

**ARMSTRONG FOUNDATION OF  
GEORGIA SOUTHERN UNIVERSITY, INC.  
(previously known as Armstrong State  
University Foundation, Inc.)**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2019 and 2018*

*And Report of Independent Auditor*

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**

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## **Report of Independent Auditor**

To the Board of Trustees  
Armstrong Foundation of Georgia Southern University, Inc.  
Savannah, Georgia

We have audited the accompanying financial statements of Armstrong Foundation of Georgia Southern University, Inc. (previously known as Armstrong State University Foundation, Inc.) (the "Foundation"), an affiliate of Georgia Southern University (the "University"), which is a unit of the University System of Georgia, which is an organizational unit of the state of Georgia, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended June 30, 2019, 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 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 financial statements are free from material misstatement.

An audit involves 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 significant 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 Armstrong Foundation of Georgia Southern University, Inc. as of June 30, 2019 and 2018, 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.

### **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, *Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The implementation of the ASU did not impact net assets, except as discussed in Note 1. The ASU has been applied retrospectively to all periods presented with the exception of the presentation of the statement of functional expenses, which has been omitted as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Chung Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia  
September 18, 2019

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2019 AND 2018*

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 469,047	\$ 3,301,802
Pledges receivable, net	796,459	1,243,158
Investments	15,137,961	10,337,990
<b>Total Assets</b>	<b>\$ 16,403,467</b>	<b>\$ 14,882,950</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accrued liabilities	\$ 52,430	\$ 5,334
Due to the University	2,460	57,582
<b>Total Liabilities</b>	<b>54,890</b>	<b>62,916</b>
Net Assets:		
Without Donor Restrictions:		
Undesignated	740,718	547,454
With Donor Restrictions:		
Purpose restrictions	7,648,888	8,352,299
Perpetual in nature	7,958,971	5,920,281
<b>Total Net Assets</b>	<b>16,348,577</b>	<b>14,820,034</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 16,403,467</b>	<b>\$ 14,882,950</b>

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>			
Contributions and support	\$ 19,607	\$ 1,087,124	\$ 1,106,731
In-kind contributions	397,482	900	398,382
Contributions and Support,Net	417,089	1,088,024	1,505,113
Investment income	43,985	225,214	269,199
Net realized and unrealized gain on investments	241,410	494,536	735,946
Net assets released from restrictions	454,778	(454,778)	-
Transfers between restrictions	17,717	(17,717)	-
<b>Total Revenues</b>	<b>1,174,979</b>	<b>1,335,279</b>	<b>2,510,258</b>
<b>Expenses:</b>			
Program activities	473,795	-	473,795
Fundraising	198,741	-	198,741
Management and general	309,179	-	309,179
<b>Total Expenses</b>	<b>981,715</b>	<b>-</b>	<b>981,715</b>
Change in net assets	193,264	1,335,279	1,528,543
Net assets, beginning of year	547,454	14,272,580	14,820,034
Net assets, end of year	<u>\$ 740,718</u>	<u>\$ 15,607,859</u>	<u>\$ 16,348,577</u>

The accompanying notes to the financial statements are an integral part of this statement.

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2018*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>			
Contributions and support	\$ 23,420	\$ 726,812	\$ 750,232
In-kind contributions	419,484	4,592	424,076
Contributions and Support, Net	442,904	731,404	1,174,308
Investment income	36,061	184,315	220,376
Net realized and unrealized gain on investments	148,212	673,778	821,990
Net assets released from restrictions	1,351,493	(1,351,493)	-
Transfers between restrictions	20,630	(20,630)	-
<b>Total Revenues</b>	<b>1,999,300</b>	<b>217,374</b>	<b>2,216,674</b>
<b>Expenses:</b>			
Program activities	1,308,964	-	1,308,964
Fundraising	212,992	-	212,992
Management and general	342,579	-	342,579
<b>Total Expenses</b>	<b>1,864,535</b>	<b>-</b>	<b>1,864,535</b>
Change in net assets	134,765	217,374	352,139
Net assets, beginning of year	412,689	14,055,206	14,467,895
Net assets, end of year	<u>\$ 547,454</u>	<u>\$ 14,272,580</u>	<u>\$ 14,820,034</u>

The accompanying notes to the financial statements are an integral part of this statement.

