

AUDITED FINANCIAL STATEMENTS

COLUMBUS STATE UNIVERSITY
FOUNDATION, INC.

JULY 31, 2016



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JULY 31, 2016

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DOUGHERTY
MCKINNON & LUBY

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Columbus State University Foundation, Inc.

We have audited the accompanying financial statements of Columbus State University Foundation, Inc., which comprise the statement of financial position of as of July 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus State University Foundation, Inc., as of July 31, 2016, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Columbus, Georgia
January 11, 2017



STATEMENT OF FINANCIAL POSITION
COLUMBUS STATE UNIVERSITY FOUNDATION, INC.
JULY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminating Entries
ASSETS				
Cash and cash equivalents	\$ 2,620,915	\$ 8,755,361	\$ 5,347	\$ 0
Loans receivable -- Notes B and H	7,200	0	10,676	0
Interfund receivables		6,605,541	464,113	(6,633,707)
Investments -- Note D	1,152,920	17,782,528	36,216,884	0
Pledges receivable, net of allow- ance for uncollectible pledges of \$327,341 -- Notes C, H, K and M	492,239	18,039,373	6,460,989	0
Property held for contribution -- Note M	0	470,588	0	0
Other assets -- Note E	143,350	19,452,968	1,530,000	0
Amount due to (from) Columbus State University Athletic Fund, Inc., net -- Notes G and H	5,873	39,591	0	0
Investments in charitable trusts -- Note F	0	1,323,120	0	0
	<u>\$ 4,422,497</u>	<u>\$ 72,469,070</u>	<u>\$ 44,688,009</u>	<u>\$ (6,633,707)</u>
LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)				
LIABILITIES -- Note H				
Accounts payable	\$ 35,356	\$ 349,417	\$ 0	\$ 0
Deferred revenues	0	900	0	0
Interfund payables	7,069,654	0	0	(6,633,707)
Amount due to Columbus State University -- Note G	16,956	201,677	0	0
Amount due to Foundation Properties, Inc., net -- Note G	0	1,146,807	0	0
Amount due to Columbus State University Alumni Association, Inc., net -- Note	5,103	0	0	0
Assets held for the benefit of Col- umbus State University Alumni Association, Inc., net -- Note G	0	114,714	106,426	0
Promises to give -- Note M	0	23,306,242	0	0
Annuities payable -- Note F	0	840,514	0	0
	<u>7,127,069</u>	<u>25,960,271</u>	<u>106,426</u>	<u>(6,633,707)</u>
NET ASSETS -- Notes I, J, L and N	(2,704,572)	46,508,799	44,581,583	0
CONTINGENCIES -- Notes C, K and O				
	<u>\$ 4,422,497</u>	<u>\$ 72,469,070</u>	<u>\$ 44,688,009</u>	<u>\$ (6,633,707)</u>

See notes to financial statements



Total

\$ 11,381,623

17,876

435,947

55,152,332

24,992,601

470,588

21,126,318

45,464

1,323,120

\$ 114,945,869

\$ 384,773

900

435,947

218,633

1,146,807

5,103

221,140

23,306,242

840,514

26,560,059

88,385,810

\$ 114,945,869



STATEMENT OF ACTIVITIES
COLUMBUS STATE UNIVERSITY FOUNDATION, INC.
YEAR ENDED JULY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions -- Notes C, F and G	\$ 451,687	\$ 28,228,065	\$ 897,552	\$ 29,577,304
Investment income, net -- Note D	31,626	1,358,934	32,837	1,423,397
Change in value of split-interest agreements -- Note F	0	3,997	0	3,997
Other income	1,040,489	384,012	0	1,424,501
Net assets released from restrictions due to satisfaction of restrictions	13,798,744	(13,744,627)	(54,117)	0
	<u>15,322,546</u>	<u>16,230,381</u>	<u>876,272</u>	<u>32,429,199</u>
EXPENSES -- Note G				
Program expenses:				
Education and development -- Note M	16,456,853	0	0	16,456,853
Scholarships and financial aid	1,849,986	0	0	1,849,986
Other program expenses	2,438,449	0	0	2,438,449
Supporting services:				
Administrative	535,996	0	0	535,996
Fundraising expenses	230,465	0	0	230,465
	<u>21,511,749</u>	<u>0</u>	<u>0</u>	<u>21,511,749</u>
INCREASE IN NET ASSETS	(6,189,203)	16,230,381	876,272	10,917,450
Net assets at August 1, 2015	3,505,807	30,673,312	43,289,241	77,468,360
	<u>(2,683,396)</u>	<u>46,903,693</u>	<u>44,165,513</u>	<u>88,385,810</u>
Transfers -- Note N	(21,176)	(394,894)	416,070	0
NET ASSETS AT JULY 31, 2016	<u><u>\$ (2,704,572)</u></u>	<u><u>\$ 46,508,799</u></u>	<u><u>\$ 44,581,583</u></u>	<u><u>\$ 88,385,810</u></u>

