

AUGUSTA UNIVERSITY  
FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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## INDEPENDENT AUDITORS' REPORT

The Chairman and Board of Trustees  
Augusta University Foundation, Inc.  
Augusta, Georgia

We have audited the accompanying consolidated financial statements of Augusta University Foundation, Inc. and wholly-owned limited liability companies (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities 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 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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



## **Opinion**

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Augusta University Foundation, Inc. and wholly-owned limited liability companies as of June 30, 2021 and 2020, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information as of and for the years ended June 30, 2021 and 2020 in Supplemental Schedules 1, 2, 3 and 4 is presented for 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, on our consideration of Augusta University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Augusta University Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Augusta University Foundation, Inc.'s internal control over financial reporting and compliance.

*Serotta Maddocks Evans & Co.*

SEROTTA MADDOCKS EVANS & CO., CPAs

Augusta, Georgia  
September 7, 2021

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,849,373	\$ 6,746,511
Cash restricted for specific use	3,749,621	3,576,198
Investments restricted for specific use	654,000	654,000
Investments - short-term	1,239,852	1,572,604
Current portion of unconditional promises to give - contributions receivable, net	265,196	118,069
Other receivables	13,625	13,625
Prepaid expenses	3,236	18,279
Current portion of minimum lease payments receivable - related party	2,085,405	2,081,162
 TOTAL CURRENT ASSETS	 13,860,308	 14,780,448
NON-CURRENT ASSETS		
Investments - long-term	37,003,183	28,984,427
Unconditional promises to give - Charitable remainder annuity trust	99,664	83,115
Unconditional promises to give - contributions receivable, net of current portion and discount	142,929	57,145
Cash surrender value of life insurance	212,340	204,387
Minimum lease payments receivable - related party, net of current portion	25,343,743	27,429,149
 TOTAL NON-CURRENT ASSETS	 62,801,859	 56,758,223
 TOTAL ASSETS	 \$ 76,662,167	 \$ 71,538,671

(continued)

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)  
JUNE 30, 2021 AND 2020

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 39,020	\$ 29,005
Deferred revenue	120,948	88,807
Interest payable	369,328	390,495
Due to related party	173,152	95,512
Current portion of bonds payable	1,130,000	1,075,000
Current portion of unearned interest revenue	791,120	838,092
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,623,568</b>	<b>2,516,911</b>
<b>LONG-TERM LIABILITIES</b>		
Series 2012 bonds payable, net of current portion	12,695,000	13,420,000
Series 2014 bonds payable, net of current portion	6,505,000	6,910,000
Premium on bonds payable	1,180,997	1,306,159
Bond issuance costs, net	(719,987)	(765,696)
Unearned interest revenue	5,098,172	5,889,291
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>24,759,182</b>	<b>26,759,754</b>
<b>TOTAL LIABILITIES</b>	<b>27,382,750</b>	<b>29,276,665</b>
<b>NET ASSETS</b>		
Without donor restrictions	4,656,534	3,972,542
With donor restrictions	44,622,883	38,289,464
<b>TOTAL NET ASSETS</b>	<b>49,279,417</b>	<b>42,262,006</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 76,662,167</b>	<b>\$ 71,538,671</b>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Donations	\$ 121,616	\$ 4,022,315	\$ 4,143,931
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges	(254)	(14,750)	(15,004)
	<u>121,362</u>	<u>4,007,565</u>	<u>4,128,927</u>
Investment earnings	346,706	9,005,734	9,352,440
Grant revenue	-	16,068	16,068
Special events	100,366	162,703	263,069
Contributed services	1,526,671	-	1,526,671
Other income	33,247	178,761	212,008
Net assets released from restrictions	6,768,029	(6,768,029)	-
	<u>8,896,381</u>	<u>6,602,802</u>	<u>15,499,183</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT			
EXPENSES AND LOSSES			
Management and general	566,528	-	566,528
Fundraising	1,165,537	-	1,165,537
Program services	6,749,707	-	6,749,707
	<u>8,481,772</u>	<u>-</u>	<u>8,481,772</u>
TOTAL EXPENSES AND LOSSES			
TRANSFERS	269,383	(269,383)	-
CHANGES IN NET ASSETS	683,992	6,333,419	7,017,411
NET ASSETS, July 1, 2020	<u>3,972,542</u>	<u>38,289,464</u>	<u>42,262,006</u>
NET ASSETS, June 30, 2021	<u>\$ 4,656,534</u>	<u>\$ 44,622,883</u>	<u>\$ 49,279,417</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Donations	\$ 166,204	\$ 3,387,605	\$ 3,553,809
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges	1,214	2,409	3,623
	<u>167,418</u>	<u>3,390,014</u>	<u>3,557,432</u>
Investment earnings	137,274	1,137,843	1,275,117
Grant revenue	-	19,042	19,042
Special events	117,029	340,112	457,141
Contributed services	1,525,033	-	1,525,033
Other income	15,400	166,317	181,717
Net assets released from restrictions	<u>2,943,233</u>	<u>(2,943,233)</u>	<u>-</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>4,905,387</u>	<u>2,110,095</u>	<u>7,015,482</u>
EXPENSES AND LOSSES			
Management and general	578,994	-	578,994
Fundraising	1,142,862	-	1,142,862
Program services	<u>2,921,666</u>	<u>-</u>	<u>2,921,666</u>
TOTAL EXPENSES AND LOSSES	<u>4,643,522</u>	<u>-</u>	<u>4,643,522</u>
TRANSFERS	<u>227,414</u>	<u>(227,414)</u>	<u>-</u>
CHANGES IN NET ASSETS	489,279	1,882,681	2,371,960
NET ASSETS, July 1, 2019	<u>3,483,263</u>	<u>36,406,783</u>	<u>39,890,046</u>
NET ASSETS, June 30, 2020	<u>\$ 3,972,542</u>	<u>\$ 38,289,464</u>	<u>\$ 42,262,006</u>



AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE  
YEAR ENDED JUNE 30, 2021

	MANAGEMENT AND GENERAL	FUNDRAISING	PROGRAM SERVICES	TOTAL
Banking and credit card fees	\$ 14,826	\$ -	\$ 400	\$ 15,226
Dues and memberships	1,862	954	6,167	8,983
Employee benefits	86,354	228,562	99,903	414,819
Faculty salaries	-	-	205,936	205,936
General and administrative expenses	100,271	-	42,408	142,679
Insurance	15,952	-	2,059	18,011
Interest	-	-	771,486	771,486
Marketing and advertising	-	10,764	60,555	71,319
Meals	-	678	6,742	7,420
Medical and surgical supplies	-	-	1,302,408	1,302,408
Other fund disbursements	2,080	10	701,380	703,470
Other personal services	17,932	1,419	25,701	45,052
Professional fees	46,656	3,806	18,000	68,462
Property and equipment	-	50	115,770	115,820
Publications and printing	1,928	33,486	2,893	38,307
Rent	309	374	1,355	2,038
Repairs and maintenance	17,261	-	-	17,261
Scholarships, fellowships, and awards	-	-	550,569	550,569
Special events and fundraising activities	83	8,269	50,015	58,367
Staff salaries	248,187	744,989	1,943,937	2,937,113
Supplies and other operating expenses	12,800	129,960	824,740	967,500
Travel	27	2,216	17,283	19,526
	<u>\$ 566,528</u>	<u>\$ 1,165,537</u>	<u>\$ 6,749,707</u>	<u>\$ 8,481,772</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE  
YEAR ENDED JUNE 30, 2020

	MANAGEMENT AND GENERAL	FUNDRAISING	PROGRAM SERVICES	TOTAL
Banking and credit card fees	\$ 11,859	\$ -	\$ -	\$ 11,859
Capital projects	-	-	100,000	100,000
Dues and memberships	1,486	3,330	32,211	37,027
Employee benefits	97,517	217,908	73,354	388,779
Faculty salaries	-	-	123,935	123,935
General and administrative expenses	100,170	-	52,604	152,774
Insurance	12,229	-	-	12,229
Interest	-	-	815,215	815,215
Marketing and advertising	-	10,254	38,501	48,755
Meals	282	3,304	20,483	24,069
Other fund disbursements	5,071	185	504,031	509,287
Other personal services	16,411	1,696	105,772	123,879
Professional fees	50,714	-	1,333	52,047
Property and equipment	-	4,251	-	4,251
Publications and printing	3,244	21,181	10,690	35,115
Rent	379	4,365	568	5,312
Repairs and maintenance	-	-	60,270	60,270
Scholarships, fellowships, and awards	-	-	582,463	582,463
Special events	1,240	20,990	135,714	157,944
Staff salaries	253,795	704,247	65,347	1,023,389
Supplies and other operating expenses	20,408	140,292	138,430	299,130
Travel	4,189	10,859	60,745	75,793
	<u>\$ 578,994</u>	<u>\$ 1,142,862</u>	<u>\$ 2,921,666</u>	<u>\$ 4,643,522</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,017,411	\$ 2,371,960
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of unearned interest	(838,091)	(883,122)
Amortization of bond issuance costs	45,709	44,764
Amortization of bond premium	(125,162)	(122,868)
Net unrealized and realized gains on investments	(8,140,506)	165,832
Changes in assets and liabilities:		
Unconditional promises to give - contributions receivable	(232,911)	77,264
Unconditional promises to give - charitable remainder annuity trust	(16,549)	(83,115)
Other receivables	-	45,029
Prepaid expenses	15,043	(16,512)
Cash surrender value of life insurance	(7,953)	(9,612)
Accounts payable	10,015	1,282
Deferred revenue	32,141	21,431
Interest payable	(116,679)	79,925
Due to related party	173,152	(303,793)
Net Cash Provided By (Used In) Operating Activities	(2,184,380)	1,388,465
<b>CASH FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	15,247,488	95,674,103
Purchases of investments	(14,792,986)	(95,595,651)
Payments received on capital leases	2,081,163	2,075,696
Net Cash Provided By Investing Activities	2,535,665	2,154,148
<b>CASH FROM FINANCING ACTIVITIES</b>		
Principal payments on bonds	(1,075,000)	(1,025,000)
Net Cash Used In Financing Activities	(1,075,000)	(1,025,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(723,715)	2,517,613
Cash and Cash Equivalents, Beginning of Year	10,322,709	7,805,096
Cash and Cash Equivalents, End of Year	\$ 9,598,994	\$ 10,322,709
<b>Classified as:</b>		
Cash and cash equivalents	\$ 5,849,373	\$ 6,746,511
Cash restricted for specific use	3,749,621	3,576,198
Total cash and cash equivalents	\$ 9,598,994	\$ 10,322,709
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 872,106	\$ 935,507

