

MIDDLE GEORGIA STATE UNIVERSITY  
FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

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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.  
Macon, Georgia

### **Opinion**

We have audited the accompanying financial statements of Middle Georgia State University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Middle Georgia State University Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Middle Georgia State University Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Middle Georgia State University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Middle Georgia State University Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Howard, Moore & McDuffie, P.C.*

Macon, Georgia  
February 28, 2023

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

Cash and cash equivalents without donor restrictions	\$ 1,067,128
Cash and cash equivalents with donor restrictions	1,026,992
Agency funds (NOTE 8)	204,777
Cash value of life insurance (NOTE 4)	12,742
Unconditional promises to give (NOTE 5)	1,259,599
Prepaid expenses and other assets	38,387
Property held for sale (NOTE 7)	182,799
Investments, at market (NOTE 6)	308,308
Endowment (NOTE 9):	
Cash surrender value of life insurance- endowment (NOTE 4)	69,555
Endowment investments, at market (NOTE 6)	<u>13,963,803</u>

TOTAL ASSETS \$ 18,134,090

LIABILITIES AND NET ASSETS

Accounts payable	\$ 183,819
Scholarships payable	204,484
Agency funds	<u>204,777</u>

TOTAL LIABILITIES 593,080

NET ASSETS

Without donor restrictions	
Undesignated	903,036
Designated by Board (NOTE 10)	<u>149,419</u>
	<u>1,052,455</u>

With donor restrictions (NOTE 11)	
Purpose restricted	5,068,064
Perpetual in nature	<u>11,420,491</u>
	<u>16,488,555</u>

TOTAL NET ASSETS 17,541,010

TOTAL LIABILITIES AND NET ASSETS \$ 18,134,090

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 133,311	\$ 2,481,195	\$ 2,614,506
Contributed services and materials	442,643	11,602	454,245
Special event income, net	51,593	26,877	78,470
Interest and dividend income, net of fees	4,941	266,087	271,028
Net realized and unrealized gain (loss) on investments	-	(2,817,993)	(2,817,993)
Other income	16,325	4,566	20,891
	<u>648,813</u>	<u>(27,666)</u>	<u>621,147</u>
Net assets released from restrictions			
Transfers	(3,169)	3,169	-
Restrictions satisfied by payments	1,098,221	(1,098,221)	-
	<u>1,095,052</u>	<u>(1,095,052)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>1,743,865</u>	<u>(1,122,718)</u>	<u>621,147</u>
<b>EXPENSES</b>			
Program services			
College support and enhancement	591,218	-	591,218
Scholarships and student support	537,981	-	537,981
	<u>1,129,199</u>	<u>-</u>	<u>1,129,199</u>
Supporting services			
Foundation administration	341,899	-	341,899
Fundraising	270,872	-	270,872
	<u>612,771</u>	<u>-</u>	<u>612,771</u>
<b>TOTAL EXPENSES</b>	<u>1,741,970</u>	<u>-</u>	<u>1,741,970</u>
<b>CHANGE IN NET ASSETS</b>	1,895	(1,122,718)	(1,120,823)
<b>NET ASSETS - BEGINNING</b>	<u>1,050,560</u>	<u>17,611,273</u>	<u>18,661,833</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,052,455</u>	<u>\$ 16,488,555</u>	<u>\$ 17,541,010</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, 2022

