

DALTON STATE
FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

DALTON STATE COLLEGE FOUNDATION INC.
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DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 Consolidated Financial Statements section of our report. We are required to be independent of Dalton State College 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.

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 Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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Auditor's Responsibility for the Audit of the Consolidated 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 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 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 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.

Richels, Cauley + Associates, LLC

Dalton, Georgia
August 6, 2024

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 998,529	\$ 1,012,441
Investments	34,628,246	28,089,983
Alternative investments	8,178,257	7,658,509
Unconditional promises to give - current portion, net of \$50,000 and \$50,000 allowance, respectively	72,500	2,665,256
Prepaid expenses	16,663	24,606
Total current assets	43,894,195	39,450,795
Property and equipment, net	4,116,622	4,149,809
Non-current assets		
Unconditional promises to give, less current portion	56,526	181,618
Grant receivable	50,000	75,000
Total non-current assets	106,526	256,618
Total assets	\$ 48,117,343	\$ 43,857,222
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 472,953	\$ 87,654
Total liabilities	472,953	87,654
Net assets		
Without donor restrictions	17,183,976	15,580,187
With donor restrictions	30,460,414	28,189,381
Total net assets	47,644,390	43,769,568
Total liabilities and net assets	\$ 48,117,343	\$ 43,857,222

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 29,891	\$ 686,066	\$ 715,957
Investment income	376,468	464,387	840,855
Net realized and unrealized losses on investments	1,460,907	2,366,839	3,827,746
Change in net present value of pledges receivable	1,154	6,254	7,408
Assets reclassified with donor restriction	17,330	(17,330)	-
Net assets released from restriction	1,235,683	(1,235,683)	-
Net unrelated business loss	(85,564)	-	(85,564)
Total support and revenue	3,035,869	2,270,533	5,306,402
Expenses			
Program service	1,335,848	-	1,335,848
General and administrative	72,544	-	72,544
Fundraising	24,450	-	24,450
Total expenses	1,432,842	-	1,432,842
Other income	762	500	1,262
Increase in net assets	1,603,789	2,271,033	3,874,822
Net assets - beginning of year	15,580,187	28,189,381	43,769,568
Net assets - end of year	<u>\$ 17,183,976</u>	<u>\$ 30,460,414</u>	<u>\$ 47,644,390</u>

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 3,124	\$ 1,227,942	\$ 1,231,066
Investment income	454,862	583,731	1,038,593
Net realized and unrealized gains on investments	(2,274,643)	(2,122,338)	(4,396,981)
Change in net present value of pledges receivable	3,124	23,709	26,833
Assets reclassified with donor restriction	4,500	(4,500)	-
Net assets released from restriction	1,235,911	(1,235,911)	-
Net unrelated business loss	(124,003)	-	(124,003)
Total support and revenue	(697,125)	(1,527,367)	(2,224,492)
Expenses			
Program service	1,368,107	-	1,368,107
General and administrative	98,500	-	98,500
Fundraising	60,372	-	60,372
Total expenses	1,526,979	-	1,526,979
Other income	21,180	-	21,180
Increase in net assets	(2,202,924)	(1,527,367)	(3,730,291)
Net assets - beginning of year	17,783,111	29,716,748	47,499,859
Net assets - end of year	<u>\$ 15,580,187</u>	<u>\$ 28,189,381</u>	<u>\$ 43,769,568</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, 2023

	Program Service	General & Administrative	Fundraising	Total
Without donor restrictions				
College support				
Academic program support	\$ 6,620	\$ -	\$ -	\$ 6,620
Alumni relations	15,091	-	-	15,091
Athletic programs	3,805	-	-	3,805
Buildings and grounds	93,144	-	-	93,144
Campus events	75,029	-	-	75,029
Capital projects	182,526	-	-	182,526
Faculty support	148,638	-	-	148,638
Grants	980	-	-	980
Scholarships and awards	608,533	-	-	608,533
Bank and credit card fees	-	2,228	-	2,228
Database maintenance and support	35,328	2,566	7,800	45,694
Depreciation expense	-	388	-	388
Donor relations and fund raising	-	-	5,562	5,562
Dues and memberships	31,554	3,818	-	35,372
Equipment and supplies	82,402	2,183	-	84,585
Insurance and bonding	-	1,737	-	1,737
Meetings and events	-	1,483	49	1,532
Professional services	-	42,576	-	42,576
Salaries and benefits supplements	52,198	15,565	11,039	78,802
Total functional expenses	<u>\$ 1,335,848</u>	<u>\$ 72,544</u>	<u>\$ 24,450</u>	<u>\$ 1,432,842</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, 2022

