

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

FINANCIAL REPORT

JUNE 30, 2023

UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.

FINANCIAL REPORT JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 the University of North Georgia Foundation, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 the University of North Georgia Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the University of North Georgia 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 the University of North Georgia 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 the University of North Georgia 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 8, 2023

UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 2,758,633	\$ 2,177,420
Unconditional promises to give, net	7,594,840	11,075,580
Estate receivable, net	-	896,036
Accounts and other receivables	56,155	49,949
Investments	98,079,220	86,371,861
Other assets	904	4,715
Assets held in gift annuity trust	34,584	36,814
 Total assets	\$ 108,524,336	\$ 100,612,375
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 33,530	\$ 14,765
Accounts payable - related party	266,973	134,296
Accrued expenses	-	522
Gift annuity trust obligations	6,404	6,634
Line of credit	-	500,000
Deferred revenues	5,000	33,000
 Total liabilities	311,907	689,217
 Net assets		
Without donor restrictions		
Undesignated	5,442,307	2,692,442
Board designated	6,277,951	6,323,049
Total without donor restrictions	11,720,258	9,015,491
With donor restrictions	96,492,171	90,907,667
 Total net assets	108,212,429	99,923,158
 Total liabilities and net assets	\$ 108,524,336	\$ 100,612,375

See Notes to Financial Statements.

UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Without donor restrictions	With donor restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and grants	\$ 215,921	\$ 5,157,003	\$ 5,372,924
In-kind contributions	595,066	152,574	747,640
Special event and program income	215,426	122,564	337,990
Investment income, net	415,502	461,910	877,412
Net realized and unrealized gains (losses) on investments	1,882,634	7,438,647	9,321,281
Total revenues	<u>3,324,549</u>	<u>13,332,698</u>	<u>16,657,247</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>7,741,494</u>	<u>(7,741,494)</u>	<u>-</u>
Total revenues and other support	<u>11,066,043</u>	<u>5,591,204</u>	<u>16,657,247</u>
EXPENSES			
Program services			
Academic and education	1,882,464	-	1,882,464
Student affairs	3,690,836	-	3,690,836
Other program services	1,848,933	-	1,848,933
Total program services	<u>7,422,233</u>	<u>-</u>	<u>7,422,233</u>
Supporting services			
Administration and general	676,980	-	676,980
Fundraising	268,763	-	268,763
Total supporting services	<u>945,743</u>	<u>-</u>	<u>945,743</u>
Total expenses	<u>8,367,976</u>	<u>-</u>	<u>8,367,976</u>
CHANGE IN NET ASSETS	<u>2,698,067</u>	<u>5,591,204</u>	<u>8,289,271</u>
NET ASSETS, BEGINNING	9,015,491	90,907,667	99,923,158
CHANGE IN DONOR INTENT	<u>6,700</u>	<u>(6,700)</u>	<u>-</u>
NET ASSETS, ENDING	<u>\$ 11,720,258</u>	<u>\$ 96,492,171</u>	<u>\$ 108,212,429</u>

See Notes to Financial Statements.

2022		
Without donor restrictions	With donor restrictions	Total
\$ 1,197,489	\$ 22,125,915	\$ 23,323,404
548,854	32,851	581,705
11,690	105,302	116,992
326,314	425,321	751,635
<u>(3,055,351)</u>	<u>(10,010,911)</u>	<u>(13,066,262)</u>
<u>(971,004)</u>	<u>12,678,478</u>	<u>11,707,474</u>
<u>10,774,672</u>	<u>(10,774,672)</u>	<u>-</u>
<u>9,803,668</u>	<u>1,903,806</u>	<u>11,707,474</u>
7,007,508	-	7,007,508
2,961,729	-	2,961,729
<u>920,612</u>	<u>-</u>	<u>920,612</u>
<u>10,889,849</u>	<u>-</u>	<u>10,889,849</u>
595,121	-	595,121
<u>242,492</u>	<u>-</u>	<u>242,492</u>
<u>837,613</u>	<u>-</u>	<u>837,613</u>
<u>11,727,462</u>	<u>-</u>	<u>11,727,462</u>
<u>(1,923,794)</u>	<u>1,903,806</u>	<u>(19,988)</u>
10,884,549	89,058,597	99,943,146
<u>54,736</u>	<u>(54,736)</u>	<u>-</u>
<u>\$ 9,015,491</u>	<u>\$ 90,907,667</u>	<u>\$ 99,923,158</u>

UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Academic and education</u>	<u>Student affairs</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	\$ 55,016	\$ -	\$ -	\$ 55,016	\$ 37,099	\$ -	\$ 92,115
Marketing	113,952	-	18,160	132,112	65,148	56,381	253,641
Insurance	-	-	-	-	3,763	-	3,763
Scholarship and awards	371,510	3,559,301	1,576,225	5,507,036	13,423	2,703	5,523,162
Operating expenses	397,551	86,083	94,522	578,156	66,525	23,851	668,532
Travel and entertainment	620,559	41,126	84,925	746,610	91,874	36,385	874,869
Salaries and benefits	39,979	-	52,578	92,557	395,720	139,339	627,616
Supplies	133,248	3,201	21,082	157,531	3,428	10,104	171,063
Donations to UNG	150,649	1,125	1,441	153,215	-	-	153,215
	<u>\$ 1,882,464</u>	<u>\$ 3,690,836</u>	<u>\$ 1,848,933</u>	<u>\$ 7,422,233</u>	<u>\$ 676,980</u>	<u>\$ 268,763</u>	<u>\$ 8,367,976</u>

See Notes to Financial Statements.

UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services			Total
	Academic and education	Student affairs	Other program services	Total program services	Administration and general	Fundraising	
Administrative and fees	\$ 37,494	\$ -	\$ 85	\$ 37,579	\$ 32,092	\$ -	\$ 69,671
Marketing	105,090	-	8,748	113,838	66,761	15,922	196,521
Insurance	-	-	-	-	3,763	-	3,763
Scholarship and awards	206,950	2,939,498	735,240	3,881,688	43,411	2,428	3,927,527
Operating expenses	290,619	15,648	43,992	350,259	51,424	22,127	423,810
Travel and entertainment	523,995	6,056	46,023	576,074	43,669	56,244	675,987
Salaries and benefits	12,103	-	47,464	59,567	347,180	145,312	552,059
Supplies	88,257	527	22,183	110,967	6,821	459	118,247
Donations to UNG	3,023,000	-	16,877	3,039,877	-	-	3,039,877
Donations to GSFIC	2,720,000	-	-	2,720,000	-	-	2,720,000
	<u>\$ 7,007,508</u>	<u>\$ 2,961,729</u>	<u>\$ 920,612</u>	<u>\$ 10,889,849</u>	<u>\$ 595,121</u>	<u>\$ 242,492</u>	<u>\$ 11,727,462</u>

See Notes to Financial Statements.

UNIVERSITY OF NORTH GEORGIA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 8,289,271	\$ (19,988)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(9,321,281)	13,066,262
(Recovery of) provision for doubtful accounts	(21,068)	90,278
Discount on multi-year unconditional promises to give	75,580	291,389
Contributions restricted for long-term investments	(2,562,493)	(2,562,493)
Decrease (increase) in unconditional promises to give	3,426,228	(8,462,765)
Decrease (increase) in estate receivable	896,036	(896,036)
(Increase) decrease in accounts and other receivables	(6,206)	1,363
Decrease (increase) in other assets	3,811	(1,948)
Increase (decrease) in accounts payable	18,765	(7,763)
Increase (decrease) in accounts payable - related party	132,677	(381,114)
(Decrease) increase in accrued expenses	(522)	127
(Decrease) in deferred revenues	(28,000)	(145,000)
	<u>902,798</u>	<u>972,312</u>
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Purchases of investments	(17,531,061)	(11,928,593)
Proceeds from sale of investments	15,144,983	9,452,860
	<u>(2,386,078)</u>	<u>(2,475,733)</u>
Net cash (used in) investing activities		
FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	2,562,493	2,562,493
Proceeds from line of credit	-	500,000
Payments on line of credit	(500,000)	(500,000)
Change in assets held in gift annuity trust	2,000	4,692
	<u>2,064,493</u>	<u>2,567,185</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	581,213	1,063,764
Cash and cash equivalents at beginning of year	2,177,420	1,113,656
Cash and cash equivalents at end of year	<u>\$ 2,758,633</u>	<u>\$ 2,177,420</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 22,788</u>	<u>\$ 10,853</u>

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 restrictions and net assets with donor restrictions.

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 restrictions but are designated by the Board to be spent for specific purposes.

As of June 30, 2023 and 2022, board designated net assets totaled \$6,277,951 and \$6,323,049, respectively.

Net assets with donor restrictions consist 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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

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.

Change in donor intent:

During the year ended June 30, 2023, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling \$6,700 resulting in transfers from net assets with donor restrictions to net assets without donor restrictions.

