	(247,518)
(Increase) decrease in surrender value of life insurance	(3,975)
Uncollectible promises to give	4,043
(Increase) decrease in	
Promises to give, net	366,076
Prepaid expenses	(5,192)
Increase (decrease) in	
Accounts payable	96,257
Scholarships payable	(182,015)
Promises to give payable	(572,348)
Contributions restricted for long-term purposes	(182,363)
Amortization of discount on promises to give	(25,436)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(678,737)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Construction in process for Enrollment Center	(553,181)
Purchases of investments	(6,066,695)
Proceeds from sale of investments	<u>6,464,440</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(155,436)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Collection of contributions restricted for long-term purposes	<u>192,116</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>192,116</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(642,057)
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>3,458,102</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u><u>\$ 2,816,045</u></u>

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Activities			Supporting Activities			Total Expenses
	University Support	Scholarships & Student Support	Total Programs	Management & General	Fundraising	Total Support	
Bank and credit card fees	\$ -	\$ -	\$ -	\$ 3,245	\$ -	\$ 3,245	\$ 3,245
Conferences and meetings	7,978	-	7,978	53	1,015	1,068	9,046
Depreciation	-	-	-	-	-	-	-
Dues and subscriptions	25,815	-	25,815	1,085	1,879	2,964	28,779
Food and beverage	26,915	-	26,915	343	6,028	6,371	33,286
Grants	276,960	-	276,960	168,245	343,710	511,955	788,915
Insurance	-	-	-	7,373	-	7,373	7,373
Maintenance	2,022	-	2,022	-	-	-	2,022
Miscellaneous	1,553	-	1,553	-	-	-	1,553
Office supplies	3,672	-	3,672	748	616	1,364	5,036
Postage	1,935	-	1,935	-	226	226	2,161
Printing	7,063	-	7,063	120	2,945	3,065	10,128
Professional fees	4,762	-	4,762	43,052	6,398	49,450	54,212
Program supplies	141,290	-	141,290	3,650	2,469	6,119	147,409
Scholarships	-	411,642	411,642	-	-	-	411,642
Small gifts	16,432	-	16,432	30	9,150	9,180	25,612
Student support	-	36,517	36,517	-	-	-	36,517
Travel	12,286	-	12,286	30	155	185	12,471
Totals	\$ 528,683	\$ 448,159	\$ 976,842	\$ 227,974	\$ 374,591	\$ 602,565	\$ 1,579,407

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

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.

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.

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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$ 934,851
Cash and cash equivalents with donor restrictions	<u>1,881,194</u>
Total	<u>\$ 2,816,045</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.

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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020, there was \$499,564 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.

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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020. 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.

Subsequent Events

Subsequent events have been evaluated through March 3, 2021, which is the date the financial statements were available to be issued.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Foundation's financial assets as of December 31, 2020 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 at year end:	
Cash and cash equivalents	\$ 2,816,045
Agency funds	280,324
Unconditional promises to give	1,307,812
Cash surrender value	78,760
Property held for sale	364,858
Investments	<u>14,670,277</u>
Total financial assets	19,518,076
Less amounts not available to be used within one year due to:	
Board designations for the construction of Enrollment Center	148,221
Agency funds	280,324
Donor restricted for construction of Enrollment Center	2,359,303
Donor restricted to provide scholarships and University support	6,093,002
Donor restricted to maintain as an endowment	<u>9,816,928</u>
	<u>18,697,778</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 820,298</u></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 \$68,948 as of December 31, 2020.

NOTE 4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2020 these policies had a cash surrender value of \$78,760 and a death benefit of \$139,908. One policy with a cash surrender value of \$64,470 funds an endowment.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PROMISES TO GIVE

As of December 31, 2020, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$ 603,193
Receivable in one to five years	<u>801,005</u>
Total unconditional promises to give	1,404,198
Less: Allowance for uncollectible accounts	(50,000)
Less: Discounts to net present value	<u>(46,386)</u>
Net unconditional promises to give	<u><u>\$ 1,307,812</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 0.26% 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, 2020. 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, 2020:

	Porfolio Allocation	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Cash	6.88%	\$ 1,008,882	\$ -	\$ 1,008,882
Equities	69.76%	10,233,286	1,559,000	8,674,286
Fixed income	23.37%	<u>3,428,109</u>	<u>769,586</u>	<u>2,658,523</u>
		<u><u>\$ 14,670,277</u></u>	<u><u>\$ 2,328,586</u></u>	<u><u>\$ 12,341,691</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. The Foundation invests in a diversified portfolio of stocks, corporate bonds and mutual funds with readily determinable market values. The Foundation's portfolio is structured to respond to market risk in order to allow for continual asset growth and income generation to meet obligations when they become due. The Foundation's policy is to have a portfolio makeup of 5-10% cash, 30-80% equities, and 20-70% fixed income investments.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. PROPERTY HELD-FOR-SALE AND CONSTRUCTION-IN-PROGRESS

