

DALTON STATE
FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

DALTON STATE COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Dalton State College Foundation, Inc.
Dalton, Georgia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dalton State College Foundation, Inc. and its subsidiary which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dalton State College Foundation, Inc. and its subsidiary as of December 31, 2021 and 2020, and the changes in their net assets and their 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 (GAAS). 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 Dalton State College Foundation, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dalton State College Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Dalton State College Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dalton State College Foundation'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.

Richards, Cauley + Associates, LLC

Dalton, Georgia
August 17, 2022

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 819,502	\$ 1,507,463
Investments	31,604,397	26,313,764
Alternative investments	6,757,150	5,519,714
Unconditional promises to give - current portion	1,334,033	1,262,431
Prepaid expenses	25,529	25,529
Total current assets	40,540,611	34,628,901
Property and equipment, net	4,198,618	4,036,193
Non-current assets		
Unconditional promises to give, less current portion	2,817,118	3,904,718
Total non-current assets	2,817,118	3,904,718
Total assets	\$ 47,556,347	\$ 42,569,812
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 56,488	\$ 283,518
Total liabilities	56,488	283,518
Net assets		
Without donor restrictions	17,783,111	17,109,657
With donor restrictions	29,716,748	25,176,637
Total net assets	47,499,859	42,286,294
Total liabilities and net assets	\$ 47,556,347	\$ 42,569,812

See accompanying independent auditor's report and notes to the consolidated financial statements

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 5,861	\$ 1,173,017	\$ 1,178,878
Investment income	531,809	569,208	1,101,017
Net realized and unrealized gains on investments	1,868,335	2,248,606	4,116,941
Change in net present value of pledges receivable	(1,126)	(10,640)	(11,766)
Assets reclassified with donor restriction	(1,410,000)	1,410,000	-
Net assets released from restriction	850,080	(850,080)	-
Net unrelated business loss	(80,422)	-	(80,422)
Total support and revenue	1,764,537	4,540,111	6,304,648
Expenses			
Program service	963,573	-	963,573
General and administrative	89,568	-	89,568
Fundraising	66,202	-	66,202
Total expenses	1,119,343	-	1,119,343
Other income	28,260	-	28,260
Increase in net assets	673,454	4,540,111	5,213,565
Net assets - beginning of year	17,109,657	25,176,637	42,286,294
Net assets - end of year	\$ 17,783,111	\$ 29,716,748	\$ 47,499,859

See accompanying independent auditor's report and notes to the consolidated financial statements

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 31,655	\$ 1,299,847	\$ 1,331,502
Investment income	287,917	265,631	553,548
Net realized and unrealized gains on investments	1,016,509	1,058,859	2,075,368
Change in net present value of pledges receivable	33,567	117,824	151,391
Assets reclassified with donor restriction	(750,000)	750,000	-
Net assets released from restriction	804,077	(804,077)	-
Net unrelated business loss	(78,329)	-	(78,329)
Total support and revenue	1,345,396	2,688,084	4,033,480
Expenses			
Program service	909,459	-	909,459
General and administrative	76,797	-	76,797
Fundraising	34,679	-	34,679
Total expenses	1,020,935	-	1,020,935
Other income	10,428	-	10,428
Increase in net assets	334,889	2,688,084	3,022,973
Net assets - beginning of year	16,774,768	22,488,553	39,263,321
Net assets - end of year	\$ 17,109,657	\$ 25,176,637	\$ 42,286,294

See accompanying independent auditor's report and notes to the consolidated financial statements