	Program Service	General & Administrative	Fundraising	Total
Without donor restrictions				
College support				
Academic program support	\$ 26,161	\$ -	\$ -	\$ 26,161
Alumni relations	6,217	-	-	6,217
Athletic programs	15,593	-	-	15,593
Buildings and grounds	102,912	-	-	102,912
Campus events	94,846	-	-	94,846
Capital projects	191,729	-	-	191,729
Faculty support	127,905	-	-	127,905
Grants	14,769	-	-	14,769
Scholarships and awards	569,771	-	-	569,771
Bad debt expense	25,000	-	-	25,000
Bank and credit card fees	-	(435)	-	(435)
Database maintenance and support	24,259	2,566	7,800	34,625
Depreciation expense	-	754	-	754
Donor relations and fund raising	-	-	2,014	2,014
Dues and memberships	32,273	3,515	-	35,788
Equipment and supplies	54,221	962	-	55,183
Insurance and bonding	-	14,459	-	14,459
Meetings and events	-	746	691	1,437
Professional services	-	45,731	900	46,631
Salaries and benefits supplements	82,451	30,202	48,967	161,620
Total functional expenses	<u>\$ 1,368,107</u>	<u>\$ 98,500</u>	<u>\$ 60,372</u>	<u>\$ 1,526,979</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 3,874,822	\$ (3,730,291)
Adjustment to reconcile net assets to net cash provided by (used in) operating activities		
Depreciation	69,224	71,834
Net realized and unrealized loss (gain) on investments	(3,827,746)	4,396,981
Change in operating assets and liabilities		
Unconditional promises to give	2,717,848	1,304,277
Prepaid expenses	7,943	923
Grant receivable	25,000	(75,000)
Accounts payable and accrued liabilities	385,299	31,166
Net cash provided by operating activities	<u>3,252,390</u>	<u>1,999,890</u>
Cash flows from investing activities		
Purchase of investments, net of proceeds	(3,230,265)	(1,783,926)
Purchase of property and equipment	(36,037)	(23,025)
Net cash used in investing activities	<u>(3,266,302)</u>	<u>(1,806,951)</u>
Net increase (decrease) in cash	(13,912)	192,939
Cash at beginning of year	<u>1,012,441</u>	<u>819,502</u>
Cash at end of year	<u>\$ 998,529</u>	<u>\$ 1,012,441</u>

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, 2023 AND 2022

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.

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, 2023 AND 2022

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, 2023 and 2022. 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, 2023 and 2022, 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, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donated Services

The Foundation receives various donated services ranging from fundraising to administration of the Organization. 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, 2023 and 2022, are classified as Level III investments.

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.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Strategy

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 (loss) of 11.89% and (9.06%) for the years ended December 31, 2023 and 2022, 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 \$168,063 and \$121,800 for the years ended December 31, 2023 and 2022, 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 2022 have been reclassified to conform to the current year presentation. The reclassifications have no effect on net assets for 2022.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at December 31, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 998,529	\$ 1,012,441
Investments	34,628,246	28,089,983
Alternative investments	8,178,257	7,658,509
Unconditional promises to give	129,026	2,846,874
Total financial assets	43,934,058	39,607,807
Less amounts not available to be used within one year:		
Net assets with donor restrictions	30,460,414	28,189,381
Board designated assets	136,000	136,000
Unconditional promises to give, noncurrent, without donor restrictions	18,902	27,748
	30,615,316	28,353,129
Financial assets available to meet general expenditures over the next twelve months	\$ 13,318,742	\$ 11,254,678

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, 2023 and 2022, investments consisted of the following:

	2023	2022
Equity securities	\$ 20,838,118	\$ 18,194,881
Fixed income securities	13,790,128	9,895,102
	\$ 34,628,246	\$ 28,089,983

