



CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

DALTON STATE COLLEGE FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

Contents

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4-5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6-7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9-21
SUPPLEMENTARY INFORMATION:	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	22
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	23-24
SCHEDULE OF OPERATING EXPENSES OF THE WOOD VALLEY APARTMENTS	25



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Dalton State College Foundation, Inc., (a nonprofit organization) and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 misstatements 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.

Atlanta | Calhoun | Canton | Dalton | Dublin

Kennesaw | Rome | Warner Robins

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Dalton State College Foundation, Inc. and its subsidiary, as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Richards, Cauley & Associates, LLC

Dalton, Georgia
October 1, 2018

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 671,875	\$ 2,857,900
Investments	21,543,859	20,689,490
Alternative investments	4,598,656	4,059,649
Unconditional promises to give - current portion	1,334,395	2,459,450
Other receivables	50,000	32,293
Prepaid expenses	27,429	15,385
TOTAL CURRENT ASSETS	<u>28,226,214</u>	<u>30,114,167</u>
PROPERTY AND EQUIPMENT, NET	<u>5,689,784</u>	<u>5,661,266</u>
NON-CURRENT ASSETS		
Unconditional promises to give, less current portion	3,205,333	4,905
Deferred income tax benefit	77,401	107,698
TOTAL NON-CURRENT ASSETS	<u>3,282,734</u>	<u>112,603</u>
TOTAL ASSETS	<u>\$ 37,198,732</u>	<u>\$ 35,888,036</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 614,115	\$ 125,948
CRAT payable	-	4,127
Current portion of long term debt	2,916,670	415,614
TOTAL CURRENT LIABILITIES	<u>3,530,785</u>	<u>545,689</u>
LONG TERM LIABILITES		
Deferred income tax liability	-	73,518
Long term debt, less current portion	-	416,680
TOTAL LONG TERM LIABILITIES	<u>-</u>	<u>490,198</u>
TOTAL LIABILITIES	<u>3,530,785</u>	<u>1,035,887</u>
NET ASSETS		
Unrestricted	15,517,683	16,671,971
Temporarily restricted	6,554,008	7,492,400
Permanently restricted	11,596,256	10,687,778
TOTAL NET ASSETS	<u>33,667,947</u>	<u>34,852,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,198,732</u>	<u>\$ 35,888,036</u>

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

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$1,324,154	\$ 549,402	\$ 1,463,341	\$ 3,336,897
Dividends	255,486	115,344	167,105	537,935
Net realized gains on investments	406,503	183,524	265,880	855,907
Unrealized gains on investments	792,124	357,621	518,104	1,667,849
Change in net present value of pledges receivable	(93,570)	(32,990)	(21,372)	(147,932)
Earnings on restricted assets used to fund future operations and scholarships	-	929,717	(929,717)	-
Unrestricted assets used to restore restricted assets	(130,968)	46,418	84,550	-
Net assets released from restriction	3,930,546	(3,291,133)	(639,413)	-
Net unrelated business income	33,175	-	-	33,175
TOTAL SUPPORT AND REVENUE	6,517,450	(1,142,097)	908,478	6,283,831
EXPENSES				
Program service	7,247,639	-	-	7,247,639
General and administrative	266,660	-	-	266,660
Fundraising	157,439	-	-	157,439
TOTAL EXPENSES	7,671,738	-	-	7,671,738
TRANSFER OF NET ASSETS (NOTE 15)	-	203,705	-	203,705
INCREASE (DECREASE) IN NET ASSETS	(1,154,288)	(938,392)	908,478	(1,184,202)
NET ASSETS - Beginning of year	16,671,971	7,492,400	10,687,778	34,852,149
NET ASSETS - End of year	<u>\$ 15,517,683</u>	<u>\$ 6,554,008</u>	<u>\$ 11,596,256</u>	<u>\$ 33,667,947</u>