The Foundation's property held-for-sale and construction-in-progress consists of the following as of December 31, 2020:

	Original Cost	Accumulated Depreciation	Adjusted Cost
Aircraft held for sale	\$ 415,215	\$ (50,357)	\$ 364,858
Construction in progress - Enrollment Center	553,181	-	553,181
Total	<u>\$ 968,396</u>	<u>\$ (50,357)</u>	<u>\$ 918,039</u>

The aircraft were originally used for display and aerial performance during the Foundation's air show in previous years. Since then, the aircraft have been converted to investment use only and are currently being held for sale. These aircraft were donated with stipulations that they could not be sold within a three year period from the date of the gift. Therefore, net assets with donor restrictions are release when the assets are sold.

The Foundation broke ground on a new enrollment center on the Macon campus of the University in 2020. Construction costs are being funded with donor restricted contributions and board designated funds. Once construction is complete, the Foundation will deed the property to the University in the form of a grant.

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) The promise to give is payable in equal installments of \$5,000 over the next year.

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 \$280,324. The Foundation has no discretion over the use of these funds and must disburse them at the direction of management of Macon BID.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated Net Assets

As of December 31, 2020, the Foundation's Board of Trustees has designated, from net assets without donor restrictions, \$68,948 as operating reserves and \$148,221 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	\$ 1,144,735
Athletics	182,130
Construction of Enrollment Center	2,912,484
Scholarships	315,452
	<u>4,554,801</u>

Endowments:

Subject to appropriation and expenditure for specified purpose:

Academic programs	2,414,090
Scholarships	1,806,718
	<u>4,220,808</u>

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

Academic programs	5,341,337
Scholarships	4,411,121

Subject to appropriation and expenditure when specified event occurs

Cash value of life insurance policy, proceeds upon death endowed for scholarships	64,470
	<u>9,816,928</u>

Total endowments	<u>14,037,736</u>
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Total net assets with donor restrictions	<u><u>\$ 18,592,537</u></u>
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MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

- (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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

Changes in donor-restricted endowment funds for the year ended December 31, 2020 are as follows:

	<u>With Donor Restrictions</u>		Total
	Purpose restrictions	Perpetual restriction	
Beginning endowment net assets	\$ 2,938,903	\$ 9,634,392	\$ 12,573,295
Investment return			
Investment income	320,878	-	320,878
Net realized and unrealized gain (loss)	1,525,512	-	1,525,512
Total investment return	1,846,390	-	1,846,390
Contributions and discount	1,300	179,740	181,040
Transfers	850	2,796	3,646
Appropriations for expenditures	(566,635)	-	(566,635)
Ending endowment net assets	\$ 4,220,808	\$ 9,816,928	\$ 14,037,736

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, which together have an original give value of \$9,816,928, a current fair value of \$14,037,736 and a deficiency of \$2,207, as of December 31, 2020. 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 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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ENDOWMENTS (Continued)

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 \$629,017 and insurance provided by the Georgia SDP totaled \$3,446,895 as of December 31, 2020.

NOTE 14. CONCENTRATION OF CONTRIBUTIONS

Approximately thirty donors made contributions that accounted for 55% of overall contributions for the year ended December 31, 2020 and two donors accounted for 80% of total promises to give as of December 31, 2020. 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 scholarship awards outstanding as of December 31, 2020 is \$6,800.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2020 is as follows:

	Fair Value	Level 1	Level 2
Cash surrender value of life insurance	\$ 78,760	\$ -	\$ 78,760
Endowment investments			
Cash and cash equivalents	1,008,882	1,008,882	-
Stocks and mutual funds	10,233,286	10,233,286	-
Corporate bonds	3,428,109	-	3,428,109
Total endowment investments	14,670,277	11,242,168	3,428,109
	<u>\$ 14,749,037</u>	<u>\$ 11,242,168</u>	<u>\$ 3,506,869</u>

NOTE 17. 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 \$111,000. In addition, some members of the Board of Trustees are also employees of the University that are reimbursed for various expenses. Total reimbursements among these individuals totaled approximately \$33,000.

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, 2020 for various supporting expenses and scholarships totaled \$362,923.

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, 2020 was \$543,424.

NOTE 18. RISK AND UNCERTAINTIES

The Foundation is exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with donors, it is at least reasonably possible that changes in the value of assets and liabilities will occur in the near term and that such changes could materially affect account balances and amounts reported in the statements of financial position.

As a result of the ongoing pandemic caused by the spread the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact the Foundation's change in net assets. Other financial impact could occur though such potential impact is unknown at this time.