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, 2023 AND 2022

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, 2023 and 2022, \$5,669,184 and \$5,251,796 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, 2023 AND 2022

NOTE 4 – ALTERNATIVE INVESTMENTS

For the years ended December 31, 2023 and 2022, the changes in investments classified as Level III are as follows:

	Private Investments	Hedge Funds	Total
Balance, January 1, 2023	\$ 6,529,950	\$ 1,128,559	\$ 7,658,509
Realized or unrealized gains (losses)	272,656	85,972	358,628
Purchases	578,868	-	578,868
Sales	(417,748)	-	(417,748)
Transfers in and/or out of Level III	-	-	-
Balance, December 31, 2023	<u>\$ 6,963,726</u>	<u>\$ 1,214,531</u>	<u>\$ 8,178,257</u>

	Private Investments	Hedge Funds	Total
Balance, January 1, 2022	\$ 5,654,109	\$ 1,103,041	\$ 6,757,150
Realized or unrealized gains (losses)	714,061	25,518	739,579
Purchases	809,099	-	809,099
Sales	(647,319)	-	(647,319)
Transfers in and/or out of Level III	-	-	-
Balance, December 31, 2022	<u>\$ 6,529,950</u>	<u>\$ 1,128,559</u>	<u>\$ 7,658,509</u>

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2023 and 2022, unconditional promises to give consisted of the following:

	2023	2022
Unconditional promises to give	\$ 182,500	\$ 2,907,756
Less allowance for uncollectibles	50,000	50,000
	132,500	2,857,756
Less current portion	122,500	2,715,256
Non-current portion	<u>\$ 10,000</u>	<u>\$ 142,500</u>
Less than one year	\$ 122,500	\$ 2,715,256
One to five years	10,000	142,500
	132,500	2,857,756
Less discount to present value	3,474	10,882
Total expected to be collected	<u>\$ 129,026</u>	<u>\$ 2,846,874</u>

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

The discount rate used on the long-term promises to give was 5.5% and 4.01% as of December 31, 2023 and 2022, 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, 2023 and 2022. 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.

NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2023 and 2022, property and equipment consist of the following:

	2023	2022
Land	\$ 3,080,109	\$ 3,080,109
Buildings	1,250,854	1,250,854
Computers and equipment	449,487	413,450
Automobiles	42,596	42,596
	4,823,046	4,787,009
Less accumulated depreciation	706,424	637,200
	\$ 4,116,622	\$ 4,149,809

For the years ended December 31, 2023 and 2022, depreciation expense was \$69,224 and \$71,834, 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.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7 – ENDOWMENTS

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.

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

	With Donor Restrictions
Endowment net assets as of December 31, 2022	\$ 20,257,175
Contributions	244,998
Investment returns (loss), net	2,831,226
Change in net present value of pledges receivable	1,730
Change in donor intent	25,571
Allocation of endowment earnings	(2,831,226)
Endowment net assets as of December 31, 2023	\$ 20,529,474

	With Donor Restrictions
Endowment net assets as of December 31, 2021	\$ 19,963,771
Contributions	272,956
Investment returns (loss), net	(1,538,607)
Change in net present value of pledges receivable	25,498
Change in donor intent	(5,050)
Allocation of endowment assets for expenditure	1,538,607
Endowment net assets as of December 31, 2022	\$ 20,257,175

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7 – ENDOWMENTS

As of December 31, 2023 and 2022, endowment funds consist of the following:

	2023	2022
Investments	\$ 12,307,865	\$ 10,236,955
Alternative investments	8,178,257	7,658,509
Promises to give	43,352	2,361,711
	\$ 20,529,474	\$ 20,257,175

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 October 27, 2022, 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.

