

**UNIVERSITY OF NORTH GEORGIA  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2021**

# UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.

## FINANCIAL REPORT JUNE 30, 2021

---

### TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT.....	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position .....	3
Statements of activities.....	4
Statement of functional expenses – June 30, 2021.....	5
Statement of functional expenses – June 30, 2020.....	6
Statements of cash flows.....	7
Notes to financial statements.....	8-25



## INDEPENDENT AUDITOR'S REPORT

---

**To the Board of Trustees of the  
University of North Georgia Foundation, Inc.  
Dahlonega, Georgia**

We have audited the accompanying financial statements of the **University of North Georgia Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 organization'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 the University of North Georgia Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 23, 2021

**UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,113,656	\$ 933,778
Unconditional promises to give, net	2,994,482	10,975,574
Accounts and other receivables	51,312	141,273
Investments	96,962,390	73,447,058
Other assets	2,767	66,772
Assets held in gift annuity trust	43,738	42,505
 Total assets	 \$ 101,168,345	 \$ 85,606,960
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 22,528	\$ 3,707
Accounts payable - related party	515,410	170,532
Accrued expenses	395	-
Gift annuity trust obligation	8,866	10,181
Line of credit	500,000	-
Deferred revenues	178,000	344,125
 Total liabilities	 1,225,199	 528,545
 <b>Net assets</b>		
Without donor restrictions		
Undesignated	2,979,827	852,864
Board designated	7,904,722	6,854,632
Total without donor restrictions	10,884,549	7,707,496
With donor restrictions	89,058,597	77,370,919
 Total net assets	 99,943,146	 85,078,415
 Total liabilities and net assets	 \$ 101,168,345	 \$ 85,606,960

**See Notes to Financial Statements.**

**UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		Total
	Without donor restrictions	With donor restrictions	
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions and grants	\$ 326,235	\$ 6,403,701	\$ 6,729,936
Special event and program income	196,472	73,285	269,757
Investment income, net	262,329	348,075	610,404
Net realized and unrealized gain on investments	3,979,291	18,371,098	22,350,389
Donated facilities and services	547,027	-	547,027
Leasing income	-	-	-
Total revenues	<u>5,311,354</u>	<u>25,196,159</u>	<u>30,507,513</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>11,413,492</u>	<u>(11,413,492)</u>	<u>-</u>
Total revenues and other support	<u>16,724,846</u>	<u>13,782,667</u>	<u>30,507,513</u>
<b>EXPENSES</b>			
<b>Program services</b>			
Academic and education	10,885,183	-	10,885,183
Student affairs	2,831,777	-	2,831,777
Campus facilities	-	-	-
Other program services	768,145	-	768,145
Total program services	<u>14,485,105</u>	<u>-</u>	<u>14,485,105</u>
<b>Supporting services</b>			
Administration and general	964,731	-	964,731
Fundraising	192,946	-	192,946
Total supporting services	<u>1,157,677</u>	<u>-</u>	<u>1,157,677</u>
Total expenses	<u>15,642,782</u>	<u>-</u>	<u>15,642,782</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,082,064</u>	<u>13,782,667</u>	<u>14,864,731</u>
<b>NET ASSETS, BEGINNING</b>	7,707,496	77,370,919	85,078,415
<b>CHANGE IN DONOR INTENT</b>	<u>2,094,989</u>	<u>(2,094,989)</u>	<u>-</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 10,884,549</u>	<u>\$ 89,058,597</u>	<u>\$ 99,943,146</u>