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

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 35,356	\$ 381,202	\$ 144,553	\$ 561,111
Dividends	262,932	124,190	161,065	548,187
Net realized losses on investments	(46,506)	(21,967)	(28,489)	(96,962)
Unrealized gains on investments	391,072	184,719	239,567	815,358
Change in net present value of pledges receivable	24,084	11,244	14,711	50,039
Net assets released from restriction	950,686	(950,686)	-	-
Net unrelated business income	715	-	-	715
TOTAL SUPPORT AND REVENUE	<u>1,618,339</u>	<u>(271,298)</u>	<u>531,407</u>	<u>1,878,448</u>
EXPENSES				
Program service	1,344,896	-	-	1,344,896
General and administrative	237,346	-	-	237,346
Fundraising	96,223	-	-	96,223
TOTAL EXPENSES	<u>1,678,465</u>	<u>-</u>	<u>-</u>	<u>1,678,465</u>
INCREASE (DECREASE) IN NET ASSETS	(60,126)	(271,298)	531,407	199,983
NET ASSETS - Beginning of year	<u>16,732,097</u>	<u>7,763,698</u>	<u>10,156,371</u>	<u>34,652,166</u>
NET ASSETS - End of year	<u>\$ 16,671,971</u>	<u>\$ 7,492,400</u>	<u>\$ 10,687,778</u>	<u>\$ 34,852,149</u>

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

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Service</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
UNRESTRICTED				
College support				
Capital projects	\$ 5,104,563	\$ -	\$ -	\$ 5,104,563
Scholarships and awards	497,955	-	-	497,955
Faculty support	287,043	-	-	287,043
Academic program support	23,862	-	-	23,862
Alumni relations	40,709	-	-	40,709
Athletic programs	71,871	-	-	71,871
Salaries and benefits supplements	84,954	30,304	34,845	150,103
Donor relations and fund raising	-	-	14,665	14,665
Fees and commissions	-	104,711	-	104,711
Professional services	-	72,776	96,350	169,126
Meetings and events	-	1,458	1,686	3,144
Insurance and bonding	-	10,820	-	10,820
Database enhancement and support	18,341	-	1,650	19,991
Equipment and supplies	1,041,413	-	-	1,041,413
Dues and memberships	36,693	2,761	-	39,454
Campus events	40,235	-	-	40,235
Bank and credit card fees	-	3,425	-	3,425
Other	-	14,521	-	14,521
Depreciation expense	-	5,214	-	5,214
Interest expense	-	20,670	-	20,670
CRAT expenses	-	-	8,243	8,243
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 7,247,639</u></u>	<u><u>\$ 266,660</u></u>	<u><u>\$ 157,439</u></u>	<u><u>\$ 7,671,738</u></u>

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

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Service</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
UNRESTRICTED				
College support				
Capital projects	\$ 438,279	\$ -	\$ -	\$ 438,279
Scholarships and awards	365,249	-	-	365,249
Faculty support	132,067	-	-	132,067
Academic program support	169,129	-	-	169,129
Alumni relations	14,518	-	-	14,518
Student life programs	3,127	-	-	3,127
Salaries and benefits supplements	80,382	49,191	34,740	164,313
Donor relations and fund raising	-	-	39,672	39,672
Fees and commissions	-	78,166	-	78,166
Professional services	-	51,866	4,257	56,123
Meetings and events	-	584	1,307	1,891
Insurance and bonding	-	17,820	-	17,820
Database enhancement and support	44,420	-	1,080	45,500
Equipment and supplies	49,338	-	-	49,338
Dues and memberships	7,820	2,922	-	10,742
Campus events	40,567	-	-	40,567
Bank and credit card fees	-	5,452	-	5,452
Other	-	8,351	-	8,351
Depreciation expense	-	1,691	-	1,691
Interest expense	-	21,303	-	21,303
CRAT expenses	-	-	15,167	15,167
TOTAL FUNCTIONAL EXPENSES	\$ 1,344,896	\$ 237,346	\$ 96,223	\$ 1,678,465