During the year ended June 30, 2022, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling \$54,736 resulting in transfers from net assets with donor restrictions to net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

In-kind contributions:

In-kind contributions revenue consists of donated facilities and services revenue and 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.

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 30th of each year, is included in management fee income without donor restrictions in the accompanying statement of activities.

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 \$132,764 and \$148,247 for the years ended June 30, 2023 and 2022, 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.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

Estate receivable:

Estate receivable consists of a donor's last will and testament that has named the Foundation as the beneficiary. The donor has passed, and the Foundation is in the process of liquidating the estate, which includes an investment portfolio net of an allowance for any potential market depreciation prior to liquidation.

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 year 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.

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 5.0% and 3.6% at June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

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, 2023 and 2022, 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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

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 GSFIC, and operating expenses include certain expenses that are allocated based on estimates of time and effort. Depreciation and operating expenses include certain expenses that are allocated on a square footage basis.

NOTE 2. LIQUIDITY AND AVAILABILITY

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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give, net	\$ 3,569	\$ 2,650
Accounts and other receivables	950	2,251
Investments	6,757,378	3,859,710
Estate receivable, net	-	896,036
Endowment spending rate distributions and appropriations	980,587	975,704
	<u>\$ 7,742,484</u>	<u>\$ 5,736,351</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, 2023 and 2022, Board-designated endowment of \$6,277,951 and \$6,323,049, respectively, is subject to an annual spending rate generally not to exceed 5% 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, 2023 and 2022, the available portion of this line of credit was \$5,000,000 and \$4,500,000, respectively (see Note 6).

NOTES TO FINANCIAL STATEMENTS

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, 2023, the Foundation's uninsured cash balances totaled \$2,547,669. As of June 30, 2022 the Foundation's uninsured cash balances totaled \$1,916,922. The Foundation has not experienced any losses on its cash and believes it is not exposed to any significant credit risk on cash.

NOTE 4. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2023 and 2022, unconditional promises to give consisted of the following:

	2023	2022
Unconditional promises to give without donor restrictions	\$ 1,000	\$ 3,000
Unconditional promises to give with donor restrictions	8,107,198	11,598,026
Endowment unconditional promises to give	199,980	133,380
Unconditional promises to give before discount and allowance for uncollectible promises to give	8,308,178	11,734,406
Less unamortized discount	523,614	448,034
Subtotal	7,784,564	11,286,372
Less allowance for uncollectible promises to give	189,724	210,792
Unconditional promises to give, net	\$ 7,594,840	\$ 11,075,580
	2023	2022
Amount due in:		
Less than one year	\$ 2,808,441	\$ 2,692,797
One to three years	5,418,421	8,572,109
More than three years	81,316	469,500
Unconditional promises to give	\$ 8,308,178	\$ 11,734,406

At June 30, 2023 and 2022, the discount rate used was 6.4 and 2.5 percent as a risk-free interest rate, respectively.

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, 2023:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	\$ 473,231	\$ -	\$ -	\$ -	\$ 473,231
Mutual funds	3,369,818	-	-	-	3,369,818
Fixed income securities	7,565,976	-	-	-	7,565,976
Equity securities	31,913,631	-	-	-	31,913,631
Commodity linked funds	227,062	-	-	-	227,062
Partnership funds	-	-	-	4,219,264	4,219,264
Pooled funds:					
Money market funds	-	-	-	5,500,554	5,500,554
Emerging market funds	-	-	-	3,452,342	3,452,342
Core equity funds	-	-	-	17,263,323	17,263,323
Multi-strategy equity funds	-	-	-	12,487,850	12,487,850
Multi-strategy bond funds	-	-	-	7,209,880	7,209,880
International equity funds	-	-	-	4,396,289	4,396,289
Total investments at fair value	\$ 43,549,718	\$ -	\$ -	\$ 54,529,502	\$ 98,079,220

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	\$ 510,375	\$ -	\$ -	\$ -	\$ 510,375
Mutual funds	1,780,633	-	-	-	1,780,633
Fixed income securities	6,665,198	-	-	-	6,665,198
Equity securities	28,991,049	-	-	-	28,991,049
Commodity linked funds	244,718	-	-	-	244,718
Partnership funds	-	-	-	3,922,358	3,922,358
Pooled funds:					
Money market funds	-	-	-	515,735	515,735
Emerging market funds	-	-	-	3,294,074	3,294,074
Core equity funds	-	-	-	18,892,973	18,892,973
Multi-strategy equity funds	-	-	-	10,560,037	10,560,037
Multi-strategy bond funds	-	-	-	7,300,730	7,300,730
International equity funds	-	-	-	3,693,981	3,693,981
Total investments at fair value	\$ 38,191,973	\$ -	\$ -	\$ 48,179,888	\$ 86,371,861

NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (CONTINUED)

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 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, 2023 and 2022. 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 core equity fund includes investments in funds that invest primarily in equity securities. There are no unfunded commitments as of June 30, 2023 and 2022. 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, 2023 and 2022. 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, 2023 and 2022. 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, 2023 and 2022. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (CONTINUED)

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, 2023 and 2022, the unfunded commitments related to the Global Private Equity Partners II fund are \$187,500 and \$297,500, respectively. As of June 30, 2023 and 2022, the unfunded commitments related to the Venture Partners XII fund are \$55,000 and \$110,000, respectively. In September 2020, the Foundation entered into another partnership fund, the Secondary Partners III fund. As of June 30, 2023 and 2022, the unfunded commitments related to the Secondary Partners III fund are \$900,000 and \$1,200,000, respectively. In April 2022, the Foundation entered into another partnership fund, the Private Equity Partners XII fund. As of June 30, 2023 and 2022, the unfunded commitments related to the Private Equity Partners XII fund are \$980,000 and \$1,000,000. 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 has been estimated using the net asset value per share of the investments.

NOTE 6. LINE OF CREDIT

In December 2021, the Foundation entered into an unsecured line of credit of \$5,000,000 with a financial institution. The line of credit bears interest at the one-month SOFR plus 1.25% (6.39% and 2.34% at June 30, 2023 and 2022, respectively), and matures in December 2024. As of June 30, 2023, there was no outstanding balance on the line of credit. As of June 30, 2022, there was an outstanding balance of \$500,000 on the line of credit.

NOTE 7. LETTER OF CREDIT

In November 2021, the Foundation renewed a letter of credit with a bank collateralizing \$450,000 for a loan obtained by the Real Estate Foundation. The letter of credit includes operational and reporting debt covenants and matured in November 2022 and was not renewed.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purpose:		
Chair and professorship	\$ 3,669,161	\$ 2,851,669
Program support	24,419,018	28,794,719
Scholarships	16,238,419	13,598,015
Other University support	9,652,271	9,843,459
Total subject to expenditure for specified purpose	53,978,869	55,087,862
Perpetual in nature:		
Chair and professorship	3,735,308	3,573,144
Program support	11,903,603	6,988,138
Scholarships	26,874,388	25,258,523
Total perpetual in nature	42,513,299	35,819,805
Total net assets with donor restrictions	\$ 96,492,168	\$ 90,907,667

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 4,043,408	\$ 3,690,180
Unconditional promises to give, net	7,421,067	10,952,513
Accounts receivable	52,586	47,698
Investments	42,703,415	40,507,406
Other assets	904	4,715
Assets held in gift annuity trust	34,584	36,814
Accounts payable	(3,718)	(10,534)
Accounts payable – related party	(266,973)	(134,296)
Gift annuity trust obligation	(6,404)	(6,634)
Total subject to expenditure for specified purpose	53,978,869	55,087,862
Perpetual in nature:		
Unconditional promises to give, net	172,823	120,441
Investments	42,340,476	35,699,364
Total perpetual in nature	42,513,299	35,819,805
Total net assets with donor restrictions	\$ 96,492,168	\$ 90,907,667

NOTES TO FINANCIAL STATEMENTS

NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2023 and 2022 by incurring expenses satisfying the restricted purpose specified by donors as follows:

Purpose restrictions accomplished:

	<u>2023</u>	<u>2022</u>
Chair and professorship	\$ 272,597	\$ 169,440
Program support	3,182,197	2,844,925
Scholarships	3,231,899	3,062,856
Other University support	1,054,804	4,697,451
	<u>\$ 7,741,497</u>	<u>\$ 10,774,672</u>

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, 2023, funds with original gift values of \$1,394,128, fair values of \$1,361,062, and deficiencies of \$33,066 were reported in net assets with donor restrictions. At June 30, 2022, funds with original gift values of \$1,939,961, fair values of \$1,719,216, and deficiencies of \$220,745 were reported in net assets with donor restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. ENDOWMENT (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 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.

