

DALTON STATE

F O U N D A T I O N

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

DALTON STATE COLLEGE FOUNDATION INC.

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DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dalton State College Foundation Inc. and its subsidiary which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dalton State College Foundation Inc. and its subsidiary as of December 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Dalton State College Foundation Inc. and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dalton State College Foundation Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dalton State College Foundation Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dalton State College Foundation Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Richels, Cauley + Associates, LLC

Dalton, Georgia
June 20, 2025

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,743,518	\$ 998,529
Investments	38,102,502	34,628,246
Alternative investments	8,782,456	8,178,257
Unconditional promises to give - current portion, net of \$0 and \$50,000 allowance, respectively	43,000	72,500
Grant receivable, current	150,000	-
Prepaid expenses	26,368	16,663
Total current assets	<u>48,847,844</u>	<u>43,894,195</u>
 Property and equipment, net	 <u>4,088,652</u>	 <u>4,116,622</u>
 Non-current assets		
Unconditional promises to give, net of current and of \$50,000 and \$0 allowance, respectively	93,628	56,526
Grant receivable, net of current	225,000	50,000
Total non-current assets	<u>318,628</u>	<u>106,526</u>
Total assets	<u><u>\$ 53,255,124</u></u>	<u><u>\$ 48,117,343</u></u>
 Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 855,077	\$ 472,953
Total liabilities	<u>855,077</u>	<u>472,953</u>
 Net assets		
Without donor restrictions	18,623,963	17,183,976
With donor restrictions	33,776,084	30,460,414
Total net assets	<u>52,400,047</u>	<u>47,644,390</u>
Total liabilities and net assets	<u><u>\$ 53,255,124</u></u>	<u><u>\$ 48,117,343</u></u>

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

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 103,044	\$ 1,592,588	\$ 1,695,632
Grant revenue	200,000	-	200,000
Investment income	435,064	901,386	1,336,450
Net realized and unrealized losses on investments	1,003,248	2,535,037	3,538,285
Change in net present value of pledges receivable	677	(7,575)	(6,898)
Assets reclassified with donor restriction	47,476	(47,476)	-
Net assets released from restriction	1,658,290	(1,658,290)	-
Net unrelated business loss	(52,904)	-	(52,904)
Total support and revenue	3,394,895	3,315,670	6,710,565
Expenses			
Program service	1,865,393	-	1,865,393
General and administrative	83,740	-	83,740
Fundraising	33,609	-	33,609
Total expenses	1,982,742	-	1,982,742
Other income	27,834	-	27,834
Increase in net assets	1,439,987	3,315,670	4,755,657
Net assets - beginning of year	17,183,976	30,460,414	47,644,390
Net assets - end of year	\$ 18,623,963	\$ 33,776,084	\$ 52,400,047

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

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Service	General & Administrative	Fundraising	Total
Without donor restrictions				
College support				
Academic program support	\$ 413,837	\$ -	\$ -	\$ 413,837
Administrative program support	88,864	-	-	88,864
Advocacy and promotional activities	75,265	-	-	75,265
Athletic programs	98,273	-	-	98,273
Buildings and grounds	153,175	-	-	153,175
Campus events	55,237	-	-	55,237
Faculty support	118,343			118,343
Scholarships	802,691	-	-	802,691
Bank and credit card fees	-	1,501	-	1,501
Database maintenance and support	22,280	2,691	8,450	33,421
Depreciation expense	-	757	-	757
Donor relations and fund raising	-	-	17,659	17,659
Dues and memberships	16,706	4,324	-	21,030
Equipment and supplies	1,222	3,089	-	4,311
Insurance and bonding	-	10,542	-	10,542
Meetings and events	-	1,836	-	1,836
Professional services	-	55,722	-	55,722
Salaries and benefits supplements	19,500	3,278	7,500	30,278
Total functional expenses	<u>\$ 1,865,393</u>	<u>\$ 83,740</u>	<u>\$ 33,609</u>	<u>\$ 1,982,742</u>