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

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (1,184,202)	\$ 199,983
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	5,214	64,172
Loss on disposal of assets	-	16,141
Deferred income tax	(43,221)	(5,061)
Net realized and unrealized gains on investments	(2,523,756)	(718,396)
Change in operating assets and liabilities		
Increase (decrease) in unconditional promises to give	(2,075,373)	2,519,145
Decrease in other receivables	(17,707)	(32,293)
Increase (decrease) in prepaid expenses	(12,044)	31,559
Increase in accounts payable and accrued liabilities	488,167	67,800
Decrease in CRAT payable	(4,127)	(9,569)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(5,367,049)</u>	<u>2,133,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of (proceeds from) investments , net	1,131,420	(51,453)
Purchase of property and equipment	(33,732)	(202,847)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,097,688</u>	<u>(254,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	2,500,000	-
Repayments of long term debt	(416,664)	(415,623)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>2,083,336</u>	<u>(415,623)</u>
NET INCREASE (DECREASE) IN CASH	(2,186,025)	1,463,558
CASH AT BEGINNING OF YEAR	<u>2,857,900</u>	<u>1,394,342</u>
CASH AT THE END OF THE YEAR	<u>\$ 671,875</u>	<u>\$ 2,857,900</u>
SUPPLEMENTARY DISCLOSURES		
Interest paid	<u>\$ 16,216</u>	<u>\$ 18,521</u>

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

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The accompanying financial statements include the accounts of Dalton State College Foundation, Inc., and its wholly owned subsidiary, Dalton State Acquisitions, Inc., for the years ended December 31, 2017 and 2016. Significant intercompany accounts and transactions have been eliminated in consolidation.

Reporting Entity and Nature of Operations

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

On August 19, 2005, Dalton State Acquisitions, Inc., was incorporated as a wholly owned subsidiary of Dalton State College Foundation, Inc. Dalton State Acquisitions, Inc., was created to acquire certain parcels of real property that may be used for the future expansion of Dalton State College. The Wood Valley Apartments were located on these parcels and were operated by Dalton State Acquisitions, Inc., as residential rentals until July 1, 2009, at which time the complex was converted to student housing that was under lease by Dalton State College.

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

Cash and Cash Equivalents

The Foundation considers all certificates of deposit with maturities that do not exceed ninety days to be cash equivalents for financial statement purposes. The Foundation maintains its cash balances in accounts at a local bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2017 and 2016, the amounts held in bank accounts were in excess of FDIC insurance. Management does not believe that there is significant credit risk associated with these amounts.

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Unconditional Promises to Give

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

Other Receivables

As of December 2017 and 2016, the other receivables amount consists of miscellaneous receivables that are due within one year.

Property and Equipment

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donations are reported as unrestricted contributions 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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

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

Estimates and Assumptions

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

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurement

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

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

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

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

All alternative investments (See Note 3) held at December 31, 2017 and 2016, are classified as Level III investments.

Investment Strategy

The Foundation's Investment Committee manages the investment portfolio according to the Foundation's investment policy as approved by the Board of Directors. The long term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the annual return should at least equal the annual sum of distributions, inflation, administrative costs, and net of management fees. The Foundation portfolio has adopted a "total return" investment approach; current income is considered a secondary consideration. The portfolio must offer sufficient liquidity to meet payments of philanthropic endeavors and operating expenses, as well as principal and interest payments due on any outstanding debt. The investment policy has asset allocation guidelines that allow the Investment Committee to balance the portfolio for current market conditions to achieve a long term rate of return of approximately 7.5% on an annual basis, with a moderate level of risk. Actual results may vary from this amount. The Foundation's investment portfolio had a return of 12.03% and 5.20% for the years ended December 31, 2017 and 2016, respectively.

The Foundation determines distribution rates based on the market values of investments at the end of the fiscal year. The investment policy specifies a maximum distribution rate of 4.25% of the average market value of investments at the fiscal year end calculated on a twelve quarter rolling average. At a minimum, the investment policy states that long term rates of return be equal to an amount sufficient to maintain the purchasing power of the Foundation's portfolio assets and provide necessary capital to fund a spending policy of 4.25% or an amount determined by the Executive Committee.

The Foundation has retained a professional investment consultant that assists the Foundation in meeting its investment objectives and monitoring compliance with the Foundation's investment policy. Fees and commissions paid to the investment consultant were \$104,711 and \$78,166 for the years ended December 31, 2017 and 2016, respectively.

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In November 2015, the Foundation's Investment Committee completed a comprehensive review of the investment performance and asset allocation. Based on this review, the Committee voted to conclude its relationship with the current professional investment consultant. The Foundation then retained another advisor to assist with the management and evaluation of the Foundation's investment strategy. The transfer of the invested assets was completed in February 2016.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958)*. The amendments include a change in the presentation of the Financial Statements of Not-for-Profit Entities. The amendment requires the presentation on the face of the statement of financial position and statement of activities the amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. There will also be enhanced disclosures about qualitative and quantitative composition of net assets with donor restrictions. The new standard is effective for fiscal year beginning after December 15, 2017. The adoption of the new standard is not expected to have a material effect on the Foundation's financial position, statement of activities, or cash flows.