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 30th 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, 2023 and 2022 are as follows:

	Quasi- Endowment (Without Donor Restrictions)	Endowment (With Donor Restrictions)	Total
<u>June 30, 2023</u>			
Board-designated endowment funds	\$ 6,277,951	\$ -	\$ 6,277,951
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	42,340,476	42,340,476
Accumulated investment gains	-	24,328,495	24,328,495
Endowment net assets, end of year	<u>\$ 6,277,951</u>	<u>\$ 66,668,971</u>	<u>\$ 72,946,922</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. ENDOWMENT (CONTINUED)

	Quasi- Endowment (Without Donor Restrictions)	Endowment (With Donor Restrictions)	Total
<u>June 30, 2022</u>			
Board-designated endowment funds	\$ 6,323,049	\$ -	\$ 6,323,049
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	35,699,364	35,699,364
Accumulated investment gains	-	25,132,898	25,132,898
Endowment net assets, end of year	<u>\$ 6,323,049</u>	<u>\$ 60,832,262</u>	<u>\$ 67,155,311</u>

The Changes in Endowment Net Assets for the year ended June 30, 2023 are as follows:

	Quasi- Endowment (Without Donor Restrictions)	Endowment (With Donor Restrictions)	Total
Endowment net assets, beginning of year	<u>\$ 6,323,049</u>	<u>\$ 60,832,262</u>	<u>\$ 67,155,311</u>
Investment return:			
Investment income, net	169,193	433,369	602,562
Realized and unrealized net gains	487,452	6,598,658	7,086,110
Total investment return	656,645	7,032,027	7,688,672
Contributions	-	1,561,303	1,561,303
Change in donor intent	(225,000)	68,759	(156,241)
Appropriation of endowment assets for expenditure	(476,743)	(2,825,380)	(3,302,123)
Endowment net assets, end of year	<u>\$ 6,277,951</u>	<u>\$ 66,668,971</u>	<u>\$ 72,946,922</u>

The Changes in Endowment Net Assets for the year ended June 30, 2022 are as follows:

	Quasi- Endowment (Without Donor Restrictions)	Endowment (With Donor Restrictions)	Total
Endowment net assets, beginning of year	<u>\$ 7,904,722</u>	<u>\$ 68,904,416</u>	<u>\$ 76,809,138</u>
Investment return:			
Investment income, net	146,002	420,251	566,253
Realized and unrealized net (losses)	(1,273,825)	(8,835,417)	(10,109,242)
Total investment (loss)	(1,127,823)	(8,415,166)	(9,542,989)
Contributions	-	2,562,493	2,562,493
Change in donor intent	25,000	232,912	257,912
Appropriation of endowment assets for expenditure	(478,850)	(2,452,393)	(2,931,243)
Endowment net assets, end of year	<u>\$ 6,323,049</u>	<u>\$ 60,832,262</u>	<u>\$ 67,155,311</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RELATED PARTY TRANSACTIONS

At June 30, 2023 and 2022, the Foundation had payables to the University for awarded scholarship and grant payments in the amount of \$266,973 and \$134,296, respectively.

The Foundation had donations to the University of North Georgia in the amount of \$153,215 and \$3,039,877 for the years ended June 30, 2023 and 2022, respectively.

The Foundation received donations from the University of North Georgia Real Estate Foundation in the amount of \$204,427 for the year ended June 30, 2023 related to the sale of a portion of the Tumbling Creek property.

NOTE 12. ESTATE RECEIVABLE

In April of 2011, the Foundation received a planned contribution from the Estate of E. Paul Stringer through a Charitable Remainder Unitrust (CRUT) which listed the Foundation as 100% beneficiary upon their deaths. In March 2022, the Foundation received notice that the CRUT would be turned over. Therefore, the Foundation had recorded the realizable value of \$943,196 less an allowance of \$47,160 at June 30, 2022. The estate was settled and the receivable was relieved in January 2023.

NOTE 13. IN-KIND CONTRIBUTIONS

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included:

<u>Type</u>	<u>2023</u>	<u>2022</u>	<u>Usage</u>
Salaries and benefits	\$ 48,517	\$ 45,067	University support
Salaries and benefits	535,059	492,492	Administration and general
Rent	11,490	11,295	University support
Educational items	152,574	32,851	University support
	<u>\$ 747,640</u>	<u>\$ 581,705</u>	

The Foundation recognized contributed nonfinancial assets within revenue, including contributed salaries and benefits, rent, and certain educational items. For the years ending June 30, 2023 and 2022, educational items of \$152,574 and \$32,851, respectively, were received with donor restrictions.

Contributed salaries and benefits, rent, and educational items were valued using estimated average prices of identical or similar products or services using pricing data of similar products or services under a 'like-kind' methodology, considering the utility of the services and goods at the time of the contribution.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through September 8, 2023, the date on which the financial statements were available to be issued.