# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

**VALDOSTA, GEORGIA**

**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS**

**TWO YEARS ENDED DECEMBER 31, 2020**


FH R&S

**Fowler, Holley, Rambo & Stalvey, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

VALDOSTA, GEORGIA

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Valdosta State University Foundation, Inc.
Valdosta, Georgia

We have audited the accompanying consolidated financial statements of Valdosta State University Foundation, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Valdosta State University Foundation, Inc.
Valdosta, Georgia

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Valdosta State University Foundation, Inc. as of December 31, 2020 and 2019, 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.

Fowler, Holley, Rambo & Stalvey, P.C.

Valdosta, Georgia
July 29, 2021

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### ASSETS

| | DECEMBER 31, 2020 | DECEMBER 31, 2019 |
|---|---|---|
| Current Assets: | | |
| Cash, Note 1 | $ 2,507,080 | 5,208,348 |
| Investments, Notes 1, 2 and 10 | 59,679,173 | 51,131,331 |
| Rent receivable - VSU Athletics, Note 8 | - | 261,963 |
| Prepaid expenses | 36,508 | 26,512 |
| Total Current Assets | 62,222,761 | 56,628,154 |
| Other Assets: | | |
| Cash surrender value of life insurance | 692,492 | 627,966 |
| Unconditional promises to give, restricted for permanent endowment, Notes 1 and 4 | 635,500 | 905,957 |
| Property and equipment, net, Notes 1, 5 and 6 | 6,586,763 | 6,888,792 |
| Total Other Assets | 7,914,755 | 8,422,715 |
| Total Assets | $ 70,137,516 | 65,050,869 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## LIABILITIES AND NET ASSETS

| | DECEMBER 31, 2020 | DECEMBER 31, 2019 |
|---|---|---|
| Current Liabilities: | | |
| Accounts payable | $ 54,118 | 118,984 |
| Current portion of long-term debt, Notes 6 and 7 | 437,173 | 385,248 |
| Current portion of obligations under charitable remainder trusts, Note 11 | 28,568 | 27,467 |
| Unearned revenue, Note 8 | 338,216 | - |
| Other current liabilities | 533 | 2,545 |
| Due to Valdosta State University Alumni Association, Inc., Note 8 | 133,811 | 121,458 |
| Total Current Liabilities | 992,419 | 655,702 |
| Other Liabilities: | | |
| Obligations under charitable remainder trusts, less current portion, Note 11 | 53,643 | 68,554 |
| Interest-rate swap agreements, Notes 1, 10 and 13 | 353,175 | 324,650 |
| Long-term debt, less currrent portion, Notes 6 and 7 | 3,249,111 | 3,687,289 |
| Total Other Liabilities | 3,655,929 | 4,080,493 |
| Total Liabilities | 4,648,348 | 4,736,195 |
| Net Assets, Notes 1 and 3: | | |
| Without donor restrictions | 2,965,209 | 2,918,176 |
| With donor restrictions | 62,523,959 | 57,396,498 |
| Total Net Assets | 65,489,168 | 60,314,674 |
| Total Liabilities and Net Assets | $ 70,137,516 | 65,050,869 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2020

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| Support and Revenue: | | | |
| Contributions, Note 1 | $ 175,709 | 2,273,790 | 2,449,499 |
| Ticket sales and fees | - | 150,755 | 150,755 |
| Interest and dividends | 74,996 | 1,573,243 | 1,648,239 |
| Net unrealized and realized gains (losses) on investments, Notes 1 and 15 | 213,368 | 4,028,903 | 4,242,271 |
| Rent income, Note 8 | 523,926 | - | 523,926 |
| Other revenue | - | 65,035 | 65,035 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 2,964,265 | (2,964,265) | - |
| Total Support and Revenue | 3,952,264 | 5,127,461 | 9,079,725 |
| Expenses and Other: | | | |
| Management and general | 624,084 | - | 624,084 |
| Program services | 3,151,672 | - | 3,151,672 |
| Fundraising expenses | 4,486 | - | 4,486 |
| Total Expenses | 3,780,242 | - | 3,780,242 |
| Change in fair value of interest-rate swap, Note 13 | 28,525 | - | 28,525 |
| Change in fair value of split-interest agreements | 14,468 | - | 14,468 |
| (Gain) loss on transfer of property | 81,996 | - | 81,996 |
| Total Expenses and Other | 3,905,231 | - | 3,905,231 |
| Increase in Net Assets | 47,033 | 5,127,461 | 5,174,494 |
| Net Assets, Beginning of Year | 2,918,176 | 57,396,498 | 60,314,674 |
| Net Assets, End of Year | $ 2,965,209 | 62,523,959 | 65,489,168 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| Support and Revenue: | | | |
| Contributions, Note 1 | $ 174,348 | 6,530,809 | 6,705,157 |
| Ticket sales and fees | - | 612,942 | 612,942 |
| Interest and dividends | 59,712 | 1,250,837 | 1,310,549 |
| Net unrealized and realized gains (losses) on investments, Notes 1 and 15 | 257,503 | 7,055,355 | 7,312,858 |
| Rent income, Note 8 | 523,926 | - | 523,926 |
| Other revenue | - | 67,277 | 67,277 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 4,719,428 | (4,719,428) | - |
| Total Support and Revenue | 5,734,917 | 10,797,792 | 16,532,709 |
| Expenses and Other: | | | |
| Management and general | 669,513 | - | 669,513 |
| Program services | 4,501,635 | - | 4,501,635 |
| Fundraising expenses | 11,689 | - | 11,689 |
| Total Expenses | 5,182,837 | - | 5,182,837 |
| Change in fair value of interest-rate swap, Note 13 | 24,290 | - | 24,290 |
| Change in fair value of split-interest agreements | (52,975) | - | (52,975) |
| Total Expenses and Other | 5,154,152 | - | 5,154,152 |
| Increase in Net Assets | 580,765 | 10,797,792 | 11,378,557 |
| Net Assets, Beginning of Year | 2,337,411 | 46,598,706 | 48,936,117 |
| Net Assets, End of Year | $ 2,918,176 | 57,396,498 | 60,314,674 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2020