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Service	General & Administrative	Fundraising	Total
Without donor restrictions				
College support				
Scholarships and awards	\$ 306,921	\$ -	\$ -	\$ 306,921
Faculty support	132,213	-	-	132,213
Academic program support	5,086	-	-	5,086
Alumni relations	5,465	-	-	5,465
Athletic programs	8,182	-	-	8,182
Campus events	38,533	-	-	38,533
Buildings and grounds	38,301	-	-	38,301
Grants	29,707	-	-	29,707
Salaries and benefits supplements	156,423	28,174	57,118	241,715
Donor relations and fund raising	-	-	1,584	1,584
Professional services	-	43,749	-	43,749
Meetings and events	-	308	-	308
Insurance and bonding	-	9,613	-	9,613
Database enhancement and support	24,354	1,144	7,500	32,998
Equipment and supplies	211,887	859	-	212,746
Dues and memberships	6,501	3,551	-	10,052
Bank and credit card fees	-	1,310	-	1,310
Depreciation expense	-	860	-	860
Total functional expenses	<u>\$ 963,573</u>	<u>\$ 89,568</u>	<u>\$ 66,202</u>	<u>\$ 1,119,343</u>

See accompanying independent auditor's report and notes to the consolidated financial statements

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Service	General & Administrative	Fundraising	Total
Without donor restrictions				
College support				
Scholarships and awards	\$ 547,923	\$ -	\$ -	\$ 547,923
Faculty support	88,346	-	-	88,346
Academic program support	31,661	-	-	31,661
Alumni relations	10,996	-	-	10,996
Athletic programs	3,913	-	-	3,913
Campus events	16,226	-	-	16,226
Buildings and grounds	2,936	-	-	2,936
Salaries and benefits supplement	60,753	7,329	22,467	90,549
Donor relations and fund raising	-	-	526	526
Professional services	-	49,100	4,590	53,690
Meetings and events	-	162	215	377
Insurance and bonding	-	7,648	-	7,648
Database enhancement and supp	22,010	1,229	6,881	30,120
Professional development	-	400	-	400
Equipment and supplies	95,311	4,424	-	99,735
Dues and memberships	29,384	3,292	-	32,676
Bank and credit card fees	-	2,220	-	2,220
Depreciation expense	-	993	-	993
Total functional expenses	<u>\$ 909,459</u>	<u>\$ 76,797</u>	<u>\$ 34,679</u>	<u>\$ 1,020,935</u>

See accompanying independent auditor's report and notes to consolidated financial statements

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 5,213,565	\$ 3,022,973
Adjustment to reconcile net assets to net cash provided by (used in) operating activities		
Depreciation	66,467	73,251
Net realized and unrealized gains on investments	(4,116,941)	(2,207,210)
Change in operating assets and liabilities		
Unconditional promises to give	1,015,998	333,351
Accounts payable and accrued liabilities	(227,030)	82,771
Net cash provided by operating activities	1,952,059	1,305,136
Cash flows from investing activities		
Purchase of investments, net of proceeds	(2,411,128)	(1,071,332)
Purchase of property and equipment	(228,892)	(58,282)
Net cash used in investing activities	(2,640,020)	(1,129,614)
Net increase (decrease) in cash	(687,961)	175,522
Cash at beginning of year	1,507,463	1,331,941
Cash at end of year	\$ 819,502	\$ 1,507,463

See accompanying independent auditor's report and notes to consolidated financial statements

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Nature of Operations

Dalton State College Foundation, Inc. (“the Foundation”), was incorporated as a non-profit corporation under the Non-Profit Corporation Code of the State of Georgia on December 14, 1967. The Foundation’s purpose is to secure private philanthropic support for the benefit of the students, faculty and staff, academic programs, and growth of Dalton State College.

On April 1, 2019, DSF Properties, LLC, was incorporated as a wholly owned subsidiary of Dalton State College Foundation, Inc. DSF Properties, LLC, was created to hold certain property to be leased by Dalton State College.

The Board of Regents of the University System of Georgia believes that Governmental Accounting Standards Board (GASB) 39 applies to its member colleges and their respective Foundations. As such, the Board of Regents has mandated its member colleges consolidate the activity of their Foundations in the College’s annual report to the Board of Regents.

Basis of Presentation

The consolidated financial statements of Dalton State College Foundation, Inc., and its subsidiary DSF Properties, LLC, have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America and the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-05 and ASC 958-205-05. The most significant accounting policies followed by the Foundation are described below.