See notes to financial statements



STATEMENT OF CASH FLOWS
COLUMBUS STATE UNIVERSITY FOUNDATION, INC.
YEAR ENDED JULY 31, 2016

CASH FLOWS USED IN OPERATING ACTIVITIES	
Increase in net assets	\$ 10,917,450
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Realized gains on sale of investments	\$ (737,472)
Unrealized loss on investments	374,130
Investment income reinvested, net	(870,447)
Change in value of split-interest agreements	7,191
Restricted contributions	(29,564,083)
Contributions of marketable equity securities	(11,339)
Change in discounts on pledges receivable	440,521
Change in discount on promise to give	(1,137,854)
Changes in account balances:	
Loans receivable	10,280
Pledges receivable	(142,321)
Amount due from Columbus State University Athletic Fund, Inc.	(41,396)
Amount due from Columbus State University Alumni Association, Inc.	5,103
Property held for contribution	(470,588)
Other assets	122,549
Accounts payable	91,311
Deferred revenues	900
Amount due to Columbus State University	116,284
Amount due to Foundation Properties, Inc.	1,006,667
Assets held for the benefit of Columbus State University Alumni Association, Inc.	(1,563)
Promise to give	8,924,345
	(21,877,782)
NET CASH USED IN OPERATING ACTIVITIES	(10,960,332)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	12,438,572
Purchases of investments	(5,726,169)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	6,712,403
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received on restricted contributions	4,297,423
NET CASH PROVIDED FROM FINANCING ACTIVITIES	4,297,423
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,494
Cash and cash equivalents at August 1, 2015	11,332,129
CASH AND CASH EQUIVALENTS AT JULY 31, 2016	\$ 11,381,623



STATEMENT OF CASH FLOWS - Continued

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2016, the Foundation received contributions of marketable equity securities summarized as follows:

	Net Assets		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Marketable equity securities	\$ 11,339	\$ 630,239	\$ 1,023,642

During 2016, the Foundation received payments on pledges receivable in the form of marketable equity securities and other investments summarized as follows:

	Net Assets		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Payments on pledges with marketable equity securities and other investments	\$ 24,634	\$ 5,673,921	\$ 4,233

During 2016, the Foundation also received various gifts of artwork and real estate totaling \$18,301,279 (See Note E), which are recorded as temporarily restricted contributions in the accompanying Statement of Activities. The Foundation also received real estate totaling \$131,500 which is recorded as permanently restricted contributions in the accompanying Statement of Activities

() denotes deduction

See notes to financial statements



NOTES TO FINANCIAL STATEMENTS
COLUMBUS STATE UNIVERSITY FOUNDATION, INC.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle Activities: Columbus State University Foundation, Inc. (the Foundation) provides program funding and scholarship assistance in support of the activities of Columbus State University which is located in Columbus, Georgia. The primary sources of revenue and support for the Foundation are contributions from businesses and individuals in Columbus, Georgia and the surrounding area and investment income.

Basis of Accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958 (FASB ASC 958), "Not-for-Profit Entities". Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash Equivalents: For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments consist of certificates of deposit with an original maturity date in excess of three months and marketable securities. Investments in certificates of deposit are reported in the Statement of Financial Position at cost plus accrued interest, which approximates fair market value. Investments in marketable equity and debt securities are reported in the Statement of Financial Position at market value as determined by prices quoted on national securities exchanges. Unrealized gains and losses on these investments are included in the change in net assets in the accompanying Statement of Activities. Investments acquired by gift are originally recorded on the basis of fair market value at the date of gift. The cost of investments sold is determined using the specific-identification method.

Pledges and Accounts Receivable: Contributions are recognized when the donor makes a promise to give to the Foundation that is unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions due in less than one year are recorded at their net realized value upon receipt. Contributions due in more than one year are recorded at their net present value on the date received. For financial reporting purposes, bad debts are accounted for using the allowance method based on experience and current evaluation of accounts. Pledges and accounts receivable are uncollateralized and recorded at their net realizable value which approximates fair value at July 31, 2016.