| | | SUPPORTING SERVICES | | |
|---|---|---|---|---|
| | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING | TOTAL |
| Advertising | $ 13,508 | - | - | 13,508 |
| Awards and Sponsorships | 36,150 | - | - | 36,150 |
| Bank Charges | - | 4,966 | - | 4,966 |
| Depreciation Expense | - | 220,033 | - | 220,033 |
| Dues and Subscriptions | 11,001 | - | - | 11,001 |
| Equipment Expense | 25,522 | - | - | 25,522 |
| Gifts and Flowers | 30,441 | - | - | 30,441 |
| Gifts-In-Kind | 10,988 | - | - | 10,988 |
| Insurance | - | 72,867 | - | 72,867 |
| Interest Expense | - | 182,978 | - | 182,978 |
| Investment Fees | 6,100 | - | - | 6,100 |
| Management Fees | - | 36,476 | - | 36,476 |
| Meals and Entertainment | 135,617 | - | - | 135,617 |
| Memberships | 31,131 | - | - | 31,131 |
| Miscellaneous | 11,932 | 536 | - | 12,468 |
| Outside Services | 120,926 | - | - | 120,926 |
| Payments To or On Behalf of VSU | 947,814 | - | - | 947,814 |
| Printing and Publications | 3,066 | - | - | 3,066 |
| Professional Fees | - | 34,368 | - | 34,368 |
| Real Estate Expense | 1,283 | - | - | 1,283 |
| Registrations Expense | 15,047 | - | - | 15,047 |
| Repairs and Maintenance | 26,352 | 5,661 | - | 32,013 |
| Scholarships Expense | 1,441,491 | - | - | 1,441,491 |
| Software Support Expense | - | 15,703 | - | 15,703 |
| Supplies Expense | 245,404 | - | 4,486 | 249,890 |
| Taxes and Licenses | - | 7,816 | - | 7,816 |
| Travel and Lodging Expense | 36,424 | - | - | 36,424 |
| Utilities | 1,475 | 2,663 | - | 4,138 |
| Vehicle Expense | - | 40,017 | - | 40,017 |
| Total Functional Expenses | $ 3,151,672 | 624,084 | 4,486 | 3,780,242 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | | SUPPORTING SERVICES | | |
|---|---|---|---|---|
| | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING | TOTAL |
| Advertising | $ 17,663 | - | - | 17,663 |
| Awards and Sponsorships | 65,741 | - | - | 65,741 |
| Bank Charges | - | 11,298 | - | 11,298 |
| Depreciation Expense | - | 217,974 | - | 217,974 |
| Dues and Subscriptions | 16,363 | - | - | 16,363 |
| Equipment Expense | 14,399 | - | - | 14,399 |
| Gifts and Flowers | 57,109 | - | - | 57,109 |
| Gifts-In-Kind | 39,788 | - | - | 39,788 |
| Insurance | - | 65,766 | - | 65,766 |
| Interest Expense | - | 202,555 | - | 202,555 |
| Investment Fees | 51 | - | - | 51 |
| Management Fees | - | 27,681 | - | 27,681 |
| Meals and Entertainment | 535,516 | - | - | 535,516 |
| Memberships | 37,625 | - | - | 37,625 |
| Miscellaneous | 56,485 | 532 | - | 57,017 |
| Outside Services | 183,617 | - | - | 183,617 |
| Payments To or On Behalf of VSU | 1,205,963 | - | - | 1,205,963 |
| Printing and Publications | 8,448 | - | - | 8,448 |
| Professional Fees | - | 55,547 | - | 55,547 |
| Registrations Expense | 43,146 | - | - | 43,146 |
| Repairs and Maintenance | 92,658 | 19,065 | - | 111,723 |
| Scholarships Expense | 1,603,395 | - | - | 1,603,395 |
| Software Support Expense | - | 6,230 | - | 6,230 |
| Supplies Expense | 390,677 | - | 11,689 | 402,366 |
| Taxes and Licenses | - | 10,975 | - | 10,975 |
| Travel and Lodging Expense | 131,229 | - | - | 131,229 |
| Utilities | 1,762 | 3,516 | - | 5,278 |
| Vehicle Expense | - | 48,374 | - | 48,374 |
| Total Functional Expenses | $ 4,501,635 | 669,513 | 11,689 | 5,182,837 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | YEAR ENDED DECEMBER 31, 2020 | 2019 |
|---|---|---|
| Cash Flows From Operating Activities: | | |
| Increase in net assets | $ 5,174,494 | 11,378,557 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 220,033 | 217,974 |
| Amortization of debt issuance costs | 6,290 | 6,290 |
| Change in fair value of interest-rate swap | 28,525 | 24,290 |
| Net realized and unrealized (gains) losses on investments | (4,242,271) | (7,312,858) |
| Transfer of property to Board of Regents | 81,996 | - |
| Restricted for long-term purposes: | | |
| Permanently restricted contributions | (443,236) | (4,543,599) |
| Investment and other income restricted for reinvestment | (1,240,299) | (986,048) |
| Change in operating assets and liabilities: | | |
| (Increase) Decrease in prepaid expenses | (9,996) | (8,774) |
| (Increase) Decrease in rent receivable | 261,963 | (261,963) |
| (Increase) Decrease in related party due to/from | 12,353 | 18,004 |
| (Increase) Decrease in unconditional promises to give | 270,457 | (41,894) |
| Increase (Decrease) in accounts payable | (64,866) | 21,175 |
| Increase (Decrease) in obligations under charitable remainder trusts | (13,810) | (89,687) |
| Increase (Decrease) in unearned revenue | 338,216 | (261,963) |
| Increase (Decrease) in other liabilities | (2,012) | 2,476 |
| Net Cash Provided (Used) By Operating Activities | 377,837 | (1,838,020) |
| | | |
| Cash Flows From Investing Activities: | | |
| (Increase) Decrease in cash surrender value of life insurance | (64,526) | (111,229) |
| Proceeds from the sale/maturity of investment securities | 24,376,345 | 27,752,192 |
| Purchase of property and equipment | - | (30,879) |
| Purchase of investment securities | (28,681,916) | (29,501,907) |
| Net Cash Provided (Used) By Investing Activities | (4,370,097) | (1,891,823) |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

## VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | **2020** | **2019** |
| Cash Flows From Financing Activities: | | |
| Proceeds from contributions restricted for long-term purposes | 443,236 | 4,543,599 |
| Proceeds from investment and other income restricted for reinvestment | 1,240,299 | 986,048 |
| Principal payments on long-term debt | (392,543) | (376,992) |
| Net Cash Provided (Used) By Financing Activities | 1,290,992 | 5,152,655 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,701,268) | 1,422,812 |
| Cash and Cash Equivalents at Beginning of Year | 5,208,348 | 3,785,536 |
| Cash and Cash Equivalents at End of Year | $ 2,507,080 | 5,208,348 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Net cash paid during the year for interest | $ 176,688 | 196,265 |

**NOTE: The accompanying notes to consolidated financial statements are an integral part of this statement.**

**VALDOSTA STATE UNIVERSITY FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies**

Organization and nature of activities: Valdosta State University Foundation, Inc. (the Foundation) is a not-for-profit foundation that was founded May 30, 1963 to receive and administer contributions for the support of the academic programs of Valdosta State University (the University). The University is governed by the Board of Regents of the University System of Georgia (the Board of Regents), and the Foundation is governed by a Board of Trustees (the Trustees). The purpose of the Foundation is to support the development of educational excellence at Valdosta State University. The Foundation's primary efforts are directed toward attracting, receiving, investing, managing, and expending gifts and other resources designated for educational programs at the University, and toward providing financial support to the University for scholarships, faculty salary supplements, awards and lectureships, travel, research, and other institutional programs.