Reclassifications

Certain accounts for 2016 have been reclassified to conform to the current year presentation. The reclassifications have no effect on net income for 2016.

NOTE 2 - INVESTMENTS

Investments consist of restricted, temporarily restricted, and unrestricted net assets which the Foundation believes will not be needed for their restricted purposes or for operations for a period of at least 90 days. All investments are maintained in readily marketable securities at brokerage houses and custodial trust companies. All investments are stated at their fair market values. The Foundation is liable for any and all market losses. Cash in investments include instruments with a maturity of 30 days or less. The Foundation's investments are exposed to various types of risk, including changes in interest rates, currency fluctuations, and credit risks. Changes in financial markets occur daily, and such changes could materially affect the amounts reported in the Foundation's financial statements.

As of December 31, 2017 and 2016, investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 111,619	\$ 161,312
Equities	15,329,853	14,528,178
Bonds	6,102,387	6,000,000
	<u>\$ 21,543,859</u>	<u>\$ 20,689,490</u>

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

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 – ALTERNATIVE INVESTMENTS

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

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

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

Alternative investments consist of two classes, private equity and hedge funds. These investments require that the Foundation make commitments for investments over the course of the investment's period. As of December 31, 2017 and 2016, approximately \$2,114,000 and \$1,874,000 of capital commitments remain outstanding.

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

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

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 – ALTERNATIVE INVESTMENTS

For the years ended December 31, 2017 and 2016, the changes in investments classified as Level III are as follows:

	Private Investments	Hedge Funds	Total
Balance, January 1, 2017	\$ 1,205,888	\$ 2,853,761	\$ 4,059,649
Realized or unrealized gains (losses)	132,863	125,439	258,302
Purchases	473,603	-	473,603
Sales	(192,898)	-	(192,898)
Transfers in and/or out of Level III	-	-	-
Balance, December 31, 2017	<u>\$ 1,619,456</u>	<u>\$ 2,979,200</u>	<u>\$ 4,598,656</u>

	Private Investments	Hedge Funds	Total
Balance, January 1, 2016	\$ 627,783	\$ 6,043,624	\$ 6,671,407
Realized or unrealized gains (losses)	219,740	(1,232,515)	(1,012,775)
Purchases	358,365	2,750,000	3,108,365
Sales	-	(4,707,348)	(4,707,348)
Transfers in and/or out of Level III	-	-	-
Balance, December 31, 2016	<u>\$ 1,205,888</u>	<u>\$ 2,853,761</u>	<u>\$ 4,059,649</u>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2017 and 2016, unconditional promises to give consisted of the following:

	2017	2016
Present value of unconditional promises to give	\$ 4,737,755	\$ 2,514,450
Less allowance for uncollectibles	50,000	50,000
	4,687,755	2,464,450
Less current portion	1,334,395	2,459,450
Non-current portion	<u>\$ 3,353,360</u>	<u>\$ 5,000</u>
Less than one year	\$ 1,334,395	\$ 2,459,450
One to five years	3,353,360	5,000
	4,687,755	2,464,450
Less discount to present value	148,027	95
Total expected to be collected	<u>\$ 4,539,728</u>	<u>\$ 2,464,355</u>

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

The discount rate used on the long-term promises to give was 2.20% and 1.93% as of December 31, 2017 and 2016, respectively. The promises to give were generated by commitments from corporations and individuals in the community. An allowance for uncollectible promises to give has been recorded of \$50,000 as December 31, 2017 and 2016. There are no enforceable rights by the Foundation to collect these promises.

Management reviews all uncollected unconditional promises to give annually utilizing responses to audit confirmations and other information they are aware of concerning the ability and willingness of donors to honor their commitments. Promises determined to be uncollectible are written off when that determination is made. There were no promises written off during the years ended December 31, 2017 and 2016.