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION** - Augusta University Foundation, Inc. (the "Foundation") is a private nonprofit corporation organized for the purpose of establishing and administering an endowment fund for the benefit of Augusta University (the "University"), a unit of the University System of Georgia, and to the University's students, faculty, and staff. Substantially all donations are received from alumni and from contributors in the Augusta, Georgia area. The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation is the single member of the following limited liability companies: 1) ASU Jaguar Student Housing I, LLC, which is a limited liability company organized for the purpose of constructing and holding an apartment complex for the benefit of students attending Augusta University; 2) ASU Jaguar Student Center, LLC, which is a limited liability company organized for the purpose of constructing and holding the student center property located on the campus of the University for the benefit of its students.

**CONSOLIDATION** - The consolidated financial statements include the accounts of the Foundation and its wholly-owned limited liability companies. All significant intercompany accounts and transactions are eliminated in consolidation.

**FINANCIAL STATEMENT PRESENTATION** - Contributions received or promises to give are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the donor restrictions have been met. The Foundation chooses to show contributions with donor restrictions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as contributions without donor restrictions.

Net assets without external restrictions - represent resources over which the Foundation has discretionary control and are used to carry out the operations of the Foundation in accordance with its bylaws.

Net assets with external restrictions - represent resources currently available for use, but expendable only for those operating purposes specified by the donor or bond agreement. Resources of this classification originate from contributions and grants received with designations placed thereon by the donor, resources that are subject to donor-imposed stipulations that do not expire with time nor can be fulfilled or otherwise removed by actions of the Foundation, or from resources expendable only for those operating purposes specified by the bond agreement. The donor of these assets permits the Foundation to use all of the income earned on the related investments for general and specific purposes.

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act of 2006, which requires the Foundation to classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets, unless stated otherwise in the gift instrument by the donor.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies.* The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to achieve consistency of investment returns through a total return concept, preserve the long-term purchasing power of the fund while maintaining sufficient liquidity to provide a relatively predictable and stable stream of distributions in support of the fund's spending requirements, achieve an investment return that meets or exceeds the endowment distribution target spending rate of five percent ("target spending rate") over a trailing three and five-year period, net of inflation and fees, enhance the purchasing power of the fund over time by generating an average real total return in excess of asset class benchmarks, withdrawals, and inflation over the long-term, and manage the fund in compliance with all applicable laws and regulations. Therefore, the Foundation expects its endowment assets, over time, to meet its long-term objectives and generally surpass "market" performances over an extended period of time. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

*Spending Policy.* The Foundation determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount is determined as of the calendar year, six months prior to when it becomes available for expenditure. The rolling average of the preceding five years' December 31st market value shall be the basis upon which the spending rate is applied. The target spending rate shall be 4% of the rolling average market value. There will be a cap on annual spending for each fund equal to a fixed percentage of average annual total return. Real returns shall be calculated, and defined, as the trailing average rate of return on the endowment funds for the first five years prior, adjusted by the Consumer Price Index (CPI). The investment committee annually shall establish a percentage payout of no more than 5% of any endowment fund. All endowed funds shall be subject to an administrative fee equal to 1% of the rolling average of the preceding five years' December 31<sup>st</sup> market value, which fee shall be deducted before calculating the annual payout. Normally, this would prevent any invasion of the original principal. The annual payout will be that such payment would not violate the terms of the gift agreement or applicable law.

**CONTRIBUTIONS** - Contributions received are recorded as support with or without external restrictions, depending on the existence and/or nature of any external restrictions.