Principles of consolidation: The accompanying consolidated financial statements reflect the consolidated results of the Foundation, VSU Foundation Real Estate I, LLC, and VSU Foundation Real Estate II, LLC. All significant inter-company transactions and accounts have been eliminated.

Donated assets: Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Cash and cash equivalents: For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, 2020 and 2019, the Foundation had no cash equivalents that were included in cash.

Financial statement presentation and accounting for contributions received: The financial statement presentation is in conformity with the requirements of the Financial Accounting Standards Board in FASB ASC 958. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, and include a statement of cash flows and a statement of functional expenses. Under FASB ASC 958, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Promises to give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2020 and 2019, the Organization had outstanding uncollected contributions that were, in substance, unconditional, in the amounts of $635,500 and $905,957, respectively. These amounts were net of an allowance for uncollectible promises receivable in the amounts of $98,982 and $133,208 at December 31, 2020 and 2019, respectively.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent 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.

Property and equipment: The Organization follows the policy of capitalizing property and equipment over $750; lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such 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 these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives depending on the nature and utility of the individual assets.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Realized gains and losses are computed using the specific-identification method. Real estate investments without readily determinable fair values are stated at cost (or fair value at the time of donation if acquired by gift).

Contributed services: No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. Any other such donated services are considered to be for the benefit of Valdosta State University.

Collections: The Organization follows the policy of capitalizing its collections. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date (the date on which the item is accepted by the Acquisitions Committee of the Board of Trustees). Gains or losses on the deaccession of collection items are classified on the statement of activities as without donor restrictions or with donor restrictions depending on the nature of donor restrictions, if any, placed on the item at the time of accession.

Intangible assets: Deferred bond issue costs consist of a discount in the amount of $37,500 and professional fees in the amount of $87,243, and result from the issuance of bonds in 2007. The issue costs of $124,743 are being amortized over the life of the bonds. Amortization expense totaled $6,290 and $6,290 for the years ended December 31, 2020 and 2019, respectively. In accordance with FASB ASC 835-30, the unamortized debt issuance costs are reflected in the Foundation's financial statements as a direct reduction of the related indebtedness.

Concentrations of credit risk: At various times, the Organization may have cash deposits in excess of federally insured limits deposited in financial institutions. The Organization has not experienced any losses from cash deposits exceeding federally insured limits.

Accounting for uncertainty in income taxes: The Organization evaluates any income tax benefits generated from uncertain tax positions using a more-likely-than-not of being sustained upon examination analysis. If a tax benefit is not more-likely-than-not of being sustained upon examination, the Organization records a liability for the recognized income tax benefit. The Organization recognizes accrued interest associated with uncertain tax positions as part of interest expense and penalties associated with uncertain tax positions as part of other expenses.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Interest-rate swap agreements: The differential to be paid or received on interest-rate swap agreements is accrued as interest rates change and is recognized over the life of the agreements.

Advertising costs: The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was $13,508 and $17,663 for the years ended December 31, 2020 and 2019, respectively.

Impairment: The Foundation regularly evaluates whether events and circumstances have occurred that indicate the carrying amount of real property, and furniture, fixtures, and equipment may warrant revision or may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, the Foundation assesses the potential impairment by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded, based on quoted market values, discounted cash flows, or external appraisals, as applicable. In addition, the Foundation regularly evaluates whether events and circumstances have occurred that indicate the useful lives of long-lived assets may warrant revision.

Cost allocation: The financial statements may report certain categories of expenses that are attributable to more than one program or supporting function. When such expenses are incurred, they require allocation on a reasonable basis that is consistently applied. Certain management and general expenses are allocated to program services based on reasonable estimates derived by management.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities (ASU 2016-01)*. This ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost, such as long-term debt. The Foundation implemented the provisions of ASU 2016-01 during the year 2019, but the implementation did not have a material effect on the Foundation's financial statements.

In May of 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended by subsequent ASUs (collectively, ASC 606). ASC 606 amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, based on the expected consideration to be received in exchange for those goods or services. The Foundation's revenues are primarily composed of contributions and earnings related to its investment portfolio (interest income, dividend income, and realized and unrealized gains and losses on investments). The scope of the new revenue recognition guidance explicitly excludes interest and dividend income and revenue for financial assets and liabilities including loans, leases, securities, and derivatives. Also, the Foundation's contributions revenue falls under the guidance of ASU 2018-08. Accordingly, the majority of the Foundation's revenues are outside the scope of the new guidance. The ASU was to have become effective for years beginning after December 15, 2018; however, as a result of the COVID-19 pandemic in early 2020, the implementation date was postponed by the FASB and became effective beginning January 1, 2020. The Foundation implemented the provisions of ASU 2014-09 during the year 2020, but the implementation did not have a material effect on the Foundation's financial statements.

## Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Standard Pending Implementation:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) (ASU 2016-02)*. The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU, as extended, is effective for all business entities for fiscal years beginning after December 15, 2021, and will be implemented during the year 2022. Management does not expect it to have a material effect on the Foundation's financial statements.

## Note 2 - Investments

Investments consist of the following:

| | DECEMBER 31, 2020 | | |
|---|---|---|---|
| | COST | MARKET VALUE | UNREALIZED APPRECIATION (DEPRECIATION) |
| Money market and mutual funds | $ 10,676,771 | 11,673,018 | 996,247 |
| Equity securities | 26,920,239 | 35,642,186 | 8,721,947 |
| Corporate debt securities | 7,199,787 | 7,579,712 | 379,925 |
| Mortgage-backed securities | 351,239 | 369,889 | 18,650 |
| U.S. Gov't corps and agencies | 4,130,830 | 4,414,368 | 283,538 |
| | $ 49,278,866 | 59,679,173 | 10,400,307 |

| | DECEMBER 31, 2019 | | |
|---|---|---|---|
| | COST | MARKET VALUE | UNREALIZED APPRECIATION (DEPRECIATION) |
| Money market and mutual funds | $ 11,865,489 | 12,446,256 | 580,767 |
| Equity securities | 22,041,266 | 27,361,184 | 5,319,918 |
| Corporate debt securities | 6,291,753 | 6,459,619 | 167,866 |
| Mortgage-backed securities | 481,867 | 489,934 | 8,067 |
| U.S. Gov't corps and agencies | 4,267,206 | 4,374,338 | 107,132 |
| | $ 44,947,581 | 51,131,331 | 6,183,750 |

**Note 2 – Investments (Continued)**

The following schedules summarize the investments' returns and their classification in the consolidated statement of activities for the years ended December 31, 2020 and 2019:

| | FOR THE YEAR ENDED DECEMBER 31, 2020 | | |
|---|---|---|---|
| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
| Interest and dividends | $ 74,996 | 1,573,243 | 1,648,239 |
| Net unrealized and realized gains (losses) on investments | 213,368 | 4,028,903 | 4,242,271 |
| | $ 288,364 | 5,602,146 | 5,890,510 |

| | FOR THE YEAR ENDED DECEMBER 31, 2019 | | |
|---|---|---|---|
| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
| Interest and dividends | $ 59,712 | 1,250,837 | 1,310,549 |
| Net unrealized and realized gains (losses) on investments | 257,503 | 7,055,355 | 7,312,858 |
| | $ 317,215 | 8,306,192 | 8,623,407 |

Investments are carried at market values as of year end. These valuations are subject to market fluctuations and other factors and may differ from the ultimate realizable value of the investments, and these differences may be material.