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

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Service	General & Administrative	Fundraising	Total
Without donor restrictions				
College support				
Academic program support	\$ 83,445	\$ -	\$ -	\$ 83,445
Administrative program support	38,852	-	-	38,852
Advocacy and promotional activities	8,821	-	-	8,821
Athletic programs	30,374	-	-	30,374
Buildings and grounds	92,912	-	-	92,912
Campus events	18,276	-	-	18,276
Capital projects	182,526	-	-	182,526
Faculty support	147,038			147,038
Scholarships	608,533	-	-	608,533
Bank and credit card fees	-	2,228	-	2,228
Database maintenance and support	33,952	2,566	7,800	44,318
Depreciation expense	-	388	-	388
Donor relations and fund raising	-	-	5,611	5,611
Dues and memberships	19,563	3,948	-	23,511
Equipment and supplies	19,358	2,183	-	21,541
Insurance and bonding	-	1,737	-	1,737
Meetings and events	-	1,353	-	1,353
Professional services	-	42,576	-	42,576
Salaries and benefits supplements	52,198	15,565	11,039	78,802
Total functional expenses	<u>\$ 1,335,848</u>	<u>\$ 72,544</u>	<u>\$ 24,450</u>	<u>\$ 1,432,842</u>

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

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 4,755,657	\$ 3,874,822
Adjustment to reconcile net assets to net cash provided by (used in) operating activities		
Depreciation	51,950	69,224
Net realized and unrealized loss (gain) on investments	(3,538,285)	(3,827,746)
Change in operating assets and liabilities		
Unconditional promises to give	(7,602)	2,717,848
Grant receivable, current	(150,000)	-
Prepaid expenses	(9,705)	7,943
Grant receivable, net of current	(175,000)	25,000
Accounts payable and accrued liabilities	382,124	385,299
Net cash provided by operating activities	<u>1,309,139</u>	<u>3,252,390</u>
Cash flows from investing activities		
Purchase of investments, net of proceeds	(540,170)	(3,230,265)
Purchase of property and equipment	(23,980)	(36,037)
Net cash used in investing activities	<u>(564,150)</u>	<u>(3,266,302)</u>
Net increase (decrease) in cash	744,989	(13,912)
Cash at beginning of year	998,529	1,012,441
Cash at end of year	<u>\$ 1,743,518</u>	<u>\$ 998,529</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, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Nature of Operations

Dalton State College Foundation Inc. ("the Foundation"), was incorporated as a non-profit corporation under the Non-Profit Corporation Code of the State of Georgia on May 22, 1967. The Foundation's purpose is to secure private philanthropic support for the benefit of the students, faculty and staff, academic programs, and growth of Dalton State College.

On April 1, 2019, DSF Properties LLC was incorporated as a wholly owned subsidiary of Dalton State College Foundation Inc. DSF Properties LLC was created to hold certain property to be leased by Dalton State College.

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

Basis of Presentation

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

Under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-05 and ASC 958-205-05, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's Board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying financial statements include the accounts of Dalton State College Foundation Inc. and its wholly owned subsidiary, DSF Properties LLC, for the years ended December 31, 2024 and 2023. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Foundation considers all certificates of deposit with maturities that do not exceed ninety days to be cash equivalents for financial statement purposes. The Foundation maintains its cash balances in accounts at a national bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2024 and 2023, the amounts held in bank accounts were in excess of FDIC insurance. Management does not believe that there is significant credit risk associated with these amounts.

Unconditional Promises to Give

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

Property and Equipment

The Foundation's policy is to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over their useful life using the straight-line method. Useful lives of property and equipment range from 3 to 40 years.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions. Donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies donor restricted net assets to net assets without donor restrictions at that time.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donated Services

The Foundation receives various donated services ranging from fundraising to administration of the Organization. These services are not recorded as support and revenue because these services do not meet the criteria for recognition under ASC 958-605.05.

Estimates and Assumptions

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

Fair Value Measurement

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

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

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

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

All alternative investments (See Note 4) held at December 31, 2024 and 2023, are classified as Level III investments.

Investment Strategy

The Foundation's Investment Committee manages the investment portfolio according to the Foundation's investment policy as approved by the Board of Directors. The long term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the annual return should at least equal the annual sum of distributions, inflation, administrative costs, and net of management fees.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Strategy

The Foundation portfolio has adopted a “total return” investment approach; current income is considered a secondary consideration. The portfolio must offer sufficient liquidity to meet payments of philanthropic endeavors and operating expenses, as well as principal and interest payments due on any outstanding debt. The investment policy has asset allocation guidelines that allow the Investment Committee to balance the portfolio for current market conditions to achieve a long term rate of return of approximately 7.5% on an annual basis, with a moderate level of risk. Actual results may vary from this amount. The Foundation’s investment portfolio had a return of 10.87% and 11.89% for the years ended December 31, 2024 and 2023, respectively.