Basis of Presentation

Under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-05 and ASC 958-205-05, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s Board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying financial statements include the accounts of Dalton State College Foundation, Inc., and its wholly owned subsidiary, DSF Properties, LLC, for the years ended December 31, 2021 and 2020. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Foundation considers all certificates of deposit with maturities that do not exceed ninety days to be cash equivalents for financial statement purposes. The Foundation maintains its cash balances in accounts at a national bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2021 and 2020, the amounts held in bank accounts were in excess of FDIC insurance. Management does not believe that there is significant credit risk associated with these amounts.

Unconditional Promises to Give

Unconditional promises to give are recognized as contributions and receivables when the promise is made. Conditional promises to give are recognized as contributions and receivables when all conditions required for the gift have been met except for the passage of time. The Foundation discounts its unconditional promises to give to their net realizable value utilizing the promises which are expected to be collected in periods exceeding one year.

Property and Equipment

The Foundation's policy is to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over their useful life using the straight-line method.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions. Donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies donor restricted net assets to net assets without donor restrictions at that time.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donated Services

The Foundation receives various donated services that range from limited participation of individuals in fund raising and other services to active participation in the administrative functions. These services are not recorded as support and revenue because these services do not meet the criteria for recognition under ASC 958-605.05.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require the directors and administrators to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement

The Foundation has adopted the provisions of ASC 820-10-05. This standard defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. As required by ASC 820-10-05, the quoted prices for these investments are not adjusted.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment.

All alternative investments (See Note 4) held at December 31, 2021 and 2020, are classified as Level III investments.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Strategy

The Foundation's Investment Committee manages the investment portfolio according to the Foundation's investment policy as approved by the Board of Directors. The long term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the annual return should at least equal the annual sum of distributions, inflation, administrative costs, and net of management fees. The Foundation portfolio has adopted a "total return" investment approach; current income is considered a secondary consideration. The portfolio must offer sufficient liquidity to meet payments of philanthropic endeavors and operating expenses, as well as principal and interest payments due on any outstanding debt. The investment policy has asset allocation guidelines that allow the Investment Committee to balance the portfolio for current market conditions to achieve a long term rate of return of approximately 7.5% on an annual basis, with a moderate level of risk. Actual results may vary from this amount. The Foundation's investment portfolio had a return of 14.87% and 9.13% for the years ended December 31, 2021 and 2020, respectively.

The Foundation determines distribution rates based on the market values of investments at the end of the fiscal year. The investment policy specifies a maximum distribution rate of 4.00% of the average market value of investments at the fiscal year end calculated on a twelve-quarter rolling average. At a minimum, the investment policy states that long-term rates of return be equal to an amount sufficient to maintain the purchasing power of the Foundation's portfolio assets and provide necessary capital to fund a spending policy of 4.00% or an amount determined by the Executive Committee.

The Foundation has retained a professional investment consultant that assists the Foundation in meeting its investment objectives and monitoring compliance with the Foundation's investment policy. Investment fees and commissions incurred were \$154,851 and \$131,842 for the years ended December 31, 2021 and 2020, respectively.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. The expenses attributable to each category are based on actual expenses.

Reclassifications

Certain accounts for 2020 have been reclassified to conform to the current year presentation. The reclassifications have no effect on net assets for 2020.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 819,502	\$ 1,507,463
Investments	31,604,397	26,313,764
Alternative investments	6,757,150	5,519,714
Unconditional promises to give	<u>4,151,151</u>	<u>5,167,149</u>
Total financial assets	<u>43,332,200</u>	<u>38,508,090</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	29,716,748	25,176,637
Board designated assets	111,000	111,000
Unconditional promises to give, noncurrent, without donor restrictions	<u>367,957</u>	<u>742,417</u>
	<u>30,195,705</u>	<u>26,030,054</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,136,495</u>	<u>\$ 12,478,036</u>

The Foundation invests excess cash in short-term investments such as money market funds, treasury notes, and commercial paper.