**Note 3 – Restrictions on Net Assets**

In August 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 958-205 (formerly Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds"). FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date if the donor-restricted endowment funds do not include explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted (a) the original value of gifts donated to a permanent endowment fund, (b) the original value of the subsequent gifts to a permanent endowment fund, and (c) accumulations to a permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the non-restricted endowment fund that is not classified as donor restricted net assets is classified as net assets without donor restrictions.

**Note 3 – Restrictions on Net Assets (Continued)**

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies*: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. The Organization engages the services of professional investment advisors to assist in monitoring compliance with its policies in this area.

*Spending Policy*: The current spending policy is based upon an allocation of 100% of the realized and unrealized income earned as available for current and future expenditures, except where restricted by the donor. However, spending is limited to reasonable and necessary expenses for program, management, general and fundraising.

*Management, Reporting and Monitoring*: Endowment and other funds are managed by the Organization through management and the Board of Trustees, with the assistance of professional investment advisors. Investment results are compared to certain predetermined benchmarks.

Net assets with donor restrictions are available for the following purposes:

| | DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| Scholarship programs | $ 39,542,397 | 36,079,751 |
| University department programs | 5,873,032 | 5,254,146 |
| Buildings and equipment | 2,339,043 | 2,202,846 |
| Pizer Chair political science salary support | 590,916 | 547,296 |
| Langdale College of Business Administration | 14,178,571 | 13,312,459 |
| | $ 62,523,959 | 57,396,498 |

**Note 4 – Unconditional Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending upon the form of benefit received. A valuation allowance is recorded to discount the value of the gift to its net present value based on a discount rate of 3.25%.

## Note 4 – Unconditional Promises to Give (Continued)

Outstanding promises to give and the related valuation allowance at December 31, 2020 and 2019 were as follows:

| | DECEMBER 31, 2020 | DECEMBER 31, 2019 |
|---|---|---|
| Unconditional promises to give | $ 989,821 | 1,332,080 |
| Less: Discounts to net present value | (255,339) | (292,915) |
| | 734,482 | 1,039,165 |
| Less: Allowance for uncollectible promises | (98,982) | (133,208) |
| | $ 635,500 | 905,957 |
| The unconditional promises were estimated to be due as follows: | | |
| Less than one year | $ 311,395 | 443,918 |
| One to five years | 324,105 | 462,039 |
| | $ 635,500 | 905,957 |

## Note 5 – Property and Equipment

Property and equipment are summarized as follows:

| | DECEMBER 31, 2020 | | | | DECEMBER 31, 2019 |
|---|---|---|---|---|---|
| | LAND | DEPRECIABLE PROPERTY | ACCUMULATED DEPRECIATION | NET BOOK VALUE | NET BOOK VALUE |
| Vehicles: | | | | | |
| 2016 GMC Yukon | $ - | 31,185 | (14,553) | 16,632 | 22,869 |
| 2017 Ford Expedition | - | 30,879 | (10,293) | 20,586 | 26,762 |
| Total Vehicles | - | 62,064 | (24,846) | 37,218 | 49,631 |
| Land, Buildings & Equipment: | | | | | |
| 111 W. Brookwood | 40,000 | 121,497 | (52,154) | 109,343 | 109,343 |
| 103 W. Moore | 71,250 | 214,312 | (91,549) | 194,013 | 194,013 |
| 112 Georgia Avenue | - | - | - | - | 81,996 |
| 1508 N. Oak Street | 24,713 | 125,952 | - | 150,665 | 150,665 |
| Holland Property | 20,000 | - | - | 20,000 | 20,000 |
| Howard Property | 5,000 | - | - | 5,000 | 5,000 |
| Lilly Street - 2 Lots | 5,000 | - | - | 5,000 | 5,000 |
| 50 & 52 Lilly Street | 60,000 | - | - | 60,000 | 60,000 |
| 622 Lilly Street | 30,000 | - | - | 30,000 | 30,000 |
| 626 Lilly Street (Wright) | 35,000 | - | - | 35,000 | 35,000 |
| 1104 & 1106 West Street | 60,000 | - | - | 60,000 | 60,000 |
| Plowden Field Property | 224,000 | - | - | 224,000 | 224,000 |
| Corbitt Subdivision Lots | 6,620 | - | - | 6,620 | 6,620 |
| W. Mary Street - 2.293 acres | 125,000 | - | - | 125,000 | 125,000 |
| Stump Property | 71,300 | - | - | 71,300 | 71,300 |
| Athletic Fieldhouse Facility | - | 5,536,699 | (1,661,010) | 3,875,689 | 4,014,107 |
| Athletic Practice Fields | 1,158,880 | 1,059,156 | (640,121) | 1,577,915 | 1,647,117 |
| Total Land, Bldgs & Equip. | 1,936,763 | 7,057,616 | (2,444,834) | 6,549,545 | 6,839,161 |
| Total Property & Equipment | $ 1,936,763 | 7,119,680 | (2,469,680) | 6,586,763 | 6,888,792 |

**Note 5 – Property and Equipment (Continued)**

Depreciation expense totaled $220,033 and $217,974 for the years ended December 31, 2020 and 2019, respectively.

Depreciable assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Vehicles | 5 years |
| Residential rental properties | 27.5 years |
| Non-residential buildings | 40 years |
| Well and landscaping | 15 years |
| Synthetic practice field | 10 years |
| Fencing and goal posts | 10 years |

**Note 6 – Long-Term Debt**

Long-term indebtedness consists of the following:

| | DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| Bond payable, issued in 2007, discussed in Note 8 below. | $ 2,794,083 | 3,110,634 |
| Note payable to First State Bank, payable in monthly installments of $9,651.61, including interest at the fixed rate of 4.25% through October 4, 2021, at which time the rate is to be renegotiated for the subsequent five-year period. The note is unsecured and matures in September 2030. | 918,408 | 989,152 |
| Note payable to Southeast Toyota Finance, payable in 60 monthly installments of $517.69, including interest at the fixed rate of 5.20%, matures August 20, 2023, secured by 2016 GMC Yukon. | 15,720 | 20,968 |
| Total long-term debt | 3,728,211 | 4,120,754 |
| Less: Unamortized debt issuance costs | (41,927) | (48,217) |
| Long-term debt, less unamortized debt issuance costs | 3,686,284 | 4,072,537 |
| Less: Current Portion | (437,173) | (385,248) |
| Long-Term Portion | $ 3,249,111 | 3,687,289 |

In accordance with ASU 2015-03, unamortized debt issuance costs are to be presented as a direct reduction of the carrying amount of the related debt, rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the consolidated statements of activities.