The Foundation determines distribution rates based on the market values of investments at the end of the fiscal year. The investment policy specifies a maximum distribution rate of 4.00% of the average market value of investments at the fiscal year end calculated on a twelve-quarter rolling average. At a minimum, the investment policy states that long-term rates of return be equal to an amount sufficient to maintain the purchasing power of the Foundation’s portfolio assets and provide necessary capital to fund a spending policy of 4.00% or an amount determined by the Executive Committee.

The Foundation has retained a professional investment consultant that assists the Foundation in meeting its investment objectives and monitoring compliance with the Foundation’s investment policy. Investment fees and commissions incurred were \$184,272 and \$168,063 for the years ended December 31, 2024 and 2023, respectively.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. The expenses attributable to each category are based on actual expenses.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at December 31, 2024 and 2023:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 1,743,518	\$ 998,529
Investments	38,102,502	34,628,246
Alternative investments	8,782,456	8,178,257
Unconditional promises to give	136,628	129,026
Total financial assets	<u>48,765,104</u>	<u>43,934,058</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	33,776,084	30,460,414
Board designated assets	136,000	136,000
Unconditional promises to give, noncurrent, without donor restrictions	<u>9,579</u>	<u>18,902</u>
	<u>33,921,663</u>	<u>30,615,316</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 14,843,441</u>	<u>\$ 13,318,742</u>

The Foundation invests excess cash in short-term investments such as money market funds, treasury notes, and commercial paper.

NOTE 3 - INVESTMENTS

Investments consist of net assets without donor restrictions and net assets with donor restrictions which the Foundation believes will not be needed for their restricted purposes or for operations for a period of at least 90 days. All investments are maintained in readily marketable securities at brokerage houses and custodial trust companies. All investments are stated at their fair market values. The Foundation is liable for any and all market losses. Cash in investments include instruments with a maturity of 30 days or less. The Foundation’s investments are exposed to various types of risk, including changes in interest rates, currency fluctuations, and credit risks. Changes in financial markets occur daily, and such changes could materially affect the amounts reported in the Foundation’s financial statements.

As of December 31, 2024 and 2023, investments consisted of the following:

	2024	2023
Equity securities	\$ 25,298,629	\$ 20,838,118
Fixed income securities	12,803,873	13,790,128
	<u>\$ 38,102,502</u>	<u>\$ 34,628,246</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, 2024 AND 2023

NOTE 4 – ALTERNATIVE INVESTMENTS

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

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

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

Alternative investments consist of two classes, private equity and hedge funds. These investments require that the Foundation make commitments for investments over the course of the investment's period. As of December 31, 2024 and 2023, \$6,730,071 and \$5,669,184 of capital commitments remain outstanding, respectively.

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

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

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 – ALTERNATIVE INVESTMENTS

For the years ended December 31, 2024 and 2023, the changes in investments classified as Level III are as follows:

	Private Investments	Hedge Funds	Total
Balance, January 1, 2024	\$ 6,963,726	\$ 1,214,531	\$ 8,178,257
Realized or unrealized gains (losses)	747,422	166,284	913,706
Purchases	653,778	-	653,778
Sales	(963,285)	-	(963,285)
Transfers in and/or out of Level III	-	-	-
Balance, December 31, 2024	<u>\$ 7,401,641</u>	<u>\$ 1,380,815</u>	<u>\$ 8,782,456</u>

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

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2024 and 2023, unconditional promises to give consisted of the following:

	2024	2023
Unconditional promises to give	\$ 147,000	\$ 182,500
Less allowance for uncollectibles	<u>0</u>	<u>50,000</u>
	147,000	132,500
Less current portion	<u>43,000</u>	<u>122,500</u>
Non-current portion	<u>\$ 104,000</u>	<u>\$ 10,000</u>
Less than one year	\$ 43,000	\$ 122,500
One to five years	<u>104,000</u>	<u>10,000</u>
	147,000	132,500
Less discount to present value	<u>10,372</u>	<u>3,474</u>
Total expected to be collected	<u>\$ 136,628</u>	<u>\$ 129,026</u>

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

The discount rate used on the long-term promises to give was 4.4% and 3.9% as of December 31, 2024 and 2023, 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 \$- and \$- as of December 31, 2024 and 2023. There are no enforceable rights by the Foundation to collect these promises.