NOTE 5 – PREPAID EXPENSES

As of December 31, 2017 and 2016, prepaid expenses consist of the following:

	2017	2016
Prepaid website	\$ 6,275	\$ 6,092
Prepaid software maintenance	7,393	7,393
Prepaid insurance	13,761	1,900
	\$ 27,429	\$ 15,385

NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016, property and equipment consist of the following:

	2017	2016
Land	\$ 2,957,084	\$ 2,957,084
Land - Wood Valley Apartments	2,722,458	892,397
Buildings - Wood Valley Apartments	-	2,097,124
Building renovations - Wood Valley Apartments	-	363,555
Machinery and equipment	17,945	17,945
	5,697,487	6,328,105
Less accumulated depreciation	7,703	666,839
	\$ 5,689,784	\$ 5,661,266

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 6 – PROPERTY AND EQUIPMENT

The Foundation's real estate holdings are to be donated to Dalton State College for the College's benefit. Before the property can be transferred, there may be additional costs associated with conditioning the property for transfer. On September 11, 2014, the Foundation agreed, at the request of the College, to transfer 2.77 acres and two apartment buildings to the Board of Regents of the University System of Georgia for the construction of student housing. These two buildings were demolished in 2015 and new state of the art facilities were constructed in their place. The remaining eight buildings were demolished and removed by the Foundation in 2017. The remaining 8.1 acres will be transferred to the Board of Regents for the College's future use. The Foundation has incurred demolition costs on the property of which \$2,032,708 have been capitalized. The timeframe for this transfer is estimated to occur in 2018.

For the years ended December 31, 2017 and 2016, depreciation expense was \$5,214 and \$64,172.

NOTE 7 – CHARITABLE REMAINDER ANNUITY TRUST

On May 8, 2007, a charitable remainder annuity trust was established by a local family naming the Foundation as trustee and ultimate beneficiary of the trust. Under the terms of the trust, the grantor is paid an annuity amount equal to nine percent (9%) of the net fair market value of the assets of the trust as of the date of the trust in equal quarterly installments from trust income and, to the extent income is not sufficient, from principal for the lifetime of the last surviving grantor. The trust was initially funded with marketable securities with a fair market value of \$274,845 as of May 8, 2007.

The present value of the expected outflows from the trust were calculated using the 2004 period life tables issued by the Social Security Administration and was discounted using the 30-year Treasury bill interest rate in effect at May 8, 2007 (4.80%). The difference between the fair market value of the assets transferred to the trust and the present value of the expected outflows were recorded as temporarily restricted contributions as required by generally accepted accounting principles.

During the year ended December 31, 2016, the trust generated investment income of \$6, incurred no investment management fees and distributed payments to the grantor in the amount of \$24,736, thus reducing the principal of the trust by \$24,730.

During the year ended December 31, 2017, the trust generated investment income of \$12, incurred no investment management fees and distributed payments to the grantor in the amount of \$12,368. The final beneficiary of the trust died during the year. The remaining \$26,147 was distributed to the Foundation and is included in contributions.

NOTE 8 – LONG TERM DEBT

On December 1, 2017 the Foundation entered into an agreement with a national bank to provide bridge financing so construction on a college building could begin. The Foundation was advanced \$2,500,000 bearing interest 0.80% above LIBOR (1.57% as of December 31, 2017). Interest is payable monthly beginning January 1, 2018, and principal is payable in full on February 1, 2018. The note was extended on February 1, 2018. The note will bear interest at a rate of 1.05% above LIBOR and will mature on February 1, 2019. The Foundation made a \$1,000,000 principal payment on February 27, 2018.

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8 – LONG TERM DEBT

On February 10, 2015, the Foundation entered into an agreement with a national bank to provide financing to assist with the repayment of the Wood Valley Apartments mortgage. The Foundation was advanced \$1,250,000 bearing interest 1.75% above LIBOR (1.57% and 0.77111% as of December 31, 2017 and 2016). Interest is payable monthly beginning March 1, 2015. Beginning February 1, 2016, principal is payable in annual installments of \$416,665 with all remaining principal and interest due upon maturity. The final payment of \$416,700 is due February 1, 2018.