Contributions: The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Collections: The Foundation has capitalized its collections since its inception (See Note E). If purchased, items added to the collections are capitalized at cost, and if donated, they are capitalized at their fair value. Gains or losses on the sale of collection items are classified in the Statement of Activities as unrestricted or restricted support depending on donor restrictions, if any, placed on the item at the time of contribution.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk: The Foundation maintains its bank accounts with high-credit quality financial institutions. These balances may, at times, exceed federally insured limits. At July 31, 2016, the Foundation had cash deposit balances totaling approximately \$6,799,000 in excess of federally insured limits.

The Foundation also maintains investments with several brokerage firms. These accounts contain cash and securities, the balances of which are insured up to \$500,000, with a limit of \$250,000 for cash deposits, by the Securities Investor Protection Corporation. At July 31, 2016, the Foundation had cash deposit balances held at brokerage firms totaling approximately \$3,872,000 in excess of federally insured limits.

Income Taxes: The Foundation is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes in the accompanying financial statements.

The Foundation has not identified any uncertainties with respect to income tax positions for the year ended July 31, 2016. Accordingly, no provision for interest or penalties related to unrecognized tax benefits has been made in the accompanying financial statements. In addition, the Foundation's information for 2013 - 2016 is eligible to be examined by the state and federal taxing jurisdictions to which it reports.

Functional Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Expenses that can be identified with a specific activity are charged directly to that activity.

Advertising Costs: Advertising costs are charged to operations when the advertising first takes place. The Foundation incurred advertising costs totaling approximately \$72,000 during 2016.

Subsequent Events: The Foundation has evaluated events through the date of the auditor's report which is the date when the audited financial statements were available to be issued.

NOTE B – LOANS RECEIVABLE

Loans receivable in unrestricted assets consist of interest-free installment loans due from Columbus State University faculty members with balances totaling \$7,200 that are to be repaid over a period of one to two years.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE B – LOANS RECEIVABLE - Continued

Loans receivable in temporarily restricted assets consist of an installment loan due from an unrelated third party in the amount of \$10,676. This loan receivable was created upon the sale of donated property and has an original balance of \$37,500 with interest of 8% due annually with the principal due on or before February, 2018.

NOTE C – PLEDGES RECEIVABLE

Pledges receivable represent amounts pledged by donors which have not yet been received by the Foundation. These amounts are recognized as contribution revenue in the year in which the pledge is made. Expected collections of the pledges receivable at July 31, 2016, are summarized by year as follows:

Year of Collection	
2017	\$ 5,942,722
2018	5,829,173
2019	6,429,217
2020	4,898,097
2021	473,177
Thereafter	<u>2,496,655</u>
	26,069,041
Less allowance for doubtful accounts	325,091
Less net present value discounts	<u>751,349</u>
	<u>\$ 24,992,601</u>

The pledges receivable are recorded at their net present value using discount rates ranging from .12% to 5.30%, selected based upon the date of receipt and payment schedules of the underlying pledges.

Conditional promises to give at July 31, 2016, are not recorded as pledges receivable, and consist primarily of bequests and charitable trust gifts valued at approximately \$16,160,000 and are for the following purposes:

Unrestricted	\$ 3,920,000
Restricted:	
Music	5,250,000
Capital Campaign	250,000
History	2,000,000
Dance	3,300,000
Art	450,000
Others	<u>990,000</u>
	<u>\$ 16,160,000</u>



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D -- INVESTMENTS

Investments are summarized as follows at July 31, 2016:

	Level 1 Inputs		
	Cost	Market Value	Carrying Value
Certificates of deposit	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Mutual funds	6,341,237	7,230,270	7,230,270
Marketable equity securities	27,144,627	33,816,946	33,816,946
Corporate Bonds	54,997	56,317	56,317
Government Bonds	7,594,280	7,630,250	7,630,250
Fixed Income Funds	3,925,789	3,918,549	3,918,549
	<u>\$ 47,560,930</u>	<u>\$ 55,152,332</u>	<u>\$ 55,152,332</u>

Investments are classified as Level 1 inputs as defined by FASB ASC 820, "Fair Value Measurements and Disclosures." Level 1 inputs are defined by FASB ASC 820 as assets for which the identical item is traded on an active exchange.