**See Notes to Financial Statements.**

2020		
Without donor restrictions	With donor restrictions	Total
\$ 244,768	\$ 14,807,470	\$ 15,052,238
9,745	154,510	164,255
339,445	411,515	750,960
26,787	1,091,103	1,117,890
547,527	-	547,527
48,333	-	48,333
<u>1,216,605</u>	<u>16,464,598</u>	<u>17,681,203</u>
5,236,139	(5,236,139)	-
<u>6,452,744</u>	<u>11,228,459</u>	<u>17,681,203</u>
2,250,525	-	2,250,525
2,222,775	-	2,222,775
22,511	-	22,511
881,486	-	881,486
<u>5,377,297</u>	<u>-</u>	<u>5,377,297</u>
568,993	-	568,993
225,380	-	225,380
<u>794,373</u>	<u>-</u>	<u>794,373</u>
<u>6,171,670</u>	<u>-</u>	<u>6,171,670</u>
<u>281,074</u>	<u>11,228,459</u>	<u>11,509,533</u>
7,372,195	66,196,687	73,568,882
<u>54,227</u>	<u>(54,227)</u>	<u>-</u>
<u>\$ 7,707,496</u>	<u>\$ 77,370,919</u>	<u>\$ 85,078,415</u>

**UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services		Total
	Academic and education	Student affairs	Other program services	Total program services	Administration and general	Fundraising	
Administrative and fees	\$ 41,978	\$ -	\$ -	\$ 41,978	\$ 33,537	\$ 29	\$ 75,544
Marketing	50,983	-	6,202	57,185	53,365	10,363	120,913
Insurance	-	-	-	-	6,136	-	6,136
Scholarship and awards	361,301	2,827,550	588,810	3,777,661	456,363	1,135	4,235,159
Operating expenses	241,595	-	92,885	334,480	53,543	21,570	409,593
Travel and entertainment	68,576	765	5,032	74,373	11,698	4,022	90,093
Salaries and benefits	5,024	-	45,089	50,113	347,566	145,334	543,013
Supplies	64,094	3,462	4,299	71,855	2,523	10,493	84,871
Donations to UNG	51,632	-	25,828	77,460	-	-	77,460
Donations to GSFIC	10,000,000	-	-	10,000,000	-	-	10,000,000
	<b>\$ 10,885,183</b>	<b>\$ 2,831,777</b>	<b>\$ 768,145</b>	<b>\$ 14,485,105</b>	<b>\$ 964,731</b>	<b>\$ 192,946</b>	<b>\$ 15,642,782</b>

**See Notes to Financial Statements.**



**UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Academic and education</u>	<u>Student affairs</u>	<u>Campus facilities</u>	<u>Other program services</u>	<u>Total program services</u>	<u>Administration and general</u>	<u>Fundraising</u>	<u>Total</u>
Administrative and fees	\$ 20,057	\$ -	\$ -	\$ -	\$ 20,057	\$ 34,393	\$ -	\$ 54,450
Marketing	57,619	-	-	7,985	65,604	50,186	9,816	125,606
Insurance	-	-	-	-	-	6,350	-	6,350
Scholarship and awards	280,441	2,209,712	-	750,664	3,240,817	1,179	4,494	3,246,490
Operating expenses	1,520,441	3,878	-	74,698	1,599,017	43,133	20,696	1,662,846
Travel and entertainment	216,221	5,368	-	35,322	256,911	40,506	40,186	337,603
Salaries and benefits	77,811	-	-	9,029	86,840	347,566	145,333	579,739
Supplies	66,568	3,367	-	3,788	73,723	9,314	1,214	84,251
Depreciation	-	-	22,511	-	22,511	-	-	22,511
Donations to UNG	2,967	450	-	-	3,417	-	3,641	7,058
Donations to UNG Real Estate Foundation, Inc.	8,400	-	-	-	8,400	36,366	-	44,766
	<u>\$ 2,250,525</u>	<u>\$ 2,222,775</u>	<u>\$ 22,511</u>	<u>\$ 881,486</u>	<u>\$ 5,377,297</u>	<u>\$ 568,993</u>	<u>\$ 225,380</u>	<u>\$ 6,171,670</u>