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, permanently restricted net assets consist of the following funds:

	<u>2017</u>	<u>2016</u>
Bandy Heritage Center Endowment Fund	\$ 1,038,880	\$ 1,000,000
Bandy Chair in History Endowment Fund	1,000,000	1,000,000
Georgia Eminent Scholar Endowment Fund	1,698,250	1,698,250
Georgia Eminent Scholar Endowment Matching Fund	1,000,000	1,000,000
Goizueta Foundation Scholarship Endowment Fund	1,700,325	1,700,000
Shaw Industries Chair in Polymer Chemistry Endowment Fund	1,000,000	-
Other endowed funds	4,158,801	4,289,528
	<u>\$ 11,596,256</u>	<u>\$ 10,687,778</u>

The Foundation has received from various donors endowments for various named scholarship funds, faculty chair funds, and award funds. The principal amounts of these funds are to be maintained in perpetuity, and the income from the endowments is to provide scholarships to students and support to the faculty of the College with certain qualifications as prescribed by the donors.

As of December 31, 2017 and 2016, permanently restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Investments	\$ 6,018,972	\$ 6,627,929
Alternative investments	4,598,656	4,059,649
Promises to give	978,628	200
Total permanently restricted net assets	<u>\$ 11,596,256</u>	<u>\$ 10,687,778</u>

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are composed of various named scholarship funds, faculty chair funds, and award funds for which the Foundation may use either principal or income and earnings from donor restricted funds to provide scholarships to students and support to the faculty of the College with certain qualifications as prescribed by donors. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the donor's restrictions.

As of December 31, 2017 and 2016, temporarily restricted net assets consists of the following:

	<u>2017</u>	<u>2016</u>
Investments	\$ 4,033,593	\$ 5,042,400
Promises to give	2,520,415	2,450,000
Total temporarily restricted net assets	<u>\$ 6,554,008</u>	<u>\$ 7,492,400</u>

NOTE 11 – UNRESTRICTED NET ASSETS

As of December 31, 2017 and 2016, unrestricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 671,875	\$ 2,857,900
Promises to give	1,040,685	14,155
Deferred tax benefit	77,401	107,698
Investments	11,491,294	9,019,161
Other receivable	50,000	32,293
Prepaid expenses	27,429	15,385
Property and equipment	5,689,784	5,661,266
	<u>19,048,468</u>	<u>17,707,858</u>
Less accounts payable and accrued liabilities	614,115	125,948
Less CRAT payable	-	4,127
Less deferred tax liability	-	73,518
Less mortgage payable	2,916,670	832,294
Total unrestricted net assets	<u>\$ 15,517,683</u>	<u>\$ 16,671,971</u>

The Foundation is a named beneficiary of various estates and charitable trusts. The income from these entities is distributed on an annual basis to various beneficiaries in amounts and proportions as determined by the trustees. The trust agreements provide that the principal will be distributed at the discretion of the trustee when certain triggering events occur. As of December 31, 2017, the Foundation received \$26,147 from one trust. See Note 7.

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 – RELATED PARTY TRANSACTIONS

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

The administrative offices of the Foundation are in donated space provided by Dalton State College. The College provides clerical assistance, copying machines, computer equipment, phone service, and other administrative services at no fee to the Foundation. The Foundation leases administrative employees from the College. The total amount paid to or on behalf of Dalton State College for the year ending December 31, 2017 and 2016, was \$6,066,238 and \$1,162,936. Included in the amounts paid to Dalton State College are scholarships of \$484,947 and \$353,520 paid on behalf of students who are unrelated to the Foundation or the College for the years ended December 31, 2017 and 2016. The students are credited with the scholarships against tuition by the College during the registration process.

On July 1, 2009, Dalton State Acquisitions, Inc., entered into an agreement with Dalton State College to lease the Wood Valley Apartments for student housing. As part of the agreement, the College is responsible for all janitorial, waste disposal, utilities, and cleaning of the complex. Dalton State Acquisitions, Inc., remains responsible for the mortgage payment, maintenance, and insurance related to the facility. During the year ended March 31, 2012, application was submitted and approved for waiver of property taxes; thus, no property taxes are due on the Wood Valley Apartments. The initial term of the lease expired on June 30, 2010, and contained renewal options through June 30, 2015. Dalton State College has exercised the renewal options through June 30, 2016, with new terms reflecting the transfer of the 2.77 acres referred to in Note 6. Monthly rent was paid to Dalton State Acquisitions until September 2016 when demolition of the apartments began. There was no rental income during 2017.