NOTE 3 - INVESTMENTS

Investments consist of net assets without donor restrictions and net assets with donor restrictions which the Foundation believes will not be needed for their restricted purposes or for operations for a period of at least 90 days. All investments are maintained in readily marketable securities at brokerage houses and custodial trust companies. All investments are stated at their fair market values. The Foundation is liable for any and all market losses. Cash in investments include instruments with a maturity of 30 days or less. The Foundation’s investments are exposed to various types of risk, including changes in interest rates, currency fluctuations, and credit risks. Changes in financial markets occur daily, and such changes could materially affect the amounts reported in the Foundation’s financial statements.

As of December 31, 2021 and 2020, investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Equities	\$ 20,655,407	\$ 17,054,710
Bonds	10,948,990	9,259,054
	<u>\$ 31,604,397</u>	<u>\$ 26,313,764</u>

All investments referred to above are classified as Level I investments (See Note 1).

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – ALTERNATIVE INVESTMENTS

The Foundation's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of global equity, fixed income, real estate, commodities, and private equity markets. In addition, the Foundation seeks to produce consistent capital appreciation with controlled volatility and reduced risk of major down turns in the markets. The Foundation seeks to enhance the returns by focusing to a large extent on illiquid portfolio funds that the Foundation believes offer the potential for higher long-term returns than more liquid funds or investment vehicles. Accordingly, it is anticipated that there will be less liquidity associated with these investments than other investments of the same type.

Several of the financial instruments contained in this classification contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on the balance sheet. However, due to the nature of the limited interests in these funds, the risk with respect to such transactions is limited to the capital balance in each fund.

Fair value for alternative investments is based on estimates provided by external investment managers. Management reviews and evaluates fair value provided by external investment managers, including valuation methods and assessments used in determining fair value. The ultimate realizable value of the alternative investments may differ from the estimated fair values provided by external investment managers and these differences may be material. There are currently no plans to sell these investments prior to their liquidation.

Alternative investments consist of two classes, private equity and hedge funds. These investments require that the Foundation make commitments for investments over the course of the investment's period. As of December 31, 2021 and 2020, \$3,480,414 and \$3,093,303 of capital commitments remain outstanding, respectively.

Investments in private equity funds provide growth equity or take full ownership of the companies in which they invest. Portions of these investments are in start-up and early stage companies. Private investments also include positions in real assets, including real estate and commodities.

Investments in hedge funds take long and short positions largely in equity securities, credit securities, and event-driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility. This fund of funds mechanism was chosen by the Foundation as the most practical approach to achieve diversification of the alternative investment portfolio.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – ALTERNATIVE INVESTMENTS

For the years ended December 31, 2021 and 2020, the changes in investments classified as Level III are as follows:

	Private Investments	Hedge Funds	Total
Balance, January 1, 2021	\$ 3,801,058	\$ 1,718,656	\$ 5,519,714
Realized or unrealized gains (losses)	1,689,451	134,385	1,823,836
Purchases	694,314	-	694,314
Sales	(530,714)	(750,000)	(1,280,714)
Tranfers in and/or out of Level III	-	-	-
Balance, December 31, 2021	<u>\$ 5,654,109</u>	<u>\$ 1,103,041</u>	<u>\$ 6,757,150</u>

	Private Investments	Hedge Funds	Total
Balance, January 1, 2020	\$ 3,003,223	\$ 1,669,412	\$ 4,672,635
Realized or unrealized gains (losses)	858,514	49,244	907,758
Purchases	41,171	-	41,171
Sales	(101,850)	-	(101,850)
Tranfers in and/or out of Level III	-	-	-
Balance, December 31, 2020	<u>\$ 3,801,058</u>	<u>\$ 1,718,656</u>	<u>\$ 5,519,714</u>