**See Notes to Financial Statements.**

**UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,864,731	\$ 11,509,533
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Net realized and unrealized gains on investments	(22,350,389)	(1,117,890)
Provision for doubtful accounts	45,011	32,437
Discount on multi-year unconditional promises to give	(189,928)	326,301
Depreciation	-	22,511
Contributions restricted for long-term investments	(1,774,395)	(591,872)
Donation of property and equipment to UNG Real Estate Foundation, Inc.	-	44,766
Increase (decrease) in unconditional promises to give	8,126,009	(10,639,353)
Increase (decrease) in accounts and other receivables	89,961	(139,197)
Decrease (increase) in other assets	64,005	(1,626)
Increase (decrease) in accounts payable	18,821	(10,824)
Increase in accounts payable - related party	344,878	18,921
Increase in accrued expenses	395	-
(Decrease) increase in deferred revenues	(166,125)	344,125
	<b>(927,026)</b>	<b>(202,168)</b>
Net cash (used in) operating activities		
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(13,495,616)	(8,226,423)
Proceeds from sale of investments	12,330,673	7,083,764
	<b>(1,164,943)</b>	<b>(1,142,659)</b>
Net cash (used in) investing activities		
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for investment in endowment	1,774,395	591,872
Proceeds from line of credit	500,000	-
Change in assets held in gift annuity trust	(2,548)	6,308
	<b>2,271,847</b>	<b>598,180</b>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	179,878	(746,647)
Cash and cash equivalents at beginning of year	933,778	1,680,425
Cash and cash equivalents at end of year	<b>\$ 1,113,656</b>	<b>\$ 933,778</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<b>\$ 18,590</b>	<b>\$ -</b>

**See Notes to Financial Statements.**

# UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of activities:**

The University of North Georgia Foundation, Inc. (the "Foundation"), formerly known as the North Georgia College & State University Foundation, Inc., is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Foundation was formed and incorporated under the laws of the State of Georgia in January 1959. In 2015, the University of North Georgia Foundation – Gainesville, Inc., formerly known as the Gainesville State College Foundation, Inc., consolidated with the Foundation.

The purpose of the Foundation is to support the University of North Georgia (the "University") located in Dahlonega, Gainesville, Cumming, Oconee County, and Blue Ridge, Georgia, its students, faculty and staff and the educational programs designed for its students, potential students, and alumni. The Foundation's support comes primarily from contributions and grants from alumni, corporations, foundations, and other individuals and from leasing activities with the University of North Georgia.

#### **Significant accounting policies:**

##### **Basis of presentation:**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions consists of net assets that are not subject to donor-imposed stipulations, which are used to account for resources available to carry out the purposes of the Foundation. The principal sources of funds generated for net assets without donor restrictions are contributions and program revenues. Board designated net assets are without donor restriction but are designated by the Board to be spent for specific purposes.

As of June 30, 2021 and 2020, board designated net assets totaled \$7,904,722 and \$6,854,632, respectively.

Net assets with donor restrictions consists of net assets that 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Contributions:

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the existing barriers are met. Contributions receivable over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful promises to give is based on specifically identified amounts that the Foundation believes to be uncollectible, plus certain percentages of aged contribution receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's donor base. If actual collections experience changes, revisions to the allowance may be required.

In accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*, the Foundation recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. The Foundation recognizes certain special event and program income in accordance with ASC Topic 606, which is recognized at the time the special events take place and the transaction is executed, as that is the point in time the Foundation fulfills the performance obligation.

The Foundation recognizes contributions and grant revenue in the accompanying statements of activities in accordance with ASC Topic 958, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to ASC Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Cash and cash equivalents:

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalents may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash and investing in cash equivalents with major financial institutions.

Excluded are amounts held for specific purposes or amounts which are included in the Foundation's long-term investment strategies.

##### Split interest agreements:

The Foundation is the beneficiary of a split interest agreement that is a charitable remainder annuity trust. Changes in the recorded asset due to changes in life expectancy, present value actuarial assumptions, or the market value are reflected in the accompanying statement of activities. The Foundation's interest in split interest agreements are reported as a contribution in the year received at its net present value.

##### Donor imposed restrictions:

The Foundation recognizes the expiration of donor-imposed restrictions in the period in which the restrictions expire.