**Note 6 – Long-Term Debt (Continued)**

At December 31, 2020, future maturities of long-term debt were as follows:

| YEAR ENDING DECEMBER 31, | | |
|---|---|---|
| 2021 | $ | 437,173 |
| 2022 | | 444,113 |
| 2023 | | 450,648 |
| 2024 | | 454,474 |
| 2025 | | 462,886 |
| Thereafter | | 1,478,917 |
| | $ | 3,728,211 |

**Note 7 – Athletic Facility Revenue Bonds**

In November 2007, the Development Authority of Lowndes County (the Authority) issued $5,800,000 of Series 2007 First Mortgage Revenue Bonds (the 2007 Bond). The Authority then loaned the proceeds to the Foundation. The proceeds of the 2007 Bond are to be used (1) to finance the costs of acquisition, construction, renovation and installation of various-purpose educational facilities to be rented by the borrower to the Board of Regents of the University System of Georgia, (2) to fund interest during the construction period, and (3) to pay costs of the Bond issuance.

The 2007 Bond is the only bond of an authorized issue limited in original principal amount of $5,800,000 and is payable from and secured by a lien upon certain leasehold deeds to secure debt and certain pledged revenues and assignment of rents and leases. The 2007 Bond consists of a 20-year bond in the amount of $5,800,000, maturing on September 1, 2028, and is subject to optional, mandatory and extraordinary redemption prior to the stated maturity. The Bond bears interest at a variable rate equal to the sum of (i) 61.1% of LIBOR, plus (ii) 115 basis points. During the first year after the Bond issuance, interest only was due monthly. Then, beginning November 1, 2008, principal and interest became due monthly.

The 2007 Bond was issued at a discount of $37,500, and the Foundation incurred issuance costs in the amount of $87,243. The total of these costs, $124,743, is being amortized over the term of the Bond. Amortization expense totaled $6,290 and $6,290 for the years ended December 31, 2020 and 2019, respectively.

The bond issue is underwritten and administered by Bank of America. Under the terms of the agreement with Bank of America, there is a "Minimum Rent Coverage" calculation in which the rents received by the Foundation from the Board of Regents of the University System of Georgia in relation to the athletic facilities will be compared to the debt service (which includes principal, interest, and swap payments) of the 2007 Revenue Bonds on an annual basis. The amount of rent received divided by the debt service must equal or exceed a ratio of one-to-one. At December 31, 2020 and 2019, the Foundation was in compliance with this arrangement.

**Note 7 – Athletic Facility Revenue Bonds (Continued)**

The following table represents the mandatory principal redemptions on the 2007 Bond as of December 31, 2020:

| YEAR ENDING DECEMBER 31, | | |
|---|---|---|
| 2021 | $ | 353,673 |
| 2022 | | 356,604 |
| 2023 | | 361,051 |
| 2024 | | 365,553 |
| 2025 | | 370,112 |
| Thereafter | | 987,090 |
| | $ | 2,794,083 |

**Note 8 – Related-Party Transactions**

Because of the existence of common trustees, shared expenses, and other factors, Valdosta State University Foundation, Inc., Valdosta State University (the University) VSU Auxiliary Services Real Estate Foundation (Auxiliary Services), and Valdosta State University Alumni Association (Alumni Association) are related parties.

Direct contributions made by the Foundation to the University, or on its behalf, during the years ended December 31, 2020 and 2019 were as follows:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2020 | | 2019 |
| Scholarships | $ | 1,441,491 | 1,603,395 |
| Various Programs | | 947,814 | 1,205,963 |
| Total | $ | 2,389,305 | 2,809,358 |

The Foundation leases certain property, which has a total carrying value of $5,453,604 and $5,661,224 as of December 31, 2020 and 2019, respectively, to the University. Rent income from the University totaled $523,926 and $523,926 for the years ended December 31, 2020 and 2019, respectively, related to this property. The lease agreement expires annually on June 30, and provides for renewal terms. The Foundation anticipates the lease will be renewed upon the next lease expiration date. Included in the consolidated statements of financial position at December 31, 2020 and 2019 was $261,963 unearned and $261,963 receivable, respectively, attributable to the lease.

The Foundation periodically purchases and transfers or sells property to the Board of Regents. In January 2020, a property was transferred from the Foundation to the Board of Regents resulting in a loss on transfer of $81,996. In November 2020, the Foundation purchased property adjacent to the campus for a total of $803,718, and sold to the Board of Regents for $694,971. The difference in the purchase price and the sale price of $108,747 was offset by a contribution from the VSU Auxiliary Services Real Estate Foundation in the amount of $185,000, a portion of which was used to effectively make the property transaction a net-zero transaction for the Foundation. An additional property was to be purchased and sold at the end of 2020, but the transaction did not occur until 2021. The portion of the Auxiliary Services Real Estate Foundation contribution that was not utilized in the above transaction, in the amount of $76,253, was deferred at December 31, 2020 and is included in Unearned Revenue, and will be utilized to make the 2021 property transfer to the Board of Regents an additional net-zero transaction for the Foundation.

## Note 8 – Related-Party Transactions (Continued)

Trustees of the Foundation made gifts of $262,275 and $273,163 for the years ended December 31, 2020 and 2019, respectively.

Valdosta State University provides the Foundation with certain services of an administrative nature including purchasing, payroll processing, and the use of office space. Also, the University pays the salaries of all Foundation employees. The Foundation does not reimburse the University for all of these services or benefits.

The Foundation provides investment management services to the VSU Alumni Association for a fee of up to 1.5% of the three-year average Alumni endowment accounts. The investment fees attributable to the Alumni Association were $1,363 and $1,363 for the years ended December 31, 2020 and 2019, respectively. The liabilities due to the VSU Alumni Association in the amounts of $133,811 and $121,458 at December 31, 2020 and 2019, respectively, represent the Alumni endowment investments held and managed on behalf of the Alumni Association.

## Note 9 – Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as a nonprofit organization described in IRC Section 501(c)(3). The Internal Revenue Service has determined that the Foundation is not a private foundation under Section 509(a) of the IRC. The Foundation is subject to federal income tax on unrelated business income.

For the years ended December 31, 2020 and 2019, management believes there are no material amounts of uncertain tax positions. Additionally, there were no amounts of interest or penalties recognized in the statements of financial position as of December 31, 2020 and 2019 or the statements of activities for the years then ended. Further, the Organization's Forms 990, Return of Organization Exempt from Income Tax, for all years subsequent to 2017 remain subject to examination by the IRS, generally for three years after they were filed.

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## Note 10 - Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provided the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

| | |
|---|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include:<br><br>• quoted prices for similar assets or liabilities in active markets;<br>• quoted prices for identical or similar assets or liabilities in inactive markets;<br>• inputs other than quoted prices that are observable for the asset or liability;<br>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br><br>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

*Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds*: Valued at the net asset value (NAV) of shares held by the Foundation at year end.