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2021 and 2020, unconditional promises to give consisted of the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 4,238,866	\$ 5,243,098
Less allowance for uncollectibles	<u>50,000</u>	<u>50,000</u>
	4,188,866	5,193,098
Less current portion	<u>1,384,033</u>	<u>1,312,431</u>
Non-current portion	<u>\$ 2,804,833</u>	<u>\$ 3,880,667</u>
Less than one year	\$ 1,384,033	\$ 1,312,431
One to five years	<u>2,804,833</u>	<u>3,880,667</u>
	4,188,866	5,193,098
Less discount to present value	<u>37,715</u>	<u>25,949</u>
Total expected to be collected	<u>\$ 4,151,151</u>	<u>\$ 5,167,149</u>

The discount rate used on the long-term promises to give was 1.26 % and .36% as of December 31, 2021 and 2020, respectively. The promises to give were generated by commitments from corporations and individuals in the community. An allowance for uncollectible promises to give has been recorded of \$50,000 and \$50,000 as of December 31, 2021 and 2020. There are no enforceable rights by the Foundation to collect these promises.

Management reviews all uncollected unconditional promises to give annually utilizing responses to audit confirmations and other information they are aware of concerning the ability and willingness of donors to honor their commitments. Promises determined to be uncollectible are written off when that determination is made. Promises written off were \$0 for the years ended December 31, 2021 and 2020.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2021 and 2020, property and equipment consist of the following:

	2021	2020
Land	\$ 3,057,084	\$ 3,057,084
Buildings	1,250,854	1,028,601
Machinery and equipment	21,633	21,633
Computers and equipment	391,817	385,178
Automobiles	42,596	42,596
	4,763,984	4,535,092
Less accumulated depreciation	565,366	498,899
	\$ 4,198,618	\$ 4,036,193

For the years ended December 31, 2021 and 2020, depreciation expense was \$66,467 and \$73,251, respectively.

NOTE 7 – ENDOWMENTS

Endowments - Relevant Law

Under Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Board of Directors has the discretion to determine how much to appropriate of a donor-restricted endowment fund in accordance with a robust set of guidelines setting what constitutes prudent spending. UPMIFA permits the Foundation to appropriate or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Seven criteria are to be used to guide the Foundation in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purpose of the Foundation and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Foundation; and, 7) the investment policy of the Foundation.

UPMIFA broadens and clarifies the latitude of institutions to manage overall endowment returns without specifically isolating those particular endowments, because of the timing of the gift and market conditions, that are deemed underwater. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the endowment is below historic dollar value. The Board of Directors has not identified any endowments which are deemed underwater.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 – ENDOWMENTS

Endowment Classifications

The principal of a donor-restricted endowment is the original value of initial and subsequent gifts restricted to the endowment; accumulations or additions stipulated by the applicable donor gift instrument to be added to principal; and for perpetual endowments only, accumulations stipulated by UPMIFA, if any, to be held in perpetuity. The appreciation of donor-restricted endowment is accumulated net investment gains and losses, net of amounts appropriated for spending by the Board of Directors. The fair value of donor-restricted endowment is the combination of principal and appreciation.

Changes in Endowment Net Assets

	<u>With Donor Restrictions</u>
Endowment net assets as of December 31, 2020	\$ 18,074,500
Contributions	793,725
Investment returns (loss), net	2,817,814
Change in net present value of pledges receivable	(9,242)
Change in donor intent	1,104,788
Allocation of endowment assets for expenditure	<u>(2,817,814)</u>
Endowment net assets as of December 31, 2021	<u>\$ 19,963,771</u>

	<u>With Donor Restrictions</u>
Endowment net assets as of December 31, 2019	\$ 16,570,048
Contributions	619,645
Investment returns (loss), net	1,324,490
Change in net present value of pledges receivable	116,985
Change in donor intent	767,822
Allocation of endowment assets for expenditure	<u>(1,324,490)</u>
Endowment net assets as of December 31, 2020	<u>\$ 18,074,500</u>