##### Net assets with donor restrictions:

Endowment and other income, including investment returns, along with private gifts which have donor stipulations that limit their use are recorded as revenue under net assets with donor restrictions and released from restrictions when a stipulated time restriction ends or purpose restriction expires. The related expenses are presented as changes in net assets without donor restrictions.

##### Endowment accounting:

Perpetual endowment funds are subject to the restrictions of the gift instruments which require that the principal be invested in perpetuity. Unless explicitly stated in the gift instrument, accumulated investment income and realized and unrealized gains of the perpetual endowment funds have been classified as net assets with donor restrictions. See Note 10 for discussion on endowment accounting.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Change in donor intent:

During the year ended June 30, 2021, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling \$2,094,989 resulting in transfers from net assets with donor restrictions to net assets without donor restrictions.

During the year ended June 30, 2020, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling \$54,227 resulting in transfers from net assets with donor restrictions to net assets without donor restrictions.

##### Donated facilities and services:

Donated facilities and services revenue is reflected under revenues and other support in the accompanying statements of activities and statements of functional expenses at their estimated values at the date of receipt. Donated facilities and service expense, which primarily represents salaries and rents paid by the University on behalf of the Foundation, is reflected under program services as academic and education in the accompanying statements of activities. Donated facilities and services totaled \$547,027 and \$547,527 for the years ended June 30, 2021 and 2020, respectively.

##### Lease revenues:

Leasing income is recorded under the straight line method over the lease terms. Rental agreements are generally year-to-year.

##### Investments:

Investments, including investments held by the trustee, consist primarily of money market accounts, mutual funds, debt securities, and equity securities, and are carried at fair value.

Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as income or loss.

The Foundation maintains an investment account for its endowment funds for which an administrative fee associated with the cost of maintenance is transferred annually to net assets without donor restrictions. The administrative fee, which is calculated based on 1% of the fair market value of the endowment investments using a 3-year rolling average on June 30<sup>th</sup> of each year, is included in management fee income without donor restrictions in the accompanying statement of activities.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Investments: (Continued)

Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Investment expenses incurred totaled \$125,740 and \$109,309 for the years ended June 30, 2021 and 2020, respectively.

##### Property and equipment:

Property and equipment are stated at historical cost. Substantially all property is held for leasing. Depreciation is computed on the straight-line method over the estimated useful lives.

Maintenance and repair items are charged to operations and major improvements are capitalized.

##### Deferred revenues:

The Foundation defers sponsorship income that has been paid in advance for all multi-year contractual agreements until the years the agreed-upon services are performed. The sponsorship income is scheduled to be recognized as earned over the next three years through 2024. Also, the Foundation defers special event revenue that has been paid in advance, but for which the prescribed special event has not yet happened.

##### Use of estimates:

The Foundation prepares its financial statements in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Fair value of financial instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash and cash equivalents* - The carrying amount approximates fair value because of the short-term maturity of these instruments.

*Investments* - Investments are carried at fair value based on quoted market prices for those or similar investments. Privately held common stock and investments in real estate are carried at estimated fair value.

*Assets held in gift annuity trust* - The Foundation has been named as the beneficiary of a charitable remainder trust. Upon the death of the donor, the remaining assets in the trust shall be transferred to the Foundation. The remainder interest is reported at fair value, which is estimated using an income approach by calculating the net present value of expected future benefits of the trust using a discount rate of 1.2% at June 30, 2021 and 2020.

*Other receivables and payables* - The carrying amount approximates fair value because of the short-term maturity of these instruments.

The Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches.

Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.



## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Fair value of financial instruments: (Continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

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.

For the years ended June 30, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

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.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Fair value of financial instruments: (Continued)

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.

##### Income tax status:

The Foundation qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a publicly supported organization and not as a private foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not have a material effect on the Foundation's financial statements.

The Foundation files Form 990 in the U.S. federal jurisdiction and the State of Georgia.