Management reviews all uncollected unconditional promises to give annually utilizing responses to audit confirmations and other information they are aware of concerning the ability and willingness of donors to honor their commitments. Promises determined to be uncollectible are written off when that determination is made.

NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2024 and 2023, property and equipment consist of the following:

	2024	2023
Land	\$ 3,080,109	\$ 3,080,109
Buildings	1,250,854	1,250,854
Computers and equipment	473,467	449,487
Automobiles	-	42,596
	4,804,430	4,823,046
Less accumulated depreciation	715,778	706,424
	<u>\$ 4,088,652</u>	<u>\$ 4,116,622</u>

For the years ended December 31, 2024 and 2023, depreciation expense was \$51,950 and \$69,224, respectively.

NOTE 7 – ENDOWMENTS

Endowments - Relevant Law

Under Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Board of Directors has the discretion to determine how much to appropriate of a donor-restricted endowment fund in accordance with a robust set of guidelines setting what constitutes prudent spending. UPMIFA permits the Foundation to appropriate or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Seven criteria are to be used to guide the Foundation in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purpose of the Foundation and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Foundation; and, 7) the investment policy of the Foundation.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 7 – ENDOWMENTS

UPMIFA broadens and clarifies the latitude of institutions to manage overall endowment returns without specifically isolating those particular endowments, because of the timing of the gift and market conditions, that are deemed underwater. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the endowment is below historic dollar value.

Endowment Classifications

The principal of a donor-restricted endowment is the original value of initial and subsequent gifts restricted to the endowment; accumulations or additions stipulated by the applicable donor gift instrument to be added to principal; and for perpetual endowments only, accumulations stipulated by UPMIFA, if any, to be held in perpetuity. The appreciation of donor-restricted endowment is accumulated net investment gains and losses, net of amounts appropriated for spending by the Board of Directors. The fair value of donor-restricted endowment is the combination of principal and appreciation.

Changes in Endowment Net Assets

	<u>With Donor Restrictions</u>
Endowment net assets as of December 31, 2023	\$ 20,529,474
Contributions	920,376
Investment returns (loss), net	3,436,423
Change in net present value of pledges receivable	(5,772)
Reclassifications	989,665
Allocation of endowment earnings	(3,436,423)
Endowment net assets as of December 31, 2024	<u>\$ 22,433,743</u>
	<u>With Donor Restrictions</u>
Endowment net assets as of December 31, 2022	\$ 20,257,175
Contributions	244,998
Investment returns (loss), net	2,831,226
Change in net present value of pledges receivable	1,730
Change in donor intent	25,571
Allocation of endowment assets for expenditure	(2,831,226)
Endowment net assets as of December 31, 2023	<u>\$ 20,529,474</u>

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 7 – ENDOWMENTS

As of December 31, 2024 and 2023, endowment funds consist of the following:

	2024	2023
Investments	\$ 13,519,707	\$ 12,307,865
Alternative investments	8,782,456	8,178,257
Promises to give	131,580	43,352
	<u>\$ 22,433,743</u>	<u>\$ 20,529,474</u>

Endowment Management Fee

The Foundation charges a 1% management fee on endowment assets associated with the cost of maintaining the endowments. The management fee is transferred annually to net assets without donor restrictions. The management fee is calculated based on 1% of the fair market value of the endowment investments using a twelve-quarter rolling average on December 31 of each year.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Dalton State College Foundation Inc. was created expressly to provide support for the benefit of students, faculty and staff, academic programs, and growth of Dalton State College. The Foundation operates under an updated Memorandum of Agreement dated October 27, 2022, whereby the Foundation and College have made certain agreements that define the terms of the relationship. The term of the Agreement is five years.

The administrative offices of the Foundation are in facilities located on the campus of Dalton State College. The College provides clerical assistance, copying machines, computer equipment, phone service, and other administrative services at no fee to the Foundation. The Foundation leases administrative employees from the College.

Included in the amounts paid to Dalton State College are scholarships of \$802,691 and \$608,533 paid on behalf of students who are unrelated to the Foundation or the College for the years ended December 31, 2024 and 2023. The students are credited with the scholarships against tuition by the College during the registration process.