Contributions received are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as support with external restrictions if they are received with external stipulations that limit the use of the donated assets or if they are designated as support for future periods. When an external restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with external restrictions are reclassified to net assets without external restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Foundation records gifts of land, buildings, and equipment at fair value at the date of donation and records them as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**CASH AND CASH EQUIVALENTS** - For purposes of the statements of cash flows, the Foundation considers all unrestricted highly-liquid investment instruments with an original maturity of three months or less to be cash equivalents.

**CASH RESTRICTED FOR SPECIFIC USE** - Cash identified separately on the statement of financial position as cash restricted for a specific use represents funds held in bond trustee accounts.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

UNCONDITIONAL PROMISES TO GIVE - CONTRIBUTIONS RECEIVABLE - Pledge receivables are presented at face value, net of the allowance for doubtful accounts. Unconditional promises to give receivables greater than one year from the statement of financial position date are stated at their present value discounted using the Organization's average borrowing rate. Management also records an allowance for uncollectible unconditional promises to give based on their analysis of the receivable outstanding. As of June 30, 2021 and 2020, the Foundation's allowance for doubtful receivables was \$22,362 and \$15,525, respectively.

SPLIT INTEREST AGREEMENT - The Foundation is the beneficiary of a split-interest agreement that is a charitable remainder annuity trust. The estimated present value of the interest is determined by the Foundation using certain actuarial assumptions and the Internal Revenue Service discount rate in place at the date of the donation. Changes in the recorded assets due to changes in life expectancy, present value actuarial assumptions, or the market value are reflected as changes in the split-interest agreement in the accompanying consolidated statement of activities.

MINIMUM LEASE PAYMENTS RECEIVABLE - The Foundation recorded the lease of the University Village Apartment Complex and the lease of the Augusta University Student Center as sales-type leases. Unearned interest income under these leases was recognized over the term of the lease in investment earnings, including options, using the interest method. See Note 7 - Leases Receivable.

BOND ISSUANCE COSTS - Bond issuance costs consist of bond costs which are amortized to interest expense over the term of the bonds. Amortization began when the related bond projects were originally placed in service during the year ended June 30, 2007. Total expense for the years ended June 30, 2021 and 2020 was \$45,709 and \$44,764, respectively.

DEFERRED REVENUE - The Foundation recognizes revenues as earned. Amounts collected in advance of the period in which service is rendered are recorded as a liability under "Deferred revenue."

INCOME TAXATION - The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Foundation files a consolidated informational return with the following limited liability companies: ASU Jaguar Student Housing I, LLC, and ASU Jaguar Student Center, LLC, in which the Foundation is the single member.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS - In March of 2020, FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments*. This standard improves various financial instruments topics in the FASB Accounting Standards Codification to increase stakeholder awareness of the certain amendments and to expedite the improvement of the Codification. ASU 2020-03 is applied retrospectively, and is effective for years beginning after December 15, 2019. Management adopted ASU 2020-03 effective July 1, 2020. There was no material impact to the consolidated financial statements as a result of adoption.

In May of 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This standard (a) removes inconsistencies and weaknesses in revenue requirements, (b) provides a more robust framework for addressing revenue issues, (c) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (d) provides more useful information to users of financial statements through improved disclosure requirements and (e) simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. Management adopted ASU 2014-09 effective July 1, 2020. There was no material impact to the consolidated financial statements as a result of adoption.

SUBSEQUENT EVENTS - The Foundation has evaluated subsequent events through September 7, 2021, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows at June 30:

	2021	2020
Cash	\$ 9,598,994	\$ 10,322,709
Investments restricted for specific use	654,000	654,000
Investments - short-term	1,239,852	1,572,604
Current portion of unconditional promises to give, net	265,196	118,069
Current portion of minimum lease payments receivable - related party	2,085,405	2,081,162
Other receivables	13,625	13,625
	<u>13,857,072</u>	<u>14,762,169</u>
Amount subject to donor restriction or board designation	7,994,074	8,002,033
Amounts not subject to donor restriction or board designation	<u>\$ 5,862,998</u>	<u>\$ 6,760,136</u>



AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY (continued)

The Foundation maintains financial assets, which consist of cash on hand to meet nine months of normal operating expenses, which are, on average, approximately \$4,500,000. The Foundation has a policy to structure its assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Foundation maintains its cash accounts at several local financial institutions. The balances, at times, exceed the federally-insured limit. At June 30, 2021 and 2020, the Organization had uninsured cash balances of approximately \$9,000,000 and \$10,000,000, respectively.

NOTE 4 - RESTRICTED INVESTMENTS

Investments identified separately on the statement of financial position as investments restricted for a specific use represent funds held in bond trustee accounts of the student housing facility and the student center facility.