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 – ENDOWMENTS

As of December 31, 2021 and 2020, endowment funds consist of the following:

	2021	2020
Investments	\$ 10,247,408	\$ 9,090,831
Alternative investments	6,757,150	5,519,714
Promises to give	2,959,213	3,463,955
	\$ 19,963,771	\$ 18,074,500

Endowment Management Fee

The Foundation charges a 1% management fee on endowment assets associated with the cost of maintaining the endowments. The management fee is transferred annually to net assets without donor restrictions. The management fee is calculated based on 1% of the fair market value of the endowment investments using a twelve-quarter rolling average on December 31 of each year.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Dalton State College Foundation, Inc., was created expressly to provide support for the benefit of students, faculty and staff, academic programs, and growth of Dalton State College. The Foundation operates under an updated Memorandum of Agreement dated September 20, 2017, whereby the Foundation and College have made certain agreements that define the terms of the relationship. The term of the Agreement is five years.

The administrative offices of the Foundation are in facilities located on the campus of Dalton State College. The College provides clerical assistance, copying machines, computer equipment, phone service, and other administrative services at no fee to the Foundation. The Foundation leases administrative employees from the College. The total amount paid to or on behalf of Dalton State College for the year ended December 31, 2021 and 2020, was \$563,579 and \$701,958, respectively.

Included in the amounts paid to Dalton State College are scholarships of \$304,020 and \$496,448 paid on behalf of students who are unrelated to the Foundation or the College for the years ended December 31, 2021 and 2020. The students are credited with the scholarships against tuition by the College during the registration process.

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 – INCOME TAX STATUS

Dalton State College Foundation, Inc., is exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Therefore, no provision for federal and state income taxes is included in the accompanying financial statements. DSF Properties, LLC, is classified as a disregarded entity for federal and state income taxes, and all related activities are included within the Foundation's income tax return.

On April 1, 2009, the Foundation adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax provisions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Foundation has analyzed tax examination and does not anticipate any adjustment that would result in material adverse effect on the Foundation's financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021 and 2020.

Returns remain subject to examination for three years subsequent to the date of filing. Currently, there are no audits for any tax year in progress.

NOTE 10 – NET UNRELATED BUSINESS INCOME

Unrelated business income is derived from DSF Properties, LLC. For the years ended December 31, 2021 and 2020, the income and expenses related to these operations are as follows:

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 21,750	\$ 21,000
Less operating expenses	36,565	27,071
Less depreciation and amortization expense	65,607	72,258
Net unrelated business income (loss)	<u>\$ (80,422)</u>	<u>\$ (78,329)</u>

DALTON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 11 – RISK FACTORS

An outbreak of a novel strain of coronavirus (COVID-19) emerged in early 2020. As a result, events have occurred in the United States and globally, including mandates from federal, state and local authorities, leading to an overall decline in economic activity. The ultimate impact of the pandemic on the financial performance of the Foundation cannot be reasonably estimated at this time.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 17, 2022, the date which the financial statements were available to be issued, and has determined there were no additional material events requiring recognition or disclosure in the Foundation’s financial statements.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
Dalton State College Foundation, Inc.

We have audited the consolidated financial statements of the Dalton State College Foundation, Inc., and its subsidiary, as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated August 17, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary information included in the accompanying consolidating statements of financial position as of December 31, 2021 and 2020, and schedule of operating expenses for DSF Properties, LLC, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Nichols, Cauley & Associates, LLC