##### Functional allocation of expenses:

The Foundation reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Administrative and fees, marketing, insurance, scholarships and awards, travel and entertainment, salaries and benefits, supplies, donations to UNG, donations to UNG Real Estate Foundation, and operating expenses include certain expenses that are allocated on the basis of estimates of time and effort. Depreciation and operating expenses include certain expenses that are allocated on a square footage basis.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. LIQUIDITY AND AVAILABILTIY

The Foundation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Foundation are expected to be met on a monthly basis from the program service revenues generated and contributions. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position as of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give, net	\$ 1,000	\$ 6,400
Accounts and other receivables	1,561	47,927
Investments	4,500,953	1,444,607
Endowment spending rate distributions and appropriations	1,150,873	923,617
	<u>\$ 5,654,387</u>	<u>\$ 2,422,551</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments (quasi-endowments). Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As of June 30, 2021 and 2020, Board-designated endowment of \$7,904,722 and \$6,854,632, respectively, is subject to an annual spending rate generally not to exceed 5% percent as described in Note 10. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation maintains an unsecured open line of credit which could be drawn on and used for operations if necessary. At June 30, 2021 and 2020, the available portion of this line of credit was \$2,000,000 and \$2,500,000, respectively (see Note 6).

### NOTE 3. CONCENTRATION OF CREDIT RISK

Cash is maintained at multiple financial institutions and, as a result, credit exposure to any one institution is limited. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to \$250,000 per depositor.

At times, the balance of the Foundation's accounts may exceed the federally insured limits. As of June 30, 2021, the Foundation's uninsured cash balances totaled \$657,453. As of June 30, 2020 the Foundation's uninsured cash balances totaled \$1,091,495. The Foundation has not experienced any losses on its cash and believes it is not exposed to any significant credit risk on cash.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2021 and 2020, unconditional promises to give consisted of the following:

	2021	2020
Unconditional promises to give without donor restrictions	\$ 3,000	\$ 9,400
Unconditional promises to give with donor restrictions	3,028,832	11,294,980
Endowment unconditional promises to give	239,809	93,270
Unconditional promises to give before discount and allowance for uncollectible promises to give	3,271,641	11,397,650
Less unamortized discount	156,645	346,573
Subtotal	3,114,996	11,051,077
Less allowance for uncollectible promises to give	120,514	75,503
Unconditional promises to give, net	\$ 2,994,482	\$ 10,975,574
	2021	2020
Amount due in:		
Less than one year	\$ 874,699	\$ 6,345,985
One to three years	2,345,093	3,838,865
More than three years	51,849	1,212,800
Unconditional promises to give, net	\$ 3,271,641	\$ 11,397,650

At June 30, 2021 and 2020, the discount rate used was 2.8 and 2.9 percent as a risk-free interest rate, respectively.

In April 2018, the Foundation received a \$10,000,000 conditional promise to give from a donor to be used in support of a public – private partnership with the State of Georgia to construct a new facility on the Dahlonega campus. The promise to give is conditional on the Board of Regents of the University System of Georgia approving naming rights of the facility and the State Legislature approving the construction and budgeting amounts designated to the construction of the new facility on the Dahlonega campus. In June 2020, the condition was met, and the Foundation recognized the promise to give as contribution revenue with donor restrictions in the accompanying statement of activities for the year ending June 30, 2020 as prescribed by FASB's *Not-For-Profit* contribution measurement guidance.