NOTE 5 - INVESTMENTS

Investments are stated at fair value and are summarized as follows at June 30:

	<u>2021</u>		<u>2020</u>	
	Cost	Fair Value	Cost	Fair Value
Pooled investments	\$ 1,231,982	\$ 1,239,856	\$ 1,556,221	\$ 1,572,604
Mutual funds	26,617,247	32,378,421	26,169,124	25,420,498
Exchange traded funds	3,861,652	3,993,246	2,752,847	2,832,042
Repurchase agreements	654,000	654,000	654,000	654,000
Money market funds	631,512	631,512	731,887	731,887
	<u>\$ 32,996,393</u>	<u>\$ 38,897,035</u>	<u>\$ 31,864,079</u>	<u>\$ 31,211,031</u>

Investment return on cash and investments is summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Dividend and interest income	\$ 444,010	\$ 620,455
Net realized and unrealized gains (losses)	8,140,506	(165,832)
Trust and investment fees	(100,462)	(95,609)
	<u>\$ 8,484,054</u>	<u>\$ 359,014</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE - CONTRIBUTIONS RECEIVABLE

Contributions receivable of unconditional promises to give are receivable as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 287,558	\$ 133,594
Due in 1-5 years	146,242	57,500
	<u>433,800</u>	<u>191,094</u>
Less allowance for doubtful accounts	22,362	15,525
Less amount representing interest	3,313	355
Net	<u>\$ 408,125</u>	<u>\$ 175,214</u>
Current receivable portion net of allowances	\$ 265,196	\$ 118,069
Long-term receivable net of allowances and interest	142,929	57,145
Net pledges receivable	<u>\$ 408,125</u>	<u>\$ 175,214</u>

Unconditional promises to give receivable in more than one year are discounted at .87% and .31% at June 30, 2021 and 2020, respectively. Four donors made up 76% and one donor made up 52% of total pledges receivable at June 30, 2021 and 2020, respectively.

NOTE 7 - LEASES RECEIVABLE

ASU Jaguar Student Housing I, LLC entered into a lease agreement with the Board of Regents of the University System of Georgia to lease the property and equipment known as University Village on behalf of Augusta University commencing on August 1, 2005. The lease agreement is renewable annually for a term of 29 years. Management intends to gift the property to the University at the time that the bond debt on the 2012 Series Bonds is repaid. The components of the lease are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Minimum lease payments receivable	\$ 18,481,058	\$ 19,835,427
Less: Unearned interest revenue	(4,317,167)	(4,913,123)
Net investment in lease	<u>\$ 14,163,891</u>	<u>\$ 14,922,304</u>

Future scheduled maturities of minimum lease payments receivable are as follows:

Years ending June 30, 2022	\$ 1,360,317
2023	1,360,930
2024	1,360,930
2025	1,361,140
2026	1,361,140
Thereafter	11,676,601
	<u>\$ 18,481,058</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - LEASES RECEIVABLE (continued)

ASU Jaguar Student Center, LLC entered into a lease agreement with the Board of Regents of the University System of Georgia to lease the property and equipment known as the Student Center on behalf of Augusta University commencing on January 1, 2006. The lease agreement is renewable annually for a term of 29 years. Management intends to gift the property to the University at the time the bond debt on the 2014 Series Bonds is repaid. The components of the lease are as follows at June 30:

	2021	2020
Minimum lease payments receivable	\$ 8,948,090	\$ 9,674,884
Less: Unearned interest revenue	(1,572,125)	(1,814,260)
Net investment in lease	\$ 7,375,965	\$ 7,860,624

Future scheduled maturities of minimum lease payments receivable are as follows:

Years ending June 30, 2022	\$ 725,088
2023	726,963
2024	724,019
2025	725,956
2026	726,613
Thereafter	5,319,451
	\$ 8,948,090

NOTE 8 - REVENUE BONDS

ASU Jaguar Student Housing I, LLC had the following revenue bonds payable at June 30:

	2021	2020
\$17,505,000 ASU Jaguar Student Housing I, LLC, Revenue Bonds, Series 2012, dated November 1, 2012, due in annual installments of \$725,000 to \$1,245,000, due through February 1, 2035, interest at 2.75% to 5.0%	\$ 13,420,000	\$ 14,105,000
Original issue premium on Series 2012 Revenue Bonds	972,042	1,066,209
Less: Unamortized bond issuance cost	(574,462)	(608,976)
	\$ 13,817,580	\$ 14,562,233

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - REVENUE BONDS (continued)

The annual requirement to amortize the Series 2012 bonds is as follows:

Years ending June 30, 2022	\$ 725,000
2023	760,000
2024	800,000
2025	825,000
2026	865,000
Thereafter	9,445,000
	\$ 13,420,000

Interest expense on the bonds totaled \$534,131 and \$560,109 during the years ending June 30, 2021 and 2020, respectively. Amortization of the bond premium began November 1, 2012 using the effective interest method which reduced interest expense for the years ended June 30, 2021 and 2020 by \$94,166 and \$90,124, respectively. The bonds are secured by a deed on the University Village Apartments and repayment responsibility of the bonds lies solely with the ASU Jaguar Student Housing I, LLC.