	Program Activities			Supporting Activities			Total Expenses
	University Support	Scholarships & Student Support	Total Programs	Management & General	Fundraising	Total Support	
Bank and credit card fees	\$ -	\$ -	\$ -	\$ 5,045	\$ -	\$ 5,045	\$ 5,045
Conferences and meetings	18,456	-	18,456	2,051	950	3,001	21,457
Dues and subscriptions	11,769	-	11,769	9,185	1,763	10,948	22,717
Food and beverage	60,329	-	60,329	4,705	10,606	15,311	75,640
Grants	352,308	-	352,308	253,486	226,876	480,362	832,670
Insurance	-	-	-	5,113	-	5,113	5,113
Maintenance	275	-	275	-	100	100	375
Miscellaneous	388	-	388	1,067	-	1,067	1,455
Office supplies	3,351	-	3,351	5,908	51	5,959	9,310
Postage	385	-	385	58	-	58	443
Printing	3,385	-	3,385	2,888	13,034	15,922	19,307
Professional fees	4,297	-	4,297	37,060	12,477	49,537	53,834
Program supplies	97,841	-	97,841	13,221	1,170	14,391	112,232
Scholarships	-	461,493	461,493	-	-	-	461,493
Small gifts	22,261	-	22,261	1,236	311	1,547	23,808
Student support	-	76,488	76,488	-	-	-	76,488
Travel	16,173	-	16,173	876	3,534	4,410	20,583
Totals	\$ 591,218	\$ 537,981	\$ 1,129,199	\$ 341,899	\$ 270,872	\$ 612,771	\$ 1,741,970

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, 2022

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Change in net assets	\$ (1,120,823)
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	3,025,460
Net realized (gain) loss on sale of investments	(207,467)
Assets donated to Foundation	(46,751)
Reinvestment of interest and dividends	(345,479)
(Increase) decrease in surrender value of life insurance	(1,651)
Uncollectible promises to give	3,244
(Increase) decrease in	
Promises to give, net	237,036
Prepaid expenses	(15,128)
Increase (decrease) in	
Accounts payable	90,196
Scholarships payable	16,100
Contributions restricted for long-term purposes	(1,290,789)
Amortization of discount on promises to give	<u>(14,069)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>329,879</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Purchases of investments	(3,285,394)
Proceeds from sale of investments	<u>3,367,478</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>82,084</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Collection of contributions restricted for long-term purposes	<u>839,174</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>839,174</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,251,137
BEGINNING CASH AND CASH EQUIVALENTS	<u>842,983</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 2,094,120</u></u>

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, scholarships and a peer-to-peer mentoring program. 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.

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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

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 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	\$ 1,067,128
Cash and cash equivalents with donor restrictions	<u>1,026,992</u>
Total	<u>\$ 2,094,120</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.

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.

# MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, 2022, there was \$454,245 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 by University staff.

#### 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, 2022. 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.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 February 28, 2023, which is the date the financial statements were available to be issued.

NOTE 3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Foundation's financial assets as of December 31, 2022 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	\$ 2,094,120
Agency funds	204,777
Unconditional promises to give	1,259,599
Cash surrender value	82,297
Property held for sale	182,799
Investments	<u>14,272,111</u>
Total financial assets	18,095,703
Less amounts not available to be used within one year due to:	
Agency funds	204,777
Donor restricted to provide scholarships and University support	5,068,064
Donor restricted to maintain as an endowment	<u>11,420,491</u>
	<u>16,693,332</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,402,371</u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

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 \$149,419 as of December 31, 2022.

NOTE 4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation has two donated life insurance policies. As of December 31, 2022 these policies had a cash surrender values of \$12,742 and \$69,555 and a total death benefit of \$143,865. The policy with a cash surrender value of \$69,555 funds an endowment.

NOTE 5. PROMISES TO GIVE

As of December 31, 2022, the Foundation has unconditional promises to give as follows:

Receivable in less than one year	\$ 1,039,395
Receivable in one to five years	<u>231,233</u>
Total unconditional promises to give	1,270,628
Less: Discounts to net present value	<u>(11,029)</u>
Net unconditional promises to give	<u>\$ 1,259,599</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 0.13% to 4.75%.

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, 2022. No ownership or variance power was received as a result of this transaction. This conditional promise is for the purpose of funding an existing scholarship endowment.