*Corporate bonds, mortgage-backed securities, and U.S. government securities*: Valued at the closing price reported on the active market for similar assets or liabilities, or at quoted prices for identical or similar assets or liabilities in inactive markets.

**Note 10 - Fair Value Measurements (Continued)**

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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of December 31, 2020 and 2019:

| | ASSETS AND LIABILITIES AT FAIR VALUE AS OF DECEMBER 31, 2020 | | | |
|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
| Mutual Funds: | | | | |
| Balanced funds | $ 3,537,022 | - | - | 3,537,022 |
| Blended funds | 1,388,900 | - | - | 1,388,900 |
| Fixed income funds | 6,519,140 | - | - | 6,519,140 |
| Real estate investment trust funds | 227,956 | - | - | 227,956 |
| Total Mutual Funds | 11,673,018 | - | - | 11,673,018 |
| Equity Securities: | | | | |
| Corporate stocks | 35,642,186 | - | - | 35,642,186 |
| Total Equity Securities | 35,642,186 | - | - | 35,642,186 |
| Other Investments: | | | | |
| Corporate debt securities | - | 7,579,712 | - | 7,579,712 |
| Mortgage-backed securities | - | 369,889 | - | 369,889 |
| U.S. Gov't corps and agencies | - | 4,414,368 | - | 4,414,368 |
| Total Other Investments | - | 12,363,969 | - | 12,363,969 |
| Total Assets at Fair Value | $ 47,315,204 | 12,363,969 | - | 59,679,173 |
| Interest-rate swap agreement | $ - | 353,175 | - | 353,175 |

**Note 10 - Fair Value Measurements (Continued)**

| | ASSETS AND LIABILITIES AT FAIR VALUE AS OF DECEMBER 31, 2019 | | | |
|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
| Mutual Funds: | | | | |
| Balanced funds | $ 4,720,117 | - | - | 4,720,117 |
| Blended funds | 1,150,573 | - | - | 1,150,573 |
| Fixed income funds | 4,491,982 | - | - | 4,491,982 |
| Real estate investment trust funds | 2,083,584 | - | - | 2,083,584 |
| Total Mutual Funds | 12,446,256 | - | - | 12,446,256 |
| Equity Securities: | | | | |
| Corporate stocks | 27,361,184 | - | - | 27,361,184 |
| Total Equity Securities | 27,361,184 | - | - | 27,361,184 |
| Other Investments: | | | | |
| Corporate debt securities | - | 6,459,619 | - | 6,459,619 |
| Mortgage-backed securities | - | 489,934 | - | 489,934 |
| U.S. Gov't corps and agencies | - | 4,374,338 | - | 4,374,338 |
| Total Other Investments | - | 11,323,891 | - | 11,323,891 |
| Total Assets at Fair Value | $ 39,807,440 | 11,323,891 | - | 51,131,331 |
| Interest-rate swap agreement | $ - | 324,650 | - | 324,650 |

**Note 11 – Life-Income Agreements**

The Foundation is trustee and beneficiary of seven life-income agreements at December 31, 2020 and 2019. A life-income agreement provides for the payment of distributions to the grantor or other designated beneficiaries over the term of the agreement. At the end of the term, the remaining assets are available for the Foundation’s use. The assets of the agreements are recorded at fair value. The Foundation’s obligations to the donors, or their designated beneficiaries, is recorded at the present value of the estimated future payments to be distributed over the donor’s expected lives, using applicable federal rates for annuities and applicable mortality tables. The portion of the agreement attributable to the present value of the future benefits to be received by the Foundation is recorded in the Consolidated Statements of Activities as contributions with donor restrictions in the period the agreement is established. There were no such new agreements established during the years ended December 31, 2020 and 2019. Balances of the trusts at December 31, 2020 and 2019 were as follows:

| | DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| Trust assets | $ 198,779 | 296,924 |
| Obligations to donors | (82,211) | (96,021) |
| Net Assets of Life Income Agreements | $ 116,568 | 200,903 |

Net assets of the trusts are classified in the Consolidated Statements of Financial Position as net assets with donor restrictions.

## Note 12 – Revenue Recognition

Following is a disaggregation of revenue for the years ending December 31, 2020 and 2019, detailing which revenue line items fall within and outside of the scope of FASB ASC 606. No adjustments to revenue accounts were needed as a result of implementing the new guidance.

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| In Scope of FASB ASC 606: | | |
| Ticket sales and fees | $ 150,755 | 612,942 |
| Rent income | 523,926 | 523,926 |
| Other revenue | 65,035 | 67,277 |
| Out of Scope of FASB ASC 606: | | |
| Contributions | 2,449,499 | 6,705,157 |
| Interest and dividends | 1,648,239 | 1,310,549 |
| Net unrealized and realized gains (losses) on investments | 4,242,271 | 7,312,858 |
| | $ 9,079,725 | 16,532,709 |

## Note 13 – Interest-Rate Swaps

On January 1, 2001, the Foundation adopted FASB ASC 815, formerly SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. FASB ASC 815 establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the Consolidated Statements of Financial Position as either an asset or liability measured at its fair value. It also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

On October 2, 2007, the Foundation entered into an interest-rate swap agreement relating to the Athletic Facility Revenue Bond in the notional principle amount of $5,800,000. The interest-rate swap agreement provides that the Foundation will make monthly interest payments at the fixed rate of 4.49%, and requires the hedge provider to make monthly interest payments at a variable rate equal to the sum of (i) 61.1% of LIBOR, plus (ii) 115 basis points. The hedge has an effective date of October 1, 2009 and a termination date of September 1, 2028.

The swap was issued at market terms so that there was no related asset or liability regarding its fair value at inception. Since inception, the carrying amount of the swap has been adjusted to its fair value at the end of each subsequent year, which, because of changes in forecasted levels of LIBOR resulted in reporting a liability for the fair value of the future net payments forecasted under the swap. The fair value of the interest-rate swap created liabilities of $353,175 and $324,650 at December 31, 2020 and 2019, respectively. In addition, the accompanying Consolidated Statements of Activities include additional income (expense) for the decreases (increases) in the liabilities associated with the fair value of the interest-rate swap in the amounts of ($28,526) and ($24,290) for the years ended December 31, 2020 and 2019, respectively. The Foundation is exposed to credit loss in the event of nonperformance by the hedge provider to the interest-rate swap agreement. However, the Foundation does not anticipate such nonperformance by the counter-party.