Dalton, Georgia
August 17, 2022

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	Dalton State College Foundation	DSF Properties	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 780,827	\$ 38,675	\$ -	\$ 819,502
Investments	31,604,397	-	-	31,604,397
Alternative investments	6,757,150	-	-	6,757,150
Unconditional promises to give	1,334,033	-	-	1,334,033
Prepaid expenses	25,529	-	-	25,529
Total current assets	<u>40,501,936</u>	<u>38,675</u>	<u>-</u>	<u>40,540,611</u>
Property and equipment, net	<u>2,959,586</u>	<u>1,239,032</u>	<u>-</u>	<u>4,198,618</u>
Non-current assets				
Unconditional promises to give	2,817,118	-	-	2,817,118
Due from related party	361,721	-	(361,721)	-
Investment in subsidiary	915,986	-	(915,986)	-
Total non-current assets	<u>4,094,825</u>	<u>-</u>	<u>(1,277,707)</u>	<u>2,817,118</u>
Total assets	<u>\$ 47,556,347</u>	<u>\$ 1,277,707</u>	<u>\$ (1,277,707)</u>	<u>\$ 47,556,347</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 56,488	\$ -	\$ -	\$ 56,488
Due to related party	-	361,720	(361,720)	-
Total liabilities	<u>56,488</u>	<u>361,720</u>	<u>(361,720)</u>	<u>56,488</u>
Net assets				
Additional paid in capital	-	996,409	(996,409)	-
Without donor restrictions (retained earnings)	17,783,111	(80,422)	80,422	17,783,111
With donor restrictions	29,716,748	-	-	29,716,748
Total net assets	<u>47,499,859</u>	<u>915,987</u>	<u>(915,987)</u>	<u>47,499,859</u>
Total liabilities and net assets	<u>\$ 47,556,347</u>	<u>\$ 1,277,707</u>	<u>\$ (1,277,707)</u>	<u>\$ 47,556,347</u>

See accompanying independent auditor's report on supplementary information

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	Dalton State College Foundation	DSF Properties	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 1,488,609	18,854	\$ -	\$ 1,507,463
Investments	26,313,764	-	-	26,313,764
Alternative investments	5,519,714	-	-	5,519,714
Unconditional promises to give	1,262,431	-	-	1,262,431
Prepaid expenses	25,529	-	-	25,529
Total current assets	<u>34,610,047</u>	<u>18,854</u>	<u>-</u>	<u>34,628,901</u>
Property and equipment, net	2,960,446	1,075,747	-	4,036,193
Non-current assets				
Unconditional promises to give	3,904,718	-	-	3,904,718
Due from related party	98,192	-	(98,192)	-
Investment in subsidiary	996,409	-	(996,409)	-
Total non-current assets	<u>4,999,319</u>	<u>-</u>	<u>(1,094,601)</u>	<u>3,904,718</u>
Total assets	<u>\$ 42,569,812</u>	<u>\$ 1,094,601</u>	<u>\$ (1,094,601)</u>	<u>\$ 42,569,812</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 283,518	\$ -	\$ -	\$ 283,518
Due to related party	-	98,192	(98,192)	-
Total liabilities	<u>283,518</u>	<u>98,192</u>	<u>(98,192)</u>	<u>283,518</u>
Net assets				
Additional paid in capital	-	1,144,026	(1,144,026)	-
Without donor restrictions (retained earnings)	17,109,657	(147,617)	147,617	17,109,657
With donor restrictions	25,176,637	-	-	25,176,637
Total net assets	<u>42,286,294</u>	<u>996,409</u>	<u>(996,409)</u>	<u>42,286,294</u>
Total liabilities and net assets	<u>\$ 42,569,812</u>	<u>\$ 1,094,601</u>	<u>\$ (1,094,601)</u>	<u>\$ 42,569,812</u>

See accompanying independent auditor's report on supplementary information

DALTON STATE COLLEGE FOUNDATION, INC.
SCHEDULES OF OPERATING EXPENSES FOR DSF PROPERTIES, LLC
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Operating expenses	<u>2021</u>	<u>2020</u>
Repairs & maintenance	\$ 10,044	\$ 3,223
Utilities	18,530	15,912
Insurance	7,361	7,261
Depreciation expense	65,607	72,258
Other operating expense	630	675
Total operating expenses	<u>\$ 102,172</u>	<u>\$ 99,329</u>

See accompanying independent auditor's report on supplementary information