ASU Jaguar Student Center, LLC had the following revenue bonds payable at June 30:

	2021	2020
\$9,025,000 ASU Jaguar Student Center, LLC, Educational Facilities Revenue Bonds, Series 2014, dated October 30, 2014, due in annual installments of \$405,000 to \$635,000, due through July 1, 2034, interest at 3.125% to 5%	\$ 6,910,000	\$ 7,300,000
Original issue premium on Series 2012 Revenue Bonds	208,955	239,950
Less: Unamortized bond issuance cost	(145,525)	(156,720)
	\$ 6,973,430	\$ 7,383,230

The annual requirement to amortize the Series 2014 bonds is as follows:

Years ending June 30, 2022	\$ 405,000
2023	420,000
2024	435,000
2025	450,000
2026	475,000
Thereafter	4,725,000
	\$ 6,910,000

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - REVENUE BONDS (continued)

Interest incurred during the years ending June 30, 2021 and 2020 totaled \$237,355 and \$255,106, respectively. Amortization of the bond premium began July 1, 2007 using the effective interest method which reduced interest expense for the years ended June 30, 2021 and 2020 by \$30,995 and \$32,744, respectively. The bonds are secured by a deed on the Student Center and repayment responsibility of the bonds lies solely with the ASU Jaguar Student Center, LLC.

The bond indentures each require, among other things, that certain cash and investment accounts be maintained as follows:

<u>Fund</u>	<u>Purpose</u>
Revenue Fund	To receive all revenues derived from the ownership and operation of the project.
Bond Fund	To pay the principal, premium, and interest on the bonds.
Interest Fund	To receive all loan repayments corresponding to interest and hedge receipts on the bonds.
Principal Account	To receive all loan repayments corresponding to principal of the bonds.
Debt Service Reserve Fund	To provide for the principal and interest on the bonds.
Capitalized Interest Fund	To maintain money for the repayment of interest on the bonds.
Operation and Maintenance Fund	To pay the necessary and reasonable costs of operating the facilities.
Repair and Replacement Fund	To provide for the costs of material additions or alterations to the facilities.
Issuance Cost Fund	To maintain monies for the purpose of paying the costs of issuing the bonds.
Project Fund	To maintain monies for the construction of the project.
Surplus Fund	To maintain excess funds.
Insurance and Condemnation Funds	To receive net proceeds from insurance or condemnation awards to be used to prepay basic loan payments, or to repair, restore, or replace the facilities.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurements must be classified and disclosed in one of the three levels of the fair value hierarchy described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
  
- Level 2 - Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability; and
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Unconditional promises to give - Charitable remainder annuity trusts (CRATs) are determined by calculating the present value of future distributions expected to be received.

Unconditional promises to give - Contributions receivable are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less.

Pooled investments are valued based on the quoted market rate of the underlying securities purchased in accordance with the agreement.

Available for sale mutual funds and exchange-traded funds are valued at the net asset value ("NAV") of shares held by the Foundation at year end based on quoted market prices.

Repurchase agreements are valued based on the quoted market rate of the underlying securities purchased in accordance with the agreement.

Money market funds are valued at amortized cost of shares held by the Foundation at year end.

Trading equities are valued at the closing price reported on the active market on which the individual securities are traded.

Government and municipal bonds are valued at the closing price reported on the active market in which the individual bonds are traded.

Available for sale corporate bonds are valued using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values.

Alternative investments represent derivative transactions which are valued based on pricing models that consider current market prices plus the time value of money and contractual prices of the underlying financial instruments.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

The proceeding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The Foundation recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2021 and 2020. The following table sets forth by level, within the fair value hierarchy, the Foundation's fair value measurements at June 30, 2021 and 2020:

June 30, 2021	Total	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional promises to give -				
Charitable remainder unitrusts	\$ 99,664	\$ -	\$ 99,664	\$ -
Contributions receivable	408,125	-	408,125	-
Pooled investments	1,239,856	-	1,239,856	-
Available for sale mutual funds:				
Allocation	2,129,008	2,129,008	-	-
Diversified emerging markets	3,273,364	3,273,364	-	-
Financial Services	170,383	170,383	-	-
Foreign large blend	4,458,675	4,458,675	-	-
Intermediate core-plus bond	1,895,713	1,895,713	-	-
Large blend	5,739,887	5,739,887	-	-
Large growth	3,580,524	3,580,524	-	-
Large value	2,778,685	2,778,685	-	-
Market neutral	1,419,490	1,419,490	-	-
Mid-cap blend	1,194,740	1,194,740	-	-
Mid-cap growth	1,210,492	1,210,492	-	-
Short term bond	767,056	767,056	-	-
Small growth	1,528,415	1,528,415	-	-
Small value	1,354,187	1,354,187	-	-
High yield bond	877,802	877,802	-	-
Available for sale exchange-traded funds:				
Intermediate government	1,260,414	1,260,414	-	-
Intermediate - term Bond	1,413,023	1,413,023	-	-
Real estate	1,319,809	1,319,809	-	-
Repurchase agreements	654,000	-	654,000	-
Money market funds:				
Government MMA	631,512	631,512	-	-
<b>Total assets, at fair value</b>	<b>\$ 39,404,824</b>	<b>\$ 37,003,179</b>	<b>\$ 2,401,645</b>	<b>\$ -</b>



AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

June 30, 2020	Total	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional promises to give -				
Charitable remainder unitrusts	\$ 83,115	\$ -	\$ 83,115	\$ -
Contributions receivable	408,125	-	408,125	-
Pooled investments	1,572,604	-	1,572,604	-
Available for sale mutual funds:				
Allocation	1,275,015	1,275,015	-	-
Diversified emerging markets	2,417,734	2,417,734	-	-
Foreign large blend	3,470,605	3,470,605	-	-
Intermediate core-plus bond	1,546,346	1,546,346	-	-
Large blend	4,351,309	4,351,309	-	-
Large growth	2,496,773	2,496,773	-	-
Large value	2,052,329	2,052,329	-	-
Market neutral	1,229,658	1,229,658	-	-
Mid-cap growth	1,900,266	1,900,266	-	-
Real estate	1,077,376	1,077,376	-	-
Small growth	1,143,644	1,143,644	-	-
Small value	850,595	850,595	-	-
High yield bond	820,034	820,034	-	-
Intermediate government	788,814	788,814	-	-
Available for sale exchange-traded funds:				
Intermediate government	1,353,708	1,353,708	-	-
Intermediate - term Bond	1,478,334	1,478,334	-	-
Repurchase agreements	654,000	-	654,000	-
Money market funds:				
Government MMA	731,887	731,887	-	-
Total assets, at fair value	<u>\$ 31,702,271</u>	<u>\$ 28,984,427</u>	<u>\$ 2,717,844</u>	<u>\$ -</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Academic program support and university advancement	\$ 24,319,517	\$ 18,434,320
Not subject to appropriation or expenditure	20,303,366	19,855,144
Total net assets with donor restrictions	\$ 44,622,883	\$ 38,289,464

Income from the net assets not subject to appropriation or expenditure is available for the following purposes at June 30:

- Scholarships and awards
- Endowed faculty chairs

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Accumulated Investment Losses	Original Donor Restrictions	Total Net Endowment Assets
Endowment net assets, June 30, 2019	\$ (11,535)	\$ 28,200,473	\$ 28,188,938
Contributions	-	340,700	340,700
Investment income, net	3,258	218,726	221,984
Amounts appropriated for expenditure	-	(1,172,893)	(1,172,893)
Endowment net assets, June 30, 2020	\$ (8,277)	\$ 27,587,006	\$ 27,578,729
Contributions	-	448,136	448,136
Investment income, net	8,277	8,246,011	8,254,288
Amounts appropriated for expenditure	-	(1,252,898)	(1,252,898)
Endowment net assets, June 30, 2021	\$ -	\$ 35,028,255	\$ 35,028,255

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The following were reported in net assets with donor restrictions at June 30:

	2021	2020
Funds with original gift values of:	\$ -	\$ 73,369
Fair value	-	65,092
Deficiency	\$ -	\$ 8,277

During 2021 and 2020, the Foundation did not appropriate any expenditure from underwater endowments.

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - AFFILIATE AGREEMENTS

Augusta University provides the Foundation with office space on its campus for the Foundation to conduct its activities and provides staff support for the Foundation's activities. For the years ending June 30, 2021 and 2020, the estimated expenses paid on behalf of the Foundation, were \$1,526,671 and \$1,525,033, respectively. This amount was recorded as contributed services revenues, management and general expenses in the amount of \$361,134 and \$382,171, respectively and fundraising expenses in the amount of \$1,165,537 and \$1,142,862, respectively.

The Foundation has entered into an agreement between Augusta University and the Augusta Golf Association, Inc., a Georgia non-profit corporation, for the management of the Forest Hills Golf Course. The terms of the agreement call for the Foundation to manage, invest, and distribute funds related to certain golf scholarship funds and capital improvement funds. Additionally, the Foundation is to receive certain excess revenues, as defined, from the golf course operations to benefit athletic and educational programs of Augusta University. The management agreement should be consulted for complete details.