The certificates of deposit are with high-credit quality financial institutions, earn interest at a rate of 0.30% and mature between December, 2016 and March, 2017.

Gross unrealized gains and losses on marketable equity securities and mutual funds amounted to \$7,888,716 and \$327,364, respectively, at July 31, 2016.

Investment income consists of the following for the year ended July 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
	Interest and dividends	\$ 25,192	\$ 1,017,621
Net realized gains	15,214	683,465	38,793
Net unrealized losses	(8,780)	(342,152)	(23,198)
	<u>\$ 31,626</u>	<u>\$ 1,358,934</u>	<u>\$ 32,837</u>

Realized and unrealized gains and losses related to investments of unrestricted net assets are unrestricted and realized and unrealized gains and losses related to investments of restricted net assets are subject to the same restrictions as other investment income earned on such investments.

NOTE E -- OTHER ASSETS

Other assets consist of the following at July 31, 2016:

Prepaid expenses	\$ 103,802
Collections	20,815,650
Other	206,866
	<u>\$ 21,126,318</u>

Collections include various paintings and other works of art contributed, including real estate of a built art environment named Pasaquan, valued at \$17,228,720 at the contribution date.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F -- SPLIT INTEREST AGREEMENTS

The Foundation administers seven charitable remainder trusts that provide for the payment of distributions to the grantor and designated beneficiaries over the trusts' terms. At the end of each trust's term, the remaining assets will be transferred to an endowment to be used for various restricted purposes. The portion of each trust attributable to the net present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as restricted contributions in the year the trust is established. Assets held in the charitable remainder trusts are reported at fair market value in the accompanying Statement of Financial Position.

The Foundation also administers three charitable gift annuities. Under a charitable gift annuity, assets are contributed directly to the Foundation in exchange for distributions of a fixed amount for a specified period of time to the donor or other beneficiaries. At the end of the specified period of time, the remaining assets are transferred to the Foundation to be used for various restricted purposes. The portion of the assets contributed attributable to the net present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a restricted contribution in the year the assets are contributed to the Foundation. Assets that are attributable to the charitable gift annuity are reported at fair market value in the accompanying Statement of Financial Position. The net present values of the estimated future payments to the designated beneficiaries are calculated using discount rates ranging from 3.51% to 10.00% that provide for a reasonable rate of return based on the type of investments held in the trusts and applicable mortality tables and are reported as a liability in the accompanying Statement of Financial Position.

NOTE G -- RELATED PARTY TRANSACTIONS

During 2016 the Foundation entered into transactions with related parties in carrying out its principle activities. Transactions with related parties not disclosed elsewhere are summarized as follows:

	Columbus State University Athletic Fund, Inc.	Columbus State University Alumni Assoc- iation, Inc.	Columbus State University	Foundation Properties, Inc.
Contributions received from (paid to)	\$ 0	\$ (49,500)	\$ 254,663	\$ (27,842)
Program expense reimburse- ments received from (paid to)	46,285	0	(1,048,000)	0



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE G – RELATED PARTY TRANSACTIONS - Continued

In addition to the transactions summarized above, in a prior year Columbus State University Alumni Association, Inc. transferred assets to the Foundation which are recorded as assets held for the benefit of the Alumni Association in the accompanying Statement of Financial Position. The Foundation holds and manages the investment of the assets under the investment policy and strategies approved by the Foundation's investment committee and distributes the funds from the original investments and the return on investments in accordance with instructions of Columbus State University Alumni Association, Inc.'s Board of Trustees. During 2016, these assets earned income of approximately \$1,563, net of related expenses, which is recorded as an increase in the related asset.

The amount due to Foundation Properties, Inc. in the accompanying Statement of Financial Position of \$1,146,807 at July 31, 2016, represents a note payable to Foundation Properties, Inc. and includes accrued interest of \$24,163. The balance on the note payable represents the amount of Foundation Properties, Inc. funds used to complete the Baseball stadium renovation (See Note M) and these funds are to be repaid to Foundation Properties, Inc. by the Foundation together with interest at 3.50%. Payments will be made on the note as amounts are collected on pledges restricted for this project. It is anticipated that the note will be repaid within one year.

Also during the year ended July 31, 2016, the Foundation received contributions from various members of the Board of Trustees totaling approximately \$5,031,000.