NOTE 13 – INCOME TAX STATUS

Dalton State College Foundation, Inc., is exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Therefore, no provision for federal and state income taxes is included in the accompanying financial statements.

Dalton State Acquisitions, Inc., is classified as a C corporation for federal and state income taxes and files income tax returns separate from its parent. A provision for deferred federal and state income taxes (benefit) of (\$77,401) and (\$107,698) is included in the financial statements related to the activity of Dalton State Acquisitions, Inc., for the years ended December 31, 2017 and 2016. The deferred tax asset reflects the income tax consequences of a net operating loss carryforward. No deferred tax liability has been recognized for the year ended December 31, 2017. A deferred tax liability has been recognized in the amount of \$73,518 for the year ended December 31, 2016, representing temporary differences between the income tax and the financial reporting basis of assets that will result in taxable amounts in the future. Both amounts have been classified as non-current based on management's determination that utilization and/or reversal will be greater than one year from December 31, 2017.

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 – INCOME TAX STATUS

On April 1, 2009, the Foundation adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax provisions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Foundation has analyzed tax examination and does not anticipate any adjustment that would result in material adverse effect on the Foundation's financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2017 and 2016.

Currently, there are no audits for any tax year in progress, and the Foundation believes that it is no longer subject to audits for periods prior to 2014.

NOTE 14 – NET UNRELATED BUSINESS INCOME

Unrelated business income is derived from Dalton State Acquisitions, Inc.'s operations of the Wood Valley Apartments. For the years ended December 31, 2017 and 2016, the income and expenses related to these operations are as follows:

	2017	2016
Operating revenues	\$ -	\$ 161,032
Less operating expenses	10,046	86,756
Less depreciation and amortization expense	-	62,481
Income (loss) from operations	(10,046)	11,795
Loss on disposal of assets	-	16,141
Less income tax expense (benefit)	(43,221)	(5,061)
Net unrelated business income (loss)	\$ 33,175	\$ 715

NOTE 15 – TRANSFER OF NET ASSETS

In October 2017, the Dalton State Athletic Club, Inc., (the Club) (an unrelated nonprofit organization established for the benefit of Dalton State College athletics) transferred cash in the amount of \$203,705 from assets temporarily restricted for athletics to the Dalton State College Foundation, Inc. The transfer of assets reflects the initial stages of dissolution of the Club. The Club expects to transfer some or all of its remaining assets to the Foundation prior to March 31, 2019.

DALTON STATE COLLEGE FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 16 – SUBSEQUENT EVENTS

On January 4, 2018, the Foundation transferred all of the remaining land from the Wood Valley Apartments to the Board of Regents.

In February 2018, the Foundation extended the \$2,500,000 note to February 1, 2019. The note will bear interest at a rate of 1.05% above LIBOR. Interest is payable monthly beginning January 1, 2018, and principal is payable in full upon maturity. The Foundation made a \$1,000,000 principal payment on February 27, 2018.

Management has evaluated subsequent events through October 1, 2018, the date which the financial statements were available to be issued, and has determined, other than mentioned above, there were no additional material events requiring recognition or disclosure in the Foundation's financial statements.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of the Dalton State College Foundation, Inc., and its subsidiary, as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated October 1, 2018, 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 supplemental information included in the accompanying consolidating statements of financial position as of December 31, 2017 and 2016, and schedule of operating expenses of Wood Valley Apartments, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the aforementioned information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Nichols, Cauley + Associates, LLC