During the year ending June 30, 2021, \$9,000,000 of the conditional promise to give was received and then donated to the Georgia State Financing and Investment Committee (GSFIC) to partially fund the construction of a University real estate project as prescribed by the donor's restriction.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	\$ 569,992	\$ -	\$ -	\$ -	\$ 569,992
Mutual funds	1,244,391	-	-	-	1,244,391
Fixed income securities	7,313,962	-	-	-	7,313,962
Equity securities	34,794,486	-	-	-	34,794,486
Partnership funds	-	-	-	1,940,023	1,940,023
Pooled funds:					
Money market funds	-	-	-	3,696	3,696
Emerging market funds	-	-	-	4,370,865	4,370,865
Core equity funds	-	-	-	21,836,676	21,836,676
Multi-strategy equity funds	-	-	-	12,224,397	12,224,397
Multi-strategy bond funds	-	-	-	8,174,635	8,174,635
International equity funds	-	-	-	4,489,267	4,489,267
<b>Total investments at fair value</b>	<b>\$ 43,922,831</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,039,559</b>	<b>\$ 96,962,390</b>

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	\$ 741,795	\$ -	\$ -	\$ -	\$ 741,795
Mutual funds	1,357,118	-	-	-	1,357,118
Fixed income securities	7,354,228	-	-	-	7,354,228
Equity securities	24,446,054	-	-	-	24,446,054
Partnership funds	-	-	-	768,986	768,986
Pooled funds:					
Money market funds	-	-	-	9,530	9,530
Emerging market funds	-	-	-	2,603,100	2,603,100
Core equity funds	-	-	-	15,742,556	15,742,556
Multi-strategy equity funds	-	-	-	9,961,299	9,961,299
Multi-strategy bond funds	-	-	-	7,446,861	7,446,861
International equity funds	-	-	-	3,015,531	3,015,531
<b>Total investments at fair value</b>	<b>\$ 33,899,195</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,547,863</b>	<b>\$ 73,447,058</b>

In accordance with FASB's *fair value* measurement presentation and disclosure guidance, certain investments that are measured at fair value using the net asset value per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above and below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The emerging market fund includes investments in funds that invest primarily in global equity securities. There are no unfunded commitments as of June 30, 2021 and 2020. The fund has a weekly redemption frequency and a 5 day prior to trade date redemption notification. The fair value of the investments has been estimated using the net asset value per share of the investments.

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 5. INVESTMENTS (Continued)**

The core equity fund includes investments in funds that invest primarily in equity securities. There are no unfunded commitments as of June 30, 2021 and 2020. The fund has a weekly redemption frequency and a 5 day prior to trade date redemption notification. The fair value of the investments has been estimated using the net asset value per share of the investments.

The multi-strategy equity fund includes investments in funds that invest primarily in equity securities. There are no unfunded commitments as of June 30, 2021 and 2020. The fund has a monthly redemption frequency and a 5 day prior to month end trade date redemption notification. The fair value of the investments has been estimated using the net asset value per share of the investments.

The multi-strategy bond fund includes investments in funds that invest primarily in fixed income securities. There are no unfunded commitments as of June 30, 2021 and 2020. The fund has a monthly redemption frequency and a 5 day prior to month end trade date redemption notification. The fair value of the investments has been estimated using the net asset value per share of the investments.

The international equity fund includes investments in funds that invest primarily in global equity securities. There are no unfunded commitments as of June 30, 2021 and 2020. The fund has a thrice-monthly redemption frequency and a 2 day prior to trade date redemption notification. The fair value of the investments has been estimated using the net asset value per share of the investments.

In December 2017, the Foundation entered into two partnership funds, the Global Private Equity Partners II fund and the Venture Partners XII fund. As of June 30, 2021 and 2020, the unfunded commitments related to the Global Private Equity Partners II fund are \$504,000 and \$673,500, respectively. As of June 30, 2021 and 2020, the unfunded commitments related to the Global Venture Partners XII fund are \$312,500 and \$602,500, respectively. In September 2020, the Foundation entered into another partnership fund, the Secondary Partners III fund. As of June 30, 2021, the unfunded commitments related to the Secondary Partners III fund are \$1,960,000. Due to the nature of the funds, they are illiquid and do not have pre-established redemption periods. The fair value of the partnership investments have been estimated using the net asset value per share of the investments.