## Note 14 – Functional Classification of Expenses

Expenses by function for the years ended December 31, 2020 and 2019 were as follows:

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| Program Services: | | |
| Education excellence | $ 3,151,672 | 4,501,635 |
| Supporting Services: | | |
| Management and general | 624,084 | 669,513 |
| Fundraising | 4,486 | 11,689 |
| Total Expenses | $ 3,780,242 | 5,182,837 |

## Note 15 – Investment Fees

Gains and losses reported in the accompanying Consolidated Statements of Activities are net of investment fees of $258,378 and $228,847 for the years ended December 31, 2020 and 2019, respectively. The investment fees were deducted as follows:

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| Investment fees deducted from net assets with donor restrictions | $ 257,041 | 227,663 |
| Investment fees deducted from net assets without donor restrictions | 1,337 | 1,184 |
| | $ 258,378 | 228,847 |

## Note 16 – Interest Expense

The Foundation incurred interest costs for the years ended December 31, 2020 and 2019 as follows:

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | 2020 | 2019 |
| Interest costs capitalized | $ - | - |
| Interest costs charged to expense | 182,978 | 202,555 |
| Total Interest Expense Incurred | $ 182,978 | 202,555 |

## Note 17 – Operating Leases

At December 31, 2020, the Foundation was obligated under operating leases for various vehicles for use by the coaching staff of the University Athletics Department, with total monthly lease payments of $2,355. Rent expense under these operating leases was $40,017 and $48,374 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments under these leases as of December 31, 2020 are as follows:

| YEAR ENDING DECEMBER 31, | |
|---|---|
| 2021 | $ 25,200 |
| 2022 | 9,180 |

## Note 18 – Liquidity and Availability of Financial Assets

The following represents the Foundation's financial assets as of December 31, 2020, reduced by amounts not expected to be available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

| | |
|---|---|
| Financial assets at year end: | |
| Unrestricted cash and cash equivalents | $ 2,507,080 |
| Investments | 59,679,173 |
| Cash surrender value of life insurance | 692,492 |
| Unconditional promises to give | 635,500 |
| Total financial assets | 63,514,245 |
| Less amounts not available to be used within one year, due to: | |
| Current portion of long-term debt | 437,173 |
| Current portion of obligations under charitable remainder trusts | 28,568 |
| Estimated non-current portion of unconditional promises to give | 324,105 |
| Net assets with donor restrictions | 62,523,959 |
| Less net assets with purpose-restrictions expected to be met in less than a year | (2,964,000) |
| | 60,349,805 |
| Financial assets expected to be available to meet cash needs for general expenditures within one year | $ 3,164,440 |

As part of the Foundation's liquidity management, it has the policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, from time to time, the Foundation invests excess cash in short-term investments, including money market accounts and certificates of deposit, at the Board's discretion.

## Note 19 – Subsequent Events

Subsequent events: The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 29, 2021, the date on which the financial statements were available to be issued.

# INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
Valdosta State University Foundation, Inc.
Valdosta, Georgia

We have audited the consolidated financial statements of Valdosta State University Foundation, Inc. as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated July 29, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Statement of Financial Position, Consolidating Statement of Activities, and Consolidated Comparative Schedules of Revenues and Expenses are presented for purposes of additional analysis and are not a required part of the 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 other 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.

Fowler, Holley, Rambo & Stalvey, P.C.

Valdosta, Georgia
July 29, 2021

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.
## CONSOLIDATING STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2020

### ASSETS

| | VSU FOUNDATION INC. | VSU FOUNDATION REAL ESTATE I, LLC | VSU FOUNDATION REAL ESTATE II, LLC | TOTALS | ELIMINATING ENTRIES | CONSOLIDATED TOTALS |
|---|---|---|---|---|---|---|
| Current Assets: | | | | | | |
| Cash | $ 2,322,415 | - | 184,665 | 2,507,080 | - | 2,507,080 |
| Investments | 59,679,173 | - | - | 59,679,173 | - | 59,679,173 |
| Rent receivable - VSU Athletics | - | - | - | - | - | - |
| Due from related parties | 49,753 | - | - | 49,753 | (49,753) | - |
| Prepaid expenses | 36,508 | - | - | 36,508 | - | 36,508 |
| Total Current Assets | 62,087,849 | - | 184,665 | 62,272,514 | (49,753) | 62,222,761 |
| Other Assets: | | | | | | |
| CSV of life insurance | 692,492 | - | - | 692,492 | - | 692,492 |
| Unconditional promises to give permanently restricted | 635,500 | - | - | 635,500 | - | 635,500 |
| Investment in subsidiaries | 588,933 | - | - | 588,933 | (588,933) | - |
| Property and equipment, net | 6,132,742 | 150,665 | 303,356 | 6,586,763 | - | 6,586,763 |
| Total Other Assets | 8,049,667 | 150,665 | 303,356 | 8,503,688 | (588,933) | 7,914,755 |
| Total Assets | $ 70,137,516 | 150,665 | 488,021 | 70,776,202 | (638,686) | 70,137,516 |

**NOTE: See Independent Auditor's Report on Supplementary Information.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.
## CONSOLIDATING STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2020

### LIABILITIES AND NET ASSETS

| | VSU FOUNDATION INC. | VSU FOUNDATION REAL ESTATE I, LLC | VSU FOUNDATION REAL ESTATE II, LLC | TOTALS | ELIMINATING ENTRIES | CONSOLIDATED TOTALS |
|---|---|---|---|---|---|---|
| Current Liabilities: | | | | | | |
| Accounts payable | $ 54,118 | - | - | 54,118 | - | 54,118 |
| Current portion of long-term debt | 437,173 | - | - | 437,173 | - | 437,173 |
| Current portion of char. rem. trust oblig. | 28,568 | - | - | 28,568 | - | 28,568 |
| Unearned revenue | 338,216 | - | - | 338,216 | - | 338,216 |
| Other current liabilities | 533 | - | - | 533 | - | 533 |
| Due to related parties | - | 14,734 | 35,019 | 49,753 | (49,753) | - |
| Due to VSU Alumni Assoc., Inc. | 133,811 | - | - | 133,811 | - | 133,811 |
| Total Current Liabilities | 992,419 | 14,734 | 35,019 | 1,042,172 | (49,753) | 992,419 |
| Other Liabilities: | | | | | | |
| Obligations under char. rem. trusts | 53,643 | - | - | 53,643 | - | 53,643 |
| Interest-rate swap agreements | 353,175 | - | - | 353,175 | - | 353,175 |
| Long-term debt, less current portion | 3,249,111 | - | - | 3,249,111 | - | 3,249,111 |
| Total Other Liabilities | 3,655,929 | - | - | 3,655,929 | - | 3,655,929 |
| Total Liabilities | 4,648,348 | 14,734 | 35,019 | 4,698,101 | (49,753) | 4,648,348 |
| Net Assets: | | | | | | |
| Without donor restrictions | 2,965,209 | 135,931 | 453,002 | 3,554,142 | (588,933) | 2,965,209 |
| With donor restrictions | 62,523,959 | - | - | 62,523,959 | - | 62,523,959 |
| Total Net Assets | 65,489,168 | 135,931 | 453,002 | 66,078,101 | (588,933) | 65,489,168 |
| Total Liabilities and Net Assets | $ 70,137,516 | 150,665 | 488,021 | 70,776,202 | (638,686) | 70,137,516 |