Included in the amounts paid to Dalton State College are scholarships of \$608,533 and \$569,521 paid on behalf of students who are unrelated to the Foundation or the College for the years ended December 31, 2023 and 2022. 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, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022, the income and expenses related to these operations are as follows:

	2023	2022
Operating revenues	\$ 31,500	\$ 28,500
Less operating expenses	48,228	81,423
Less depreciation and amortization expense	68,836	71,080
Net unrelated business income (loss)	\$ (85,564)	\$ (124,003)

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 6, 2024, 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, 2023 and 2022, and have issued our report thereon dated August 6, 2024, 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, 2023 and 2022, 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 6, 2024

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Dalton State College Foundation	DSF Properties	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 990,279	\$ 8,250	\$ -	\$ 998,529
Investments	34,628,246	-	-	34,628,246
Alternative investments	8,178,257	-	-	8,178,257
Unconditional promises to give	72,500	-	-	72,500
Prepaid expenses	16,663	-	-	16,663
Total current assets	43,885,945	8,250	-	43,894,195
Property and equipment, net	2,981,469	1,135,153	-	4,116,622
Non-current assets				
Unconditional promises to give	56,526	-	-	56,526
Due from related party	436,983	-	(436,983)	-
Investment in subsidiary	706,420	-	(706,420)	-
Grant receivable	50,000	-	-	50,000
Total non-current assets	1,249,929	-	(1,143,403)	106,526
Total assets	\$ 48,117,343	\$ 1,143,403	\$ (1,143,403)	\$ 48,117,343
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 472,953	\$ -	\$ -	\$ 472,953
Due to related party	-	436,983	(436,983)	-
Total liabilities	472,953	436,983	(436,983)	472,953
Net assets				
Additional paid in capital	-	791,984	(791,984)	-
Without donor restrictions (retained earnings)	17,183,976	(85,564)	85,564	17,183,976
With donor restrictions	30,460,414	-	-	30,460,414
Total net assets	47,644,390	706,420	(706,420)	47,644,390
Total liabilities and net assets	\$ 48,117,343	\$ 1,143,403	\$ (1,143,403)	\$ 48,117,343

See accompanying independent auditor's report on supplementary information

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	Dalton State College Foundation	DSF Properties	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 1,003,585	\$ 8,856	\$ -	\$ 1,012,441
Investments	28,089,983	-	-	28,089,983
Alternative investments	7,658,509	-	-	7,658,509
Unconditional promises to give	2,665,256	-	-	2,665,256
Prepaid expenses	24,606	-	-	24,606
Total current assets	<u>39,441,939</u>	<u>8,856</u>	<u>-</u>	<u>39,450,795</u>
Property and equipment, net	<u>2,981,857</u>	<u>1,167,952</u>	<u>-</u>	<u>4,149,809</u>
Non-current assets				
Unconditional promises to give	181,618	-	-	181,618
Due from related party	384,824	-	(384,824)	-
Investment in subsidiary	791,984	-	(791,984)	-
Grant receivable	75,000	-	-	75,000
Total non-current assets	<u>1,433,426</u>	<u>-</u>	<u>(1,176,808)</u>	<u>256,618</u>
Total assets	<u>\$ 43,857,222</u>	<u>\$ 1,176,808</u>	<u>\$ (1,176,808)</u>	<u>\$ 43,857,222</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 87,654	\$ -	\$ -	\$ 87,654
Due to related party	-	384,824	(384,824)	-
Total liabilities	<u>87,654</u>	<u>384,824</u>	<u>(384,824)</u>	<u>87,654</u>
Net assets				
Additional paid in capital	-	915,987	(915,987)	-
Without donor restrictions (retained earnings)	15,580,187	(124,003)	124,003	15,580,187
With donor restrictions	28,189,381	-	-	28,189,381
Total net assets	<u>43,769,568</u>	<u>791,984</u>	<u>(791,984)</u>	<u>43,769,568</u>
Total liabilities and net assets	<u>\$ 43,857,222</u>	<u>\$ 1,176,808</u>	<u>\$ (1,176,808)</u>	<u>\$ 43,857,222</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, 2023 AND 2022

Operating expenses	<u>2023</u>	<u>2022</u>
Repairs & maintenance	\$ 10,088	\$ 43,128
Utilities	20,050	29,138
Insurance	9,586	8,475
Depreciation expense	68,836	71,080
Other operating expense	8,504	682
Total operating expenses	<u>\$ 117,064</u>	<u>\$ 152,503</u>

See accompanying independent auditor's report on supplementary information