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2019*

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	<b>Program Activities</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Scholarships, fellowships, and awards	\$ 410,928	\$ -	\$ -	\$ 410,928
Staff salaries	900	198,741	198,741	398,382
Professional fees	-	97,029	-	97,029
Meals	22,774	230	-	23,004
Supplies and other operating expenses	19,065	2,057	-	21,122
Special events	14,906	-	-	14,906
Dues and memberships	2,849	6,167	-	9,016
Banking and credit card fees	-	4,629	-	4,629
Travel	2,373	-	-	2,373
Insurance	-	326	-	326
Total Expenses	<u>\$ 473,795</u>	<u>\$ 309,179</u>	<u>\$ 198,741</u>	<u>\$ 981,715</u>

The accompanying notes to the financial statements are an integral part of this statement.



**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,528,543	\$ 352,139
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions restricted for permanent endowments	(258,898)	(189,573)
Investment income, reinvested	(264,030)	(213,000)
Net realized and unrealized gain on investments, reinvested	(735,946)	(821,990)
Changes in assets and liabilities:		
Decrease in pledges receivable	446,699	538,819
Increase in accrued liabilities	47,096	5,334
(Decrease) increase in due to the University	<u>(55,122)</u>	<u>57,582</u>
Net cash from operating activities	<u>708,342</u>	<u>(270,689)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(3,810,004)	(87,994)
Proceeds from sales of investments	<u>136,497</u>	<u>529,050</u>
Net cash from investing activities	<u>(3,673,507)</u>	<u>441,056</u>
<b>Cash flows from financing activities:</b>		
Receipts of contributions restricted for permanent endowments	<u>132,410</u>	<u>188,520</u>
(Decrease) increase in cash and cash equivalents	(2,832,755)	358,887
Cash and cash equivalents, beginning of year	<u>3,301,802</u>	<u>2,942,915</u>
Cash and cash equivalents, end of year	<u>\$ 469,047</u>	<u>\$ 3,301,802</u>

The accompanying notes to the financial statements are an integral part of these statements.

# ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### **Note 1—Nature of operations and summary of significant accounting policies**

*Nature of Operations* – Armstrong Foundation of Georgia Southern University, Inc. (previously known as Armstrong State University Foundation, Inc.) (the “Foundation”) is a not-for-profit organization that was organized to receive and administer contributions to promote the cause of higher education for support of Georgia Southern University (the “University”). The Foundation is an affiliate of the University, which is a unit of the University System of Georgia, which is an organizational unit of the state of Georgia. The Foundation is also a cooperative organization of the Board of Regents of the University System of Georgia (the “BOR”) according to BOR policies. On January 11, 2017, the BOR voted to consolidate the University with Armstrong State University. The consolidation was effective January 1, 2018 and Armstrong State University became part of the University. The Board of Trustees of the Foundation (the “Board”) legally changed its name from Armstrong State University Foundation, Inc. to Armstrong Foundation of Georgia Southern University, Inc., effective January 1, 2018. The Articles of Incorporation and Bylaws of the Foundation were also amended to support the Armstrong Campus of Georgia Southern University.

Effective July 1, 2019, the Foundation was merged with and into Georgia Southern University Foundation, Inc., which shall be the surviving corporation, and the Foundation will cease to exist as a separate entity.

*Basis of Accounting* – The Foundation’s financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

*Cash and Cash Equivalents* – Cash and cash equivalents consist of deposits in deposit accounts at authorized financial institutions.

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits. The Foundation had \$220,103 as of June 30, 2019, which exceeded these amounts.

*Investments* – Investments are accounted for at fair value in the accompanying financial statements. Realized gains or losses on the sale of investments are determined based on the most recent date at which the investments were adjusted for unrealized appreciation and depreciation. Unrealized gains or losses resulting from changes in market values are included with realized gains or losses in the financial statements. The Foundation determines fair values of equity and debt instruments based on quoted market prices. Where quoted market prices are not available, quoted market prices of comparable instruments or discounted cash flow methods are used to estimate fair value.

*Fair Value of Financial Instruments* – The estimated fair values of the Foundation’s short-term financial instruments, including cash, cash equivalents, contributions receivable, and accrued liabilities arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of investments is based on quoted market rates.

*Pledges Receivable* – Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable beyond one year are discounted to their present value using treasury rates consistent with the life of the pledge. An allowance for uncollectible contributions is necessary as, from time to time, the Foundation may be unable to collect an outstanding pledge recorded as contributions receivable. The allowance is management’s estimate of the potential future write-offs of uncollectible contributions and is based on historical write-offs, overdue contributions, and other factors. At times, pledges receivable include amounts pledged from related or affiliated organizations.

# ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### Note 1—Nature of operations and summary of significant accounting policies (continued)

*In-Kind Support* – The Foundation occupies facilities and is provided professional services and supplies by the University. Such services and supplies from the University totaled \$397,482 and \$419,484 during the years ended June 30, 2019 and 2018, respectively, and are recorded as in-kind contributions. The offsetting expense is split evenly between fundraising and management and general expense. Other in-kind contributions of \$1,283 and \$4,592 during the years ended June 30, 2019 and 2018, respectively, and contributions of tangible assets were recorded at fair value when received, and are included in contributions. The corresponding expense is included in program activities.

*Support and Net Assets* – Support consists of contributions and other income provided for the benefit of the University. Contributions received are recorded as support without donor restrictions, or support with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue when the underlying promises are received by the Foundation and are reported as revenue with donor restrictions or revenue without donor restrictions based on any donor stipulations that limit the use of the donated asset. Grant revenue is recognized over the term of the grant in accordance with the terms of the agreement.

The Foundation's net assets without donor restrictions are classified as follows:

*Undesignated* – Funds derived from gifts, operating, and nonoperating income. These resources are used for transactions relating to the enhancement of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes.

*Designated by the Board* – Funds designated from time to time by the Board to be used for a specific charitable purpose.

The Foundation's net assets with donor restrictions are classified as follows:

*Purpose Restrictions* – Funds include resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties at the time of contribution. These specified purposes are consistent with the purpose of the Foundation. When donor restrictions on cash and other assets reported as net assets with donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Perpetual in Nature* – Funds consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Foundation may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia. The Foundation's spending policy regarding endowed funds is to provide a stable and predictable revenue stream and ensure the value of the revenue stream over time while maintaining the real value of the asset.

# ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

When an expense is incurred that can be paid using either resources with donor restriction or resources without donor restriction, the Foundation's policy is to first apply the expense towards resources with donor restrictions and then toward resources without donor restrictions.

U.S. GAAP 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"). UPMIFA is a model act approved by the Uniform Law Commission (ULC), formerly known as the National Conference of Commissioners on Uniform State Laws, which serves as a guideline for states to use in enacting legislation.

*Recent Accounting Pronouncements* - In August of 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The investment return is presented net of investment expenses on the statements of activities.
- The financial statements include a new statement of functional expenses that presents expenses by both their nature and function.
- The financial statements include a new disclosure about liquidity and availability of resources (see Note 3).

*Concentrations of Credit Risk* – From time to time, the Foundation receives large pledges and contributions from a small number of donors that represent a significant portion of recorded pledges receivable and contributions.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Taxes* – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal income tax on unrelated business income. The Foundation has evaluated the effect of U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt organization. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Foundation had no uncertain income tax positions at June 30, 2019 and 2018.

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 2—Pledges receivable**

Unconditional promises to give are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Pledges receivable at June 30, 2019 with due dates extending beyond one year are discounted using a rate which management determined to be reasonable. Pledges receivable at June 30, 2018 with due dates extending beyond one year are discounted using Treasury Bill rates for similar term investments. The applicable rate at June 30, 2019 and 2018, was 4% and 2.73%, respectively. Contributions receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 275,000	\$ 445,800
Due in one to five years	574,500	838,000
Total contributions receivable	<u>849,500</u>	<u>1,283,800</u>
Less:		
Allowance for uncollectible pledges	(4,042)	(9,035)
Discount to net present value	<u>(48,999)</u>	<u>(31,607)</u>
Net contributions receivable	<u>\$ 796,459</u>	<u>\$ 1,243,158</u>

**Note 3—Liquidity and availability of resources**

The Foundation's financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 258,335	\$ 204,032

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of management and general activities and fundraising to be general expenditures. The Foundation's program activities expenses consist primarily of donor restricted program support. The Foundation does not consider donor restricted program support to be part of its general expenditures.

# ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### Note 4—Functional expenses

The financial statements report certain categories of expenses that are attributable to more than one program of supporting function in the statement of functional expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are allocated on the basis of estimates of time and effort.

### Note 5—Investments

The Foundation maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility the Foundation has to its donors. All investments are consistent with donor intent and applicable federal and state laws.

