

MIDDLE GEORGIA STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of Middle Georgia State University Foundation, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Howard, Moore & McDuffie, P.C.

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

December 31, 2019

ASSETS

CURRENT ASSETS

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

Total Current Assets 4,912,162

PROPERTY AND EQUIPMENT, NET 182,058

OTHER ASSETS

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

Total Other Assets 13,908,799

TOTAL ASSETS \$ 19,003,019

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

CASH FLOWS FROM (TO) OPERATING ACTIVITIES

Change in net assets	\$ 3,725,728
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Net unrealized (gain) loss on investments reported at fair value	(1,386,068)

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

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

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

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation's unspent contributions are reported in net assets with donor restrictions if the donor has specified that the contributions are to be used for a specific purpose. If the donor has not specified a purpose, the contributions are reported in net assets without donor restrictions.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund; and reducing management fees. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Donated Services

The Foundation recognizes contributed services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2019, there was \$437,263 in contributed services, materials, advertising, professional services, and various items and prizes donated for the Foundation's fundraising activities. A substantial number of volunteers contribute significant amounts of time in the Foundation's program services; however, no amounts have been reported in the financial statements for this because no objective basis is available to measure the value of such contributions.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 with long-term useful lives and all expenditures for repairs, maintenance, renewal and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Depreciation is computed using the straight-line method over an estimated useful life as determined by management.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presentN

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through March 3,

MIDDLE GEORGIA STATE UNIVERSITY FOUNDATION, INC.
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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 o

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS

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

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

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

NOTE 7. PROPERTY AND EQUIPMENT

The Foundation's property and equipment consists solely of one aircraft used for instructional purposes by the University. The aircraft was donated to the Foundation with an appraised value of \$232,415. Accumulated depreciation on the aircraft totaled \$50,357 as of December 31, 2019. Depreciation expense for the year ended December 31, 2019 totaled \$23,242. The donor imposed a restriction that the airplane could not be sold within a three year period from the date of the gift. Therefore, net assets with donor restrictions are release as depreciation on the airplane is recognized.

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

NOTE 8. PROMISES-TO-GIVE PAYABLE

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

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NOTE 9. AGENCY FUNDS

The Foundation has agreed to be the fiscal agent for funds received on behalf of Macon Business Improvement District, LLC (Macon BID). Macon BID has been designated as a business improvement district established by an ordinance of the Bibb County Commission to provide a wide range of services. Pursuant to the ordinance, Macon BID is required to designate a non-profit organization recognized by Section 501(c)(3) of the Internal Revenue Code to act as fiscal agent to administer grant funds. The Foundation's Board of Trustees agreed to be the fiscal agent for the duration of Macon BID's existence. The Foundation's financial statements include these cash funds and an offsetting current liability on its statement of financial position in the amount of \$299,052. The Foundation has no discretion over the use of these funds and must disburse them at the direction of management of Macon BID.

NOTE 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated Net Assets

As of December 31, 2019, the Foundation's Board of Trustees has designated, from net assets without donor restrictions, \$183,056 as operating reserves and \$113,736 for the construction of the University Enrollment Center.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to appropriation and expenditure for specified purpose:

Academic programs	\$ 878,285
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Subject to appropriation and expenditure when specified event occurs	
Cash value of life insurance policy, proceeds upon death endowed for scholarships	\$ 74,785
	9,634,392
Total endowments	12,573,295
Total net assets with donor restrictions	\$ 16,729,347

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 in donor-restricted endowment funds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. CONCENTRATION OF CONTRIBUTIONS

Three donor

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE MEASUREMENTS (Continued)

percentage of premiums paid less any unpaid loans against the cash value portion. Fair value of corporate bonds are determined by third-party pricing information, without further adjustment by management. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may