NOTE H – FINANCIAL INSTRUMENTS

The Foundation estimates the fair value of loans and other receivables and accounts payable approximate carrying value due to the short maturity of these instruments.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following specific programs that support Columbus State University:

Capital Campaign	\$ 849,128
D.A. Turner/CARES	4,505,822
Servant Leadership Stipends	625,124
TSYS Department of Computer Science Enhancement Fund	647,183
Turner Servant Leadership Operations	596,068
Sarah Butler Distinguished University Chair of Business	917,745
First Choice Campaign - Student Research and Learning	1,366,807
Pasaquan art and real estate	17,256,325
Others	<u>19,744,597</u>
	<u>\$ 46,508,799</u>



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted endowment funds are summarized as follows:

Capital Campaign	\$ 2,091,002
Mildred Miller Fort Foundation Endowment	1,197,460
Coca-Cola Space Science Center Endowment	1,018,330
Woodruff Family Endowment	2,230,654
AFLAC Endowment	1,227,917
Amos Latin American Studies	1,000,000
Servant Leadership	3,424,803
Sarah Butler Finance Chair	2,001,300
Turner Chair Endowments	1,750,500
Ethel Foley Orchestral Chair	1,000,000
Curry Endowment for Music	923,575
William A. Fort Scholarship Endowment	678,370
Ray Crowley Endowment	1,154,609
Florence and Leo Brooks Scholarship Fund	740,902
Violet Litchfield and Thomas Bryant Buck, Jr. Scholarship Endowment	801,234
Rex Whiddon Piano Chair	962,252
Spencer Map Collection	1,530,000
M. Fletcher Educational Faculty	1,203,515
TSYS Endowment for Excellence	2,000,000
TSYS Cyber Security Endowment	2,001,720
Pezold Division of Keyboard Studies Endowment	3,763,051
Jo and George Jeter Guitar Chair	991,767
Others	<u>10,888,622</u>
	<u>\$ 44,581,583</u>

Permanently restricted net assets consist of endowment fund net assets to be held indefinitely for a variety of purposes. The income from the endowments can be used to support specific programs of the Foundation and are reflected as temporarily restricted net assets in the accompanying Statement of Financial Position until they are used for their intended purpose (See Note I).

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE J – PERMANENTLY RESTRICTED NET ASSETS - Continued

with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (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 Foundation
- (7) The investment policies of the Foundation

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to maintain as a fund of perpetual duration.

The Foundation has adopted investment and spending policies for endowment assets that attempt to result in growth over time sufficient to preserve or increase the purchasing power of the underlying assets, thus protecting the assets against inflation and maximizing the benefit intended by the donors and to maximize current income so that it is sufficient to support the programs of Columbus State University and the donors' objectives.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year no more than 4.00 percent of a trailing three-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investments. For the year ended July 31, 2016, the Board of Trustees adopted a 4.0 percent spending policy.

NOTE K – CONCENTRATIONS

The Foundation's five largest contributors with outstanding pledge balances account for approximately 39% of the pledges receivable at July 31, 2016.

NOTE L – BOARD RESTRICTIONS

The Board of Trustees has designated unrestricted funds totaling approximately \$1,210,000 for specific purposes. These funds are classified as unrestricted net assets in the Statement of Financial Position due to the absence of donor restrictions on these funds.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE M – PROMISES TO GIVE

At July 31, 2016, promises to give consist of the following:

Theater Arts and Dance Campus	\$ 1,901,451
Golf Studio	1,081,827
College of Education and Health Professions	10,552,351
CORTA	2,948,839
Bo Bartlett Center	4,861,707
Corn Center for Visual Arts	<u>1,960,067</u>
	<u>\$ 23,306,242</u>

The Theater Arts and Dance Campus promise to give of \$1,901,451 relates to a commitment by the Foundation in a prior year to make principal payments on a \$6,500,000 bond issued by Foundation Properties, Inc., as agent for the Foundation on this project, to complete the Theater, Arts and Dance Campus project. A payment on this promise to give in the amount of \$185,000 was made in 2016. The installment payments have been discounted using rates ranging from 5.11% to 5.30%, selected based upon the anticipated payment schedule of the bonds.

The Golf Studio promise to give relates to a project to construct a golf studio to be contributed to Columbus State University. The \$1,081,827 represents the discounted amount of costs incurred by Foundation Properties, Inc., as agent for the Foundation, to complete the project during 2016 that have not been reimbursed by the Foundation. The estimated future payments are discounted using a 3.50% rate. The Foundation will transfer funds to Foundation Properties, Inc. to reimburse it for the construction costs incurred on the project as pledges and future contributions are received. Payments totaling \$35,000 were made during 2016 with respect to this promise to give. The Foundation recorded additional contribution expense in 2016 totaling \$1,081,827, for the additional project costs and this amount is included in education and development expense in the accompanying Statement of Activities.