The carrying value of the Foundation's investments was \$15,137,961 and \$10,337,990 at June 30, 2019 and 2018, respectively, which is materially the same as fair value. At June 30, 2019 and 2018, investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash, deposits, and money market funds	\$ 940,550	\$ 269,078
Common stocks	7,949,177	7,067,314
Exchange traded funds	1,680,341	1,447,423
Corporate debt securities	4,567,893	1,554,175
	<u>\$ 15,137,961</u>	<u>\$ 10,337,990</u>

For the year ended June 30, 2019, realized and unrealized gains are reported in the statement of activities, net of investment expenses of \$61,373.

### Note 6—Fair value measurements

The Foundation has adopted the provision of FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, which requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level 1 include listed equity securities, mutual funds, and money market funds. As required by U.S. GAAP, the Foundation, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies. The types of investments which would generally be included in this category include publicly-traded securities with restrictions on disposition, corporate obligations, and United States Government and Agency Treasury Inflation Indices.

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 6—Fair value measurements (continued)**

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments. The types of investments which would generally be included in this category include debt and equity securities issued by private entities and partnerships. The inputs into the determination of fair value require significant judgment or estimation. Inputs include recent transactions, earnings forecasts, market multiples, and future cash flows.

The table below summarizes the valuation of the Foundation’s financial assets measured at fair value on a recurring basis as of June 30, 2019, based on the level of input utilized to measure fair value:

**Measurement at Fair Value on a Recurring Basis**

	<b>Fair Value Measurements at June 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Equities:				
Common stocks - basic materials	\$ 215,600	\$ -	\$ -	\$ 215,600
Common stocks - conglomerates	438,451	-	-	438,451
Common stocks - consumer goods	1,129,780	-	-	1,129,780
Common stocks - financial	859,898	-	-	859,898
Common stocks - healthcare	730,092	-	-	730,092
Common stocks - industrial goods	960,305	-	-	960,305
Common stocks - services	1,316,254	-	-	1,316,254
Common stocks - technology	1,446,618	-	-	1,446,618
Common stocks - energy	628,756	-	-	628,756
Common stocks - other <sup>(a)</sup>	223,423	-	-	223,423
Exchange traded funds	370,150	-	-	370,150
<b>Total Equities</b>	<b>8,319,327</b>	<b>-</b>	<b>-</b>	<b>8,319,327</b>
Fixed Income:				
Corporate bonds - financial	-	804,931	-	804,931
Corporate bonds - technology	-	154,035	-	154,035
Corporate bonds - other <sup>(a)</sup>	-	3,608,927	-	3,608,927
Exchange traded funds	1,310,191	-	-	1,310,191
<b>Total Fixed Income</b>	<b>1,310,191</b>	<b>4,567,893</b>	<b>-</b>	<b>5,878,084</b>
Money markets	940,550	-	-	940,550
<b>Total investments - recurring basis</b>	<b>\$ 10,570,068</b>	<b>\$ 4,567,893</b>	<b>\$ -</b>	<b>\$ 15,137,961</b>

<sup>(a)</sup> The individual industries included in common stocks – other represents less than 5% of total equity investments at June 30, 2019. The individual industries in corporate bonds – other represents less than 5% of total fixed income investments at June 30, 2019.

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 6—Fair value measurements (continued)**

The table below summarizes the valuation of the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2018, based on the level of input utilized to measure fair value:

**Measurement at Fair Value on a Recurring Basis**

	Fair Value Measurements at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Common stocks - basic materials	\$ 212,435	\$ -	\$ -	\$ 212,435
Common stocks - conglomerates	336,277	-	-	336,277
Common stocks - consumer goods	963,724	-	-	963,724
Common stocks - financial	750,542	-	-	750,542
Common stocks - healthcare	628,706	-	-	628,706
Common stocks - industrial goods	913,128	-	-	913,128
Common stocks - services	1,060,145	-	-	1,060,145
Common stocks - technology	1,353,784	-	-	1,353,784
Common stocks - energy	680,877	-	-	680,877
Common stocks - other <sup>(a)</sup>	167,696	-	-	167,696
Exchange traded funds	369,920	-	-	369,920
Total Equities	<u>7,437,234</u>	<u>-</u>	<u>-</u>	<u>7,437,234</u>
Fixed Income:				
Corporate bonds - financial	-	1,151,670	-	1,151,670
Corporate bonds - technology	-	146,903	-	146,903
Corporate bonds - other <sup>(a)</sup>	-	255,602	-	255,602
Exchange traded funds	1,077,503	-	-	1,077,503
Total Fixed Income	<u>1,077,503</u>	<u>1,554,175</u>	<u>-</u>	<u>2,631,678</u>
Money markets	<u>269,078</u>	<u>-</u>	<u>-</u>	<u>269,078</u>
Total investments - recurring basis	<u>\$ 8,783,815</u>	<u>\$ 1,554,175</u>	<u>\$ -</u>	<u>\$ 10,337,990</u>

<sup>(a)</sup> The individual industries included in common stocks – other represents less than 5% of total equity investments at June 30, 2018. The individual industries in corporate bonds – other represents less than 5% of total fixed income investments at June 30, 2018.