**NOTE: See Independent Auditor's Report on Supplementary Information.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.
## CONSOLIDATING STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2020

| | VSU FOUNDATION INC. | VSU FOUNDATION REAL ESTATE I, LLC | VSU FOUNDATION REAL ESTATE II, LLC | TOTALS | ELIMINATING ENTRIES | CONSOLIDATED TOTALS |
|---|---|---|---|---|---|---|
| Support and Revenue: | | | | | | |
| Contributions | $ 2,449,499 | - | - | 2,449,499 | - | 2,449,499 |
| Ticket sales and fees | 150,755 | - | - | 150,755 | - | 150,755 |
| Interest and dividends | 1,647,332 | - | 907 | 1,648,239 | - | 1,648,239 |
| Net unrealized and realized gains (losses) | 4,242,271 | - | - | 4,242,271 | - | 4,242,271 |
| Rent income | 523,926 | - | - | 523,926 | - | 523,926 |
| Income (loss) from subsidiaries | (102,597) | - | - | (102,597) | 102,597 | - |
| Other revenue | 65,035 | - | - | 65,035 | - | 65,035 |
| Total Support and Revenue | 8,976,221 | - | 907 | 8,977,128 | 102,597 | 9,079,725 |
| Expenses and Other: | | | | | | |
| Management and general | 602,576 | 4,712 | 16,796 | 624,084 | - | 624,084 |
| Program services | 3,151,672 | - | - | 3,151,672 | - | 3,151,672 |
| Fundraising expenses | 4,486 | - | - | 4,486 | - | 4,486 |
| Total Expenses | 3,758,734 | 4,712 | 16,796 | 3,780,242 | - | 3,780,242 |
| Change in fair value of interest-rate swap | 28,525 | - | - | 28,525 | - | 28,525 |
| Change in fair value of split-interest agreements | 14,468 | - | - | 14,468 | - | 14,468 |
| (Gain) loss on sale of property | - | 81,996 | - | 81,996 | - | 81,996 |
| Total Expenses and Other | 3,801,727 | 86,708 | 16,796 | 3,905,231 | - | 3,905,231 |
| Increase (Decrease) in Net Assets | 5,174,494 | (86,708) | (15,889) | 5,071,897 | 102,597 | 5,174,494 |
| Net Assets, Beginning of Year | 60,314,674 | 222,639 | 468,891 | 61,006,204 | (691,530) | 60,314,674 |
| Net Assets, End of Year | $ 65,489,168 | 135,931 | 453,002 | 66,078,101 | (588,933) | 65,489,168 |

**NOTE: See Independent Auditor's Report on Supplementary Information.**

# VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED COMPARATIVE SCHEDULES OF REVENUES AND EXPENSES

| | YEAR ENDED DECEMBER 31, 2020 | YEAR ENDED DECEMBER 31, 2019 | INCREASE (DECREASE) |
|---|---|---|---|
| Support and Revenue: | | | |
| Contributions | $ 2,449,499 | 6,705,157 | (4,255,658) |
| Ticket sales and fees | 150,755 | 612,942 | (462,187) |
| Interest and dividends | 1,648,239 | 1,310,549 | 337,690 |
| Net unrealized and realized gains (losses) on investments | 4,242,271 | 7,312,858 | (3,070,587) |
| Rent income | 523,926 | 523,926 | - |
| Other revenue | 65,035 | 67,277 | (2,242) |
| Total Support and Revenue | 9,079,725 | 16,532,709 | (7,452,984) |
| Expenses and Other: | | | |
| Management and General: | | | |
| Bank Charges | 4,966 | 11,298 | (6,332) |
| Depreciation Expense | 220,033 | 217,974 | 2,059 |
| Insurance | 72,867 | 65,766 | 7,101 |
| Interest Expense | 182,978 | 202,555 | (19,577) |
| Management Fees | 36,476 | 27,681 | 8,795 |
| Miscellaneous | 536 | 532 | 4 |
| Professional Fees | 34,368 | 55,547 | (21,179) |
| Repairs and Maintenance | 5,661 | 19,065 | (13,404) |
| Software Support Expense | 15,703 | 6,230 | 9,473 |
| Taxes and Licenses | 7,816 | 10,975 | (3,159) |
| Utilities | 2,663 | 3,516 | (853) |
| Vehicle Expense | 40,017 | 48,374 | (8,357) |
| Total Management and General | 624,084 | 669,513 | (45,429) |
| Program Services: | | | |
| Advertising | 13,508 | 17,663 | (4,155) |
| Awards and Sponsorships | 36,150 | 65,741 | (29,591) |
| Dues and Subscriptions | 11,001 | 16,363 | (5,362) |
| Equipment Expense | 25,522 | 14,399 | 11,123 |
| Gifts and Flowers | 30,441 | 57,109 | (26,668) |
| Gifts-In-Kind | 10,988 | 39,788 | (28,800) |
| Investment Fees | 6,100 | 51 | 6,049 |

**NOTE: See Independent Auditor's Report on Supplementary Information.**

## VALDOSTA STATE UNIVERSITY FOUNDATION, INC.

### CONSOLIDATED COMPARATIVE SCHEDULES OF REVENUES AND EXPENSES (CONTINUED)

| | YEAR ENDED DECEMBER 31, 2020 | 2019 | INCREASE (DECREASE) |
|---|---|---|---|
| Meals and Entertainment | 135,617 | 535,516 | (399,899) |
| Memberships | 31,131 | 37,625 | (6,494) |
| Miscellaneous | 11,932 | 56,485 | (44,553) |
| Outside Services | 120,926 | 183,617 | (62,691) |
| Payments To or On Behalf of VSU | 947,814 | 1,205,963 | (258,149) |
| Printing and Publications | 3,066 | 8,448 | (5,382) |
| Real Estate Expense | 1,283 | - | 1,283 |
| Registrations Expense | 15,047 | 43,146 | (28,099) |
| Repairs and Maintenance | 26,352 | 92,658 | (66,306) |
| Scholarships Expense | 1,441,491 | 1,603,395 | (161,904) |
| Supplies Expense | 245,404 | 390,677 | (145,273) |
| Travel and Lodging Expense | 36,424 | 131,229 | (94,805) |
| Utilities | 1,475 | 1,762 | (287) |
| Total Program Services | 3,151,672 | 4,501,635 | (1,349,963) |
| Fundraising Expenses: | | | |
| Supplies Expense | 4,486 | 11,689 | (7,203) |
| Change in fair value of interest-rate swap | 28,525 | 24,290 | 4,235 |
| Change in fair value of split-interest agreements | 14,468 | (52,975) | 67,443 |
| (Gain) loss on transfer of property | 81,996 | - | 81,996 |
| Total Expenses and Other | 3,905,231 | 5,154,152 | (1,248,921) |
| Increase (Decrease) in Net Assets | 5,174,494 | 11,378,557 | (6,204,063) |
| Net Assets, Beginning of Year | 60,314,674 | 48,936,117 | |
| Net Assets, End of Year | $ 65,489,168 | 60,314,674 | |

**NOTE: See Independent Auditor's Report on Supplementary Information.**