DALTON STATE COLLEGE FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 – INCOME TAX STATUS

Dalton State College Foundation Inc. is exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Therefore, no provision for federal and state income taxes is included in the accompanying financial statements. DSF Properties LLC is classified as a disregarded entity for federal and state income taxes, and all related activities are included within the Foundation's income tax return.

On April 1, 2009, the Foundation adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax provisions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Foundation has analyzed tax examination and does not anticipate any adjustment that would result in material adverse effect on the Foundation's financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2024 and 2023.

Returns remain subject to examination for three years subsequent to the date of filing. Currently, there are no audits for any tax year in progress.

NOTE 10 – NET UNRELATED BUSINESS INCOME

Unrelated business income is derived from DSF Properties LLC. For the years ended December 31, 2024 and 2023, the income and expenses related to these operations are as follows:

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 40,000	\$ 31,500
Less operating expenses	41,711	48,228
Less depreciation and amortization expense	<u>51,193</u>	<u>68,836</u>
Net unrelated business income (loss)	<u>\$ (52,904)</u>	<u>\$ (85,564)</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2025, the date which the financial statements were available to be issued, and has determined there were no additional material events requiring recognition or disclosure in the Foundation's financial statements.



**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors of the
Dalton State College Foundation Inc. and Subsidiary:

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, 2024 and 2023, and have issued our report thereon dated June 20, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary information included in the accompanying consolidating statements of financial position as of December 31, 2024 and 2023, and schedule of operating expenses for DSF Properties LLC is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Nichols, Cauley + Associates, LLC

Dalton, Georgia
June 20, 2025

DALTON STATE COLLEGE FOUNDATION INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	Dalton State College Foundation	DSF Properties	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 1,743,518	\$ -	\$ -	\$ 1,743,518
Investments	38,102,502	-	-	38,102,502
Alternative investments	8,782,456	-	-	8,782,456
Unconditional promises to give, net	43,000	-	-	43,000
Grant receivable, current	150,000	-	-	150,000
Prepaid expenses	26,368	-	-	26,368
Total current assets	<u>48,847,844</u>	<u>-</u>	<u>-</u>	<u>48,847,844</u>
Property and equipment, net	<u>3,004,692</u>	<u>1,083,960</u>	<u>-</u>	<u>4,088,652</u>
Non-current assets				
Unconditional promises to give, net	93,628	-	-	93,628
Due from related party	430,444	-	(430,444)	-
Investment in subsidiary	653,516	-	(653,516)	-
Grant receivable, net of current	225,000	-	-	225,000
Total non-current assets	<u>1,402,588</u>	<u>-</u>	<u>(1,083,960)</u>	<u>318,628</u>
Total assets	<u>\$ 53,255,124</u>	<u>\$ 1,083,960</u>	<u>\$ (1,083,960)</u>	<u>\$ 53,255,124</u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 855,077	\$ -	\$ -	\$ 855,077
Due to related party	-	430,444	(430,444)	-
Total liabilities	<u>855,077</u>	<u>430,444</u>	<u>(430,444)</u>	<u>855,077</u>
Net assets				
Additional paid in capital	-	706,420	(706,420)	-
Without donor restrictions (retained earnings)	18,623,963	(52,904)	52,904	18,623,963
With donor restrictions	33,776,084	-	-	33,776,084
Total net assets	<u>52,400,047</u>	<u>653,516</u>	<u>(653,516)</u>	<u>52,400,047</u>
Total liabilities and net assets	<u>\$ 53,255,124</u>	<u>\$ 1,083,960</u>	<u>\$ (1,083,960)</u>	<u>\$ 53,255,124</u>

See accompanying independent auditor's report on supplementary information.

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

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

See accompanying independent auditor's report on supplementary information.

DALTON STATE COLLEGE FOUNDATION INC.
SCHEDULES OF OPERATING EXPENSES FOR DSF PROPERTIES LLC
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Operating expenses	2024	2023
Repairs & maintenance	\$ 11,809	\$ 10,088
Utilities	20,696	20,050
Insurance	6,143	9,586
Depreciation expense	51,193	68,836
Other operating expense	3,063	8,504
Total operating expenses	<u>\$ 92,904</u>	<u>\$ 117,064</u>

See accompanying independent auditor's report on supplementary information.