The College of Education and Health Professions promise to give relates to a project being administered by Foundation Properties, Inc., as agent for the Foundation, to construct a building that will eventually be contributed to Columbus State University. The funding for the College of Education and Health Professions building is intended to be accomplished by transferring funds to Foundation Properties, Inc. to reimburse it for construction costs incurred on the project, as pledges and future contributions are received by the Foundation. During 2016, the Foundation recorded additional promises to give to Foundation Properties, Inc. equal to the greater of the sum of the amounts pledged and contributions received with respect to this project or the additional costs incurred by Foundation Properties, Inc. This additional amount totaled \$2,333,754, which is included in education and development expenses in the accompanying Statement of Activities. In addition, the Foundation made payments on the promise to give related to this project totaling \$3,606,959 during 2016. In addition to the recorded promise to give of \$10,552,351, there are additional costs related to this project that may be funded by the Foundation totaling \$9,300,000, conditioned upon the receipt of future contributions.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE M – PROMISES TO GIVE - Continued

During 2016, Foundation Properties, Inc., as agent for the Foundation, completed a project to renovate the Baseball Stadium and the Stadium was contributed to Columbus State University. The Foundation made payments on its promise to give related to this project totaling \$427,336 during 2016.

The CORTA promise to give relates to a project to construct tennis courts and related facilities and is being managed by and will be owned by Columbus Regional Tennis Association, Inc. (CORTA) once completed. The \$2,948,839 represents the discounted amount of costs the Foundation intends to reimburse CORTA as the project is constructed. The estimated future payments are discounted using a 3.50% rate. This project is expected to be completed during 2017. The Foundation recorded contribution expense in 2016 totaling \$2,948,839 for project costs to be reimbursed and this amount is included in education and development expense in the accompanying Statement of Activities.

The Foundation is also managing capital projects related to the Bo Bartlett Center and the Corn Center for Visual Arts which will eventually be contributed to Columbus State University. Costs incurred on these projects are capitalized as property held for contribution in the accompanying Statement of Financial Position. The Foundation recorded promises to give in 2016 for the estimated cost of these projects totaling \$6,821,774, and are included in education and development expenses in the accompanying Statement of Activities. The total estimated project cost to complete these projects, which are intended to be funded by the Foundation as of July 31, 2016, is \$6,391,119.

In conjunction with the Bo Bartlett Center project, the Foundation obtained a line of credit in June, 2016 that will be used to help fund the project until related pledges are collected. The line of credit agreement had no outstanding balance at July 31, 2016, and has an availability of up to \$3,500,000, with interest at the prime rate. Payments of accrued interest will be due quarterly beginning September, 2016 and beginning December, 2017 principal payments will be due in five equal annual installments, plus interest, based on the total amount outstanding in December, 2017. Pledges receivable related to the project are pledged as collateral on the line of credit.

Future payments under the promises to give are summarized by year as follows:

2017	\$ 7,921,693
2018	4,796,500
2019	4,699,000
2020	2,754,000
2021	1,547,307
Thereafter	<u>3,532,291</u>
	\$ 25,250,791
Less net present value discount	<u>1,944,549</u>
	<u>\$ 23,306,242</u>



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE N -- TRANSFER OF NET ASSETS

Upon further review of documents associated with certain contributions received in prior years and the earnings thereon, it was determined that various funds were recorded in a net asset classification that is inconsistent with the donor's instructions and the investment policies in place by the Foundation. These funds have been reclassified into the proper net asset classifications and these reclassifications are recorded as transfers in the accompanying Statement of Activities.

NOTE O -- CONTINGENCIES

In connection with the acquisition and construction of certain property by Foundation Properties, Inc., the Foundation guaranteed certain amounts of indebtedness of Foundation Properties, Inc. totaling approximately \$48,285,168 at July 31, 2016, which includes long-term debt and capitalized lease obligations. The guarantees are for the term of the respective obligations, which have terms that expire from 2016 - 2032.

Examples of events that would require the Foundation to provide a cash payment pursuant to the guarantee include a loan default, resulting from Foundation Properties, Inc.'s failure to service its debt when due or noncompliance with financial covenants or inadequacy of asset collateral.