### **NOTE 6. LINE OF CREDIT**

In December 2019, the Foundation entered into an unsecured line of credit of \$2,500,000 with a financial institution. The line of credit bears interest at the 30 day LIBOR plus 2.75% (2.84% at June 30, 2021), and matures in December 2021. As of June 30, 2021, there was an outstanding balance of \$500,000 on the line of credit.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 6. LINE OF CREDIT (Continued)

In December 2018, the Foundation entered into an unsecured line of credit of \$2,500,000 with a financial institution to provide financing to consolidate the two prior lines of credit obligations. The line of credit bears interest at the 30 day LIBOR plus 2.75% (2.94% at June 30, 2020), and matured in December 2019. As of June 30, 2020, there was no outstanding balance on the line of credit.

### NOTE 7. LETTER OF CREDIT

In November 2019, the Foundation renewed a letter of credit with a bank collateralizing \$1,215,000 for a loan obtained by the Real Estate Foundation. The letter of credit includes operational and reporting debt covenants, and matured in November 2020.

In November 2020, the Foundation renewed a letter of credit with a bank collateralizing \$810,000 for a loan obtained by the Real Estate Foundation. The letter of credit includes operational and reporting debt covenants, and matures in November 2021.

A donor authorized the Foundation to move \$5,000,000 of funds with restrictions perpetual in nature to funds with purpose restrictions, and allowed it to be used as collateral for the letter of credit mentioned above.

### NOTE 8. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Chair and professorship	\$ 3,865,300	\$ 1,667,942
Program support	25,808,988	19,023,689
Scholarships	19,586,070	12,635,143
Other University support	6,674,832	12,907,665
Total subject to expenditure for specified purpose:	<u>55,935,190</u>	<u>46,234,439</u>
Perpetual in nature:		
Chair and professorship	3,571,923	2,572,602
Program support	7,240,915	6,920,679
Scholarships	22,310,569	21,643,199
Total perpetual in nature:	<u>33,123,407</u>	<u>31,136,480</u>
Total net assets with donor restrictions:	<u>\$ 89,058,597</u>	<u>\$ 77,370,919</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RESTRICTIONS ON NET ASSETS (Continued)

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 1,881,449	\$ 1,255,990
Unconditional promises to give, net	2,767,002	10,884,893
Accounts receivable	49,751	93,346
Investments	51,658,020	34,094,339
Other assets	2,422	66,772
Assets held in gift annuity trust	43,738	42,505
Accounts payable – related party	(458,326)	(159,100)
Gift annuity trust obligation	(8,866)	(10,181)
Deferred revenue	-	(34,125)
Total subject to expenditure for specified purpose:	55,935,190	46,234,439
Perpetual in nature:		
Unconditional promises to give, net	224,712	82,999
Investments	32,898,695	31,053,481
Total perpetual in nature:	33,123,407	31,136,480
Total net assets with donor restrictions:	\$ 89,058,597	\$ 77,370,919

### NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purpose specified by donors as follows:

#### Purpose restrictions accomplished:

	2021	2020
Chair and professorship	\$ 140,534	\$ 97,629
Program support	1,336,264	2,366,437
Scholarships	2,769,976	2,278,334
Other University support	7,166,718	493,739
	\$ 11,413,492	\$ 5,236,139



## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 10. ENDOWMENT

#### Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the Foundation, as authorized by UPMIFA, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies net assets with donor restrictions perpetual in nature at the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions perpetual in nature is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

#### Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, funds with original gift values of \$11,000, fair values of \$10,785, and deficiencies of \$215 were reported in net assets with donor restrictions. There were no underwater endowments at June 30, 2021.

#### 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 historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Finance Committee of the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar asset classes while assuming a moderate level of investment risk.

#### 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 to achieve its long-term return objectives within prudent risk constraints.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. ENDOWMENT (Continued)

#### Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation's Finance Committee of the Board of Trustees (the "Committee") determines the method to be used to appropriate endowment funds for expenditure. The Foundation has a spending policy whereby a certain percentage (generally not to exceed 5% of the fair value of endowment net assets each year) may be distributed for purposes of supporting general and restricted activities. In addition, the Foundation charges an annual 1% administration fee as of June 30<sup>th</sup> to support general activities.