NOTE 6. INVESTMENTS

Investments consisted of the following as of December 31, 2022:

	Portfolio Allocation	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Cash	8.43%	\$ 1,203,520	\$ -	\$ 1,203,520
Equities	63.32%	9,036,601	376,587	8,660,014
Fixed income	28.25%	<u>4,031,990</u>	<u>(31,086)</u>	<u>4,063,076</u>
		<u>\$ 14,272,111</u>	<u>\$ 345,501</u>	<u>\$ 13,926,610</u>

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS (Continued)

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.

NOTE 7. PROPERTY HELD FOR SALE

The Foundation's property held-for-sale consists of a single aircraft that was donated to the Foundation's in a previous year. The aircraft was donated with stipulations that it could not be sold within a three year period from the date of the gift. Therefore, net assets with donor restrictions are released when the asset is sold.

NOTE 8. 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 Macon-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 \$204,777. The Foundation has no discretion over the use of these funds and must disburse them at the direction of management of Macon BID.

NOTE 9. 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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (Continued)

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.

Changes in donor-restricted endowment funds for the year ended December 31, 2022 are as follows:

	With Donor Restrictions		Total
	Purpose restrictions	Perpetual restriction	
Beginning endowment net assets	\$ 5,718,859	\$ 10,079,902	\$ 15,798,761
Investment return			
Investment income	349,086	-	349,086
Net realized and unrealized gain (loss)	(2,817,993)	-	(2,817,993)
Total investment return	(2,468,907)	-	(2,468,907)
Contributions and discount	21,730	1,290,589	1,312,319
Transfers	-	50,000	50,000
Appropriations for expenditures	(658,815)	-	(658,815)
Ending endowment net assets	\$ 2,612,867	\$ 11,420,491	\$ 14,033,358

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. As of December 31, 2022, funds with deficiencies totaled \$55,774.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. 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 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated Net Assets

As of December 31, 2022, the Foundation's Board of Trustees has designated, from net assets without donor restrictions, \$149,419 as operating reserves.



MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to appropriation and expenditure for specified purpose:	
Academic programs	\$ 1,997,380
Athletics	241,647
Scholarships	<u>216,170</u>
	<u>2,455,197</u>
Endowments:	
Subject to appropriation and expenditure for specified purpose:	
Academic programs	1,593,041
Scholarships	<u>1,019,826</u>
	<u>2,612,867</u>
Perpetual in nature, earnings from which are subject to Foundation's spending policy and appropriation:	
Academic programs	7,027,995
Scholarships	4,322,941
Subject to appropriation and expenditure when specified event occurs	
Cash value of life insurance policy, proceeds upon death endowed for scholarships	<u>69,555</u>
	<u>11,420,491</u>
Total endowments	<u>14,033,358</u>
Total net assets with donor restrictions	<u><u>\$ 16,488,555</u></u>

NOTE 12. 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 \$631,089 and insurance provided by the Georgia SDP totaled \$2,848,830 as of December 31, 2022.

NOTE 13. CONCENTRATION OF CONTRIBUTIONS

Approximately nineteen donors made contributions that accounted for 70% of overall contributions for the year ended December 31, 2022 and ten donors accounted for 91% of total promises to give as of December 31, 2022. Most contributions come from sources in the central Georgia area.

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. 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, 2022 is \$4,500.

NOTE 15. FAIR VALUE MEASUREMENTS

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

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

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value for stocks, bonds 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.

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 15. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2022 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	\$ 82,297	\$ -	\$ 82,297	\$ -
Investments - endowment assets				
Cash and cash equivalents	1,203,520	1,203,520	-	-
Corporate stocks	1,368,452	1,368,452	-	-
Corporate bonds	1,123,271	1,123,271	-	-
Mutual funds	10,576,868	10,576,868	-	-
Total investments	14,272,111	14,272,111	-	-
	\$ 14,354,408	\$ 14,272,111	\$ 82,297	\$ -

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 \$137,266. 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 \$17,000.

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, 2022 for various supporting expenses and scholarships totaled approximately \$368,000.

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, 2022 was \$536,916.

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 17. 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.