

**EAST GEORGIA STATE COLLEGE
FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
East Georgia State College
Foundation, Inc.
Swainsboro, Georgia 30401

We have audited the accompanying financial statements of East Georgia State College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 East Georgia State College Foundation, Inc. as of June 30, 2018, 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.

Lanier, Deal & Proctor

Statesboro, Georgia
September 13, 2018

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS	
Cash	\$ 306,881
Investments	977,430
Contributions receivable	758,288
Property and equipment, net of accumulated depreciation of \$74,331	<u>706,146</u>
TOTAL ASSETS	<u>\$ 2,748,745</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	<u>\$ 6,523</u>
NET ASSETS	
Unrestricted	712,250
Temporarily restricted	1,853,162
Permanently restricted	<u>176,810</u>
Total net assets	<u>2,742,222</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,748,745</u>

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

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 47,032	\$ 741,609	\$ 475	\$ 789,116
Interest and dividends, net of investment expense of \$1,775	120	21,960	-	22,080
Net unrealized and realized gains on investments	-	61,898	-	61,898
Other revenue	-	7,900	-	7,900
Net assets released from restrictions:				
Satisfaction of restrictions for program services	167,200	(167,200)	-	-
Satisfaction of restrictions for scholarships	320,117	(320,117)	-	-
Total support and revenue	<u>534,469</u>	<u>346,050</u>	<u>475</u>	<u>880,994</u>
EXPENSES				
Program services:				
Scholarships and awards	320,117	-	-	320,117
Athletics	39,141	-	-	39,141
Economic development	28,957	-	-	28,957
Faculty and staff development	3,718	-	-	3,718
Institutional support activities	63,781	-	-	63,781
Alumni association	1,663	-	-	1,663
Outreach support activities	3,622	-	-	3,622
Morgan house	15,681	-	-	15,681
Special events	1,500	-	-	1,500
Vision series	8,141	-	-	8,141
Depreciation	7,992	-	-	7,992
Total program services	<u>494,313</u>	<u>-</u>	<u>-</u>	<u>494,313</u>
Supporting services:				
Management and general	15,554	-	-	15,554
Fundraising	251	-	-	251
Total supporting services	<u>15,805</u>	<u>-</u>	<u>-</u>	<u>15,805</u>
Total expenses	<u>510,118</u>	<u>-</u>	<u>-</u>	<u>510,118</u>
CHANGE IN NET ASSETS	24,351	346,050	475	370,876
NET ASSETS, JULY 1, 2017	<u>687,899</u>	<u>1,507,112</u>	<u>176,335</u>	<u>2,371,346</u>
NET ASSETS, JUNE 30, 2018	<u>\$ 712,250</u>	<u>\$ 1,853,162</u>	<u>\$ 176,810</u>	<u>\$ 2,742,222</u>

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

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 370,876
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	7,992
Net unrealized and realized gains on investments	(61,898)
Contributions restricted for endowments	(475)
Decrease in contributions receivable	(381,012)
Increase in accounts payable	6,401
Net cash used by operating activities	<u>(58,116)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(14,325)
Proceeds from sale of investments	213,954
Purchases of investments	(86,509)
Net cash provided by investing activities	<u>113,120</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for endowments	<u>475</u>
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NET INCREASE IN CASH 55,479

CASH, JULY 1, 2017 251,402

CASH, JUNE 30, 2018 \$ 306,881

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

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

East Georgia State College Foundation, Inc. (the Foundation) is an independent nonprofit organization whose purpose is to promote the cause of higher education in the area through the development of East Georgia State College (the College). The facilities occupied and many of the resources available to the Foundation are owned or provided for by the College. The value of these contributions is not reflected in these financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions and are reported in the statement of activities as net assets released from restrictions.

Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the contribution pledges are received to discount the amounts.

An allowance for uncollectible contributions receivable is provided based on management's evaluation of potential uncollectible contributions receivable at year end.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings on endowments available for awards, scholarships and other College support are recorded in temporarily restricted net assets until used as stipulated by the donor. When the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services and materials

Contributed services and materials are reflected in the financial statements at the fair value of the services or materials received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost if purchased and at estimated fair value if received as a contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Software	3 years
Furniture and fixtures	7 years
Equipment	5 years
Building and improvements	15 - 40 years

Cash equivalents policy

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Tax status

The Foundation is considered a 501(c)(3) corporation under the Internal Revenue Code and as such, pays no federal or state income taxes on all revenues related to its tax-exempt functions. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from sales or other dispositions of these items are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

Concentration of credit risk

The Foundation maintains an operating cash account balance at a local commercial bank which exceeds federally insured limits.

NOTE 2 – INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2018:

Mutual funds	<u>\$ 977,430</u>
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The fair value of all money market funds and corporate stocks are based on quoted prices in active markets for identical assets, and therefore categorized as Level I measurements. The fair value of mutual funds are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, and therefore categorized as Level II measurements.

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS (continued)

Fair value measurements of investments as of June 30, 2018 were as follows:

	Level II
Mutual funds	<u>\$ 977,430</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2018 were as follows:

Receivable in less than one year	\$ 213,638
Receivable in one to five years	<u>600,000</u>
Total contributions receivable	813,638
Less discounts to net present value at 5%	<u>(55,350)</u>
Net contributions receivable	<u>\$ 758,288</u>

NOTE 4 – PROPERTY AND EQUIPMENT

As of June 30, 2018, property and equipment consist of:

Land	\$ 524,327
Software	10,675
Equipment	44,850
Building	137,700
Building improvements	<u>62,925</u>
	780,477
Less accumulated depreciation	<u>(74,331)</u>
	<u>\$ 706,146</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Awards/scholarships	\$ 1,417,503
Institutional support	27,120
Athletics	4,903
Economic development	78,159
Student housing and real estate	<u>325,477</u>
	<u>\$ 1,853,162</u>

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$176,810 are restricted for scholarships. Investment income from endowments that are restricted for scholarships is reported in temporarily restricted net assets.

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – ENDOWMENTS

The Foundation's endowments consist of seven individual funds established primarily for scholarships and College support. Its endowments include only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State of Georgia's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 organization
7. The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	-	\$ 50,126	\$ 176,810	\$ 226,936

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 40,209	\$ 176,335	\$ 216,544
Investment return:				
Investment income	-	16,167	-	16,167
Contributions	-	-	475	475
Appropriation of endowment assets for expenditure	-	(6,250)	-	(6,250)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 50,126</u>	<u>\$ 176,810</u>	<u>\$ 226,936</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies reported at June 30, 2018.

Return Objectives and Risk Parameters

The investment objective of the Foundation assets (collectively, the “Fund”) is to preserve its purchasing power while providing a continuing and stable funding source. Long term, the Fund seeks to generate a total return that will exceed its expenses and the eroding effects of inflation. Over time, the spending rate is anticipated to be approximately five percent of the average market value from the three previous fiscal year-ends. Risk is controlled primarily through diversification across and within asset classes. Appropriate liquidity is maintained to fund withdrawals without impairing the investment process.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, a total return strategy is employed that relies on both capital appreciation and current income. The asset allocation for the Fund shall range between 50 – 70% equities and between 30 – 50% fixed income investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year five percent of its endowment fund’s average fair value over the three years prior. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of three percent annually. This 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.

EAST GEORGIA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued, which was September 13, 2018.