The Foundation's Finance Committee of the Board of Trustees reviews spending policies annually and approves distributions they deem to be prudent.

The Endowment Net Asset Composition by type of Fund for the year ended June 30, 2021 and 2020 are:

	<u>Quasi- Endowment (Without Donor Restrictions)</u>	<u>Endowment (With Donor Restrictions)</u>	<u>Total</u>
<b>June 30, 2021</b>			
Board-designated endowment funds	\$ 7,904,722	\$ -	\$ 7,904,722
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	32,898,695	32,898,695
Accumulated investment gains	-	42,440,270	42,440,270
Endowment net assets, end of year	<u>\$ 7,904,722</u>	<u>\$ 75,338,965</u>	<u>\$ 83,243,687</u>
<b>June 30, 2020</b>			
Board-designated endowment funds	\$ 6,854,632	\$ -	\$ 6,854,632
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	31,053,481	31,053,481
Accumulated investment gains	-	27,035,065	27,035,065
Endowment net assets, end of year	<u>\$ 6,854,632</u>	<u>\$ 58,088,546</u>	<u>\$ 64,943,178</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. ENDOWMENT (Continued)

The Changes in Endowment Net Assets for the year ended June 30, 2021 are:

	<b>Quasi- Endowment (Without Donor Restrictions)</b>	<b>Endowment (With Donor Restrictions)</b>	<b>Total</b>
Endowment net assets, beginning of year	<u>\$ 6,854,632</u>	<u>\$ 58,088,546</u>	<u>\$ 64,943,178</u>
Investment return:			
Investment income, net	111,386	322,749	434,135
Realized and unrealized net gains	<u>1,691,899</u>	<u>17,621,935</u>	<u>19,313,834</u>
Total investment return	1,803,285	17,944,684	19,747,969
Contributions	-	1,774,395	1,774,395
Change in donor intent	(277,000)	(215,692)	(492,692)
Appropriation of endowment assets for expenditure	<u>(476,195)</u>	<u>(2,252,968)</u>	<u>(2,729,163)</u>
Endowment net assets, end of year	<u><u>\$ 7,904,722</u></u>	<u><u>\$ 75,338,965</u></u>	<u><u>\$ 83,243,687</u></u>

The Changes in Endowment Net Assets for the year ended June 30, 2020 are:

	<b>Quasi- Endowment (Without Donor Restrictions)</b>	<b>Endowment (With Donor Restrictions)</b>	<b>Total</b>
Endowment net assets, beginning of year	<u>\$ 7,090,940</u>	<u>\$ 58,247,252</u>	<u>\$ 65,338,192</u>
Investment return:			
Investment income, net	175,175	411,515	586,690
Realized and unrealized net gains	<u>15,747</u>	<u>1,098,975</u>	<u>1,114,722</u>
Total investment return	190,922	1,510,490	1,701,412
Contributions	-	591,872	591,872
Change in donor intent	-	(73,098)	(73,098)
Appropriation of endowment assets for expenditure	<u>(427,230)</u>	<u>(2,187,970)</u>	<u>(2,615,200)</u>
Endowment net assets, end of year	<u><u>\$ 6,854,632</u></u>	<u><u>\$ 58,088,546</u></u>	<u><u>\$ 64,943,178</u></u>

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 11. RELATED PARTY TRANSACTIONS**

At June 30, 2021 and 2020, the Foundation had payables to the University for awarded scholarship and grant payments in the amount of \$515,410 and \$170,532, respectively.

The Foundation had donations to the University of North Georgia in the amount of \$77,460 and \$7,058 for the years ended June 30, 2021 and 2020, respectively.

The Foundation had property and equipment donations to the University of North Georgia Real Estate Foundation, Inc. in the amount of \$44,766 for the year ended June 30, 2020.

### **NOTE 12. SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events occurring through September 23, 2021 the date on which the financial statements were available to be issued.