Dalton, Georgia
October 1, 2018

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	DALTON STATE COLLEGE FOUNDATION	DALTON STATE ACQUISITIONS	ELIMINATIONS	CONSOLIDATED
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 578,478	\$ 93,397	\$ -	\$ 671,875
Investments	21,543,859	-	-	21,543,859
Alternative investments	4,598,656	-	-	4,598,656
Unconditional promises to give	1,334,395	-	-	1,334,395
Other receivables	50,000	-	-	50,000
Prepaid expenses	25,529	1,900	-	27,429
TOTAL CURRENT ASSETS	28,130,917	95,297	-	28,226,214
PROPERTY AND EQUIPMENT, NET	2,967,326	2,722,458	-	5,689,784
NON-CURRENT ASSETS:				
Unconditional promises to give	3,205,333	-	-	3,205,333
Deferred income tax benefit	-	77,401	-	77,401
Investment in subsidiary	2,895,156	-	(2,895,156)	-
TOTAL NON CURRENT ASSETS	6,100,489	77,401	(2,895,156)	3,282,734
TOTAL ASSETS	\$ 37,198,732	\$ 2,895,156	\$ (2,895,156)	\$ 37,198,732
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 614,115	\$ -	\$ -	\$ 614,115
Current portion of long term debt	2,916,670	-	-	2,916,670
TOTAL LIABILITIES	3,530,785	-	-	3,530,785
NET ASSETS:				
Common stock	-	100,000	(100,000)	-
Additional paid in capital	-	2,658,724	(2,658,724)	-
Unrestricted (retained earnings)	15,517,683	136,432	(136,432)	15,517,683
Temporarily restricted	6,554,008	-	-	6,554,008
Permanently restricted	11,596,256	-	-	11,596,256
TOTAL NET ASSETS	33,667,947	2,895,156	(2,895,156)	33,667,947
TOTAL LIABILITIES AND NET ASSETS	\$ 37,198,732	\$ 2,895,156	\$ (2,895,156)	\$ 37,198,732

See accompanying independent auditor's report on supplementary information

DALTON STATE COLLEGE FOUNDATION, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	DALTON STATE COLLEGE FOUNDATION	DALTON STATE ACQUISITIONS	ELIMINATIONS	CONSOLIDATED
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,753,018	\$ 104,882	\$ -	\$ 2,857,900
Investments	20,689,490	-	-	20,689,490
Alternative investments	4,059,649	-	-	4,059,649
Unconditional promises to give	2,459,450	-	-	2,459,450
Other receivables	-	32,293	-	32,293
Prepaid expenses	13,485	1,900	-	15,385
TOTAL CURRENT ASSETS	29,975,092	139,075	-	30,114,167
PROPERTY AND EQUIPMENT, NET	2,972,540	2,688,726	-	5,661,266
NON-CURRENT ASSETS:				
Unconditional promises to give	4,905	-	-	4,905
Deferred income tax benefit	-	107,698	-	107,698
Investment in subsidiary	2,861,981	-	(2,861,981)	-
TOTAL NON CURRENT ASSETS	2,866,886	107,698	(2,861,981)	112,603
TOTAL ASSETS	\$ 35,814,518	\$ 2,935,499	\$ (2,861,981)	\$ 35,888,036
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 125,948	\$ -	\$ -	\$ 125,948
Current portion of CRAT payable	4,127	-	-	4,127
Current portion of long term debt	415,614	-	-	415,614
TOTAL CURRENT LIABILITIES	545,689	-	-	545,689
LONG TERM LIABILITIES:				
Deferred income tax liability	-	73,518	-	73,518
Long term debt - net of current portion	416,680	-	-	416,680
TOTAL LONG TERM LIABILITIES	416,680	73,518	-	490,198
TOTAL LIABILITIES	962,369	73,518	-	1,035,887
NET ASSETS:				
Common stock	-	100,000	(100,000)	-
Additional paid in capital	-	2,658,724	(2,658,724)	-
Unrestricted (retained earnings)	16,671,971	103,257	(103,257)	16,671,971
Temporarily restricted	7,492,400	-	-	7,492,400
Permanently restricted	10,687,778	-	-	10,687,778
TOTAL NET ASSETS	34,852,149	2,861,981	(2,861,981)	34,852,149
TOTAL LIABILITIES AND NET ASSETS	\$ 35,814,518	\$ 2,935,499	\$ (2,861,981)	\$ 35,888,036

See accompanying independent auditor's report on supplementary information

DALTON STATE COLLEGE FOUNDATION, INC.

SCHEDULE OF OPERATING EXPENSES OF THE
WOOD VALLEY APARTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

OPERATING EXPENSES	<u>2017</u>	<u>2016</u>
Repairs & maintenance	\$ 4,857	\$ 3,650
Professional fees	3,950	44,510
Utilities	1,239	9,963
Insurance	-	25,039
Depreciation expense	-	62,481
Other operating expense	-	3,594
TOTAL OPERATING EXPENSES	<u>\$ 10,046</u>	<u>\$ 149,237</u>

See accompanying independent auditor's report on supplementary information