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.



**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 7—Endowment funds**

The Foundation's endowment fund consists of individual donor restricted endowment funds. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (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.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowments 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

Endowment net assets consist of the following at June 30, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ 118,359	\$ 11,835,019	\$ 11,953,378
Total endowed net assets	<u>\$ 118,359</u>	<u>\$ 11,835,019</u>	<u>\$ 11,953,378</u>

Endowment net assets consist of the following at June 30, 2018:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ 119,637	\$ 9,661,880	\$ 9,781,517
Total endowed net assets	<u>\$ 119,637</u>	<u>\$ 9,661,880</u>	<u>\$ 9,781,517</u>

**ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 7—Endowments funds (continued)**

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, July 1, 2018	\$ 119,637	\$ 9,661,880	\$ 9,781,517
Contributions	-	329,338	329,338
Less increase in pledges receivable	-	(588,000)	(588,000)
Investment return:			
Investment income	-	223,802	223,802
Net appreciation	-	492,764	492,764
Total investment return	-	716,566	716,566
Reclassifications based on donor intent	-	1,925,738	1,925,738
Appropriation of endowment assets for expenditures	(1,278)	(210,503)	(211,781)
Endowment net assets, June 30, 2019	<u>\$ 118,359</u>	<u>\$ 11,835,019</u>	<u>\$ 11,953,378</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, July 1, 2017	\$ 88,711	\$ 8,908,964	\$ 8,997,675
Contributions	-	186,969	186,969
Investment return:			
Investment income	5,058	184,313	189,371
Net appreciation	35,367	673,870	709,237
Total investment return	40,425	858,183	898,608
Reclassifications based on donor intent	-	37,361	37,361
Appropriation of endowment assets for expenditures	(9,499)	(329,597)	(339,096)
Endowment net assets, June 30, 2018	<u>\$ 119,637</u>	<u>\$ 9,661,880</u>	<u>\$ 9,781,517</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment fund deficits exist, they are classified as a reduction of net assets without donor restrictions. These deficits resulted from unfavorable market conditions which resulted in negative investment returns. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restrictions. There were no deficits of this nature reported in net assets without donor restrictions as of June 30, 2019 and 2018.

# ARMSTRONG FOUNDATION OF GEORGIA SOUTHERN UNIVERSITY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### **Note 7—Endowments funds (continued)**

#### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period and which are currently invested under a long-term strategy. The goal of the long-term investment program is to provide a real total return from assets invested that will preserve the purchasing power of capital, while generating an income stream to support the activities of the funds held by the Foundation. Achievement of the real total return will be sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. For the long-term, the primary investment objective is to earn a total return (net of investment and custodial fees) within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of capital.

#### **Relationship of Spending Policy to Investment Objectives**

The Foundation determines the method to be used to appropriate endowment funds for expenditures. The Foundation has a policy of appropriating for distribution each year, 4.2% for each of the years ended June 30, 2019 and 2018, 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/appreciation. This average should be moved back six months from the time of current-year calculations for the purpose of spending, with the three-year average being that of either calendar or fiscal year as required for the budgetary process.

### **Note 8—Related party transactions**

The Foundation transferred approximately \$453,000 and \$1,438,000 during the years ended June 30, 2019 and 2018, respectively, to the University for scholarships and other support.

The costs of services rendered by the Advancement Office of the University for fundraising activities are primarily borne by the University. These costs are included in the Foundation's financial statements in in-kind contributions and fundraising and management and general expenses and are approximately \$397,000 and \$419,000 for the years ended June 30, 2019 and 2018, respectively.

The Foundation received cash payments and pledges from the BOR of approximately \$0- and \$98,000 during the years ended June 30, 2019 and 2018, respectively.

### **Note 9—Subsequent events**

As discussed in Note 1, effective July 1, 2019, the Foundation was merged with and into Georgia Southern University Foundation, Inc., and the Foundation will cease to exist as a separate entity. The merger transaction is governed by the related agreement and plan of merger documents.

The Foundation has evaluated subsequent events through September 18, 2019, which was the date which the financial statements were available to be issued.