NOTE 12 - PLANNED MERGER WITH AFFILIATE FOUNDATION

In May of 2021, the Boards of Trustees of the Foundation and the Georgia Health Sciences Foundation, Inc. (an Augusta University affiliate foundation) voted to merge. The merger will combine the assets of both Foundations into the Augusta University Foundation, Inc. As of September 7, 2021, the assets of each Foundation remain separate. The impact of the merger will increase the assets of the Foundation based on the fair market values on the date of the transfer.

NOTE 13 - CONTINGENCY

In March 2020, the Director General of the World Health Organization declared COVID-19 a pandemic. The Foundation is still assessing the impact COVID-19 may have on its operations, but there can be no assurance that this analysis will enable the Foundation to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally. The extent to which the COVID-19 pandemic and global efforts to contain its spread will impact the Foundation's operations will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity, and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic.

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E.J. Maddocks, CPA  
Jay Sanders, CPA  
Wanda F. Scott, CPA

Abram J. Serotta, CPA  
Joel R. Stewart, CPA  
Andrea Usry, CPA  
David Ussery, CPA  
Paul Wade, CPA



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Chairman and Board of Trustees  
Augusta University Foundation, Inc.  
Augusta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Augusta University Foundation, Inc. and wholly-owned limited liability companies (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 7, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Serotta Maddocks Evans & Co.*  
SEROTTA MADDOCKS EVANS & CO., CPAs

Augusta, Georgia  
September 7, 2021

**SUPPLEMENTAL INFORMATION**  
(See Independent Auditors' Report)

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE 1 -  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
JUNE 30, 2021

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing 1, LLC	ASU Jaguar Student Center, LLC	Eliminating Entries	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 5,467,064	\$ 228,308	\$ 154,001		\$ 5,849,373
Cash restricted for specific use	-	1,841,441	1,908,180		3,749,621
Investments restricted for specific use	-	654,000	-		654,000
Investments - short-term	1,239,852	-	-		1,239,852
Current portion of unconditional promises to give - contributions receivable, net	265,196	-	-		265,196
Other receivables	-	13,625	-		13,625
Prepaid expenses	3,236	-	-		3,236
Due from related party	-	50,000	-	\$ (50,000)	-
Current portion of minimum lease lease payments receivable - related party	-	1,360,317	725,088		2,085,405
<b>TOTAL CURRENT ASSETS</b>	<b>6,975,348</b>	<b>4,147,691</b>	<b>2,787,269</b>		<b>13,860,308</b>
<b>NON-CURRENT ASSETS</b>					
Investments - long-term	37,003,183	-	-		37,003,183
Unconditional promises to give - Charitable remainder unitrusts	99,664	-	-		99,664
Unconditional promises to give - contributions receivable, net of current portion and discount	142,929	-	-		142,929
Cash surrender value of life insurance	212,340	-	-		212,340
Minimum lease payments receivable - related party, net of current portion	-	17,120,741	8,223,002		25,343,743
<b>TOTAL NON-CURRENT ASSETS</b>	<b>37,458,116</b>	<b>17,120,741</b>	<b>8,223,002</b>		<b>62,801,859</b>
<b>TOTAL ASSETS</b>	<b>\$ 44,433,464</b>	<b>\$ 21,268,432</b>	<b>\$ 11,010,271</b>		<b>\$ 76,662,167</b>

(continued)

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE 1 -  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (continued)  
JUNE 30, 2021

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing 1, LLC	ASU Jaguar Student Center, LLC	Eliminating Entries	Total
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 39,020	\$ -	\$ -		\$ 39,020
Deferred revenue	90,536	-	30,412		120,948
Interest payable	-	240,750	128,578		369,328
Due to related party	173,152	-	50,000	\$ (50,000)	173,152
Current portion of bonds payable	-	725,000	405,000		1,130,000
Current portion of unearned interest revenue	-	564,250	226,870		791,120
<b>TOTAL CURRENT LIABILITIES</b>	<b>302,708</b>	<b>1,530,000</b>	<b>840,860</b>		<b>2,623,568</b>
<b>LONG-TERM LIABILITIES</b>					
Series 2012 bonds payable, net of current portion	-	12,695,000	-		12,695,000
Series 2014 bonds payable, net of current portion	-	-	6,505,000		6,505,000
Premium on bonds payable	-	972,042	208,955		1,180,997
Bond issuance costs, net	-	(574,462)	(145,525)		(719,987)
Unearned interest revenue	-	3,752,917	1,345,255		5,098,172
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>16,845,497</b>	<b>7,913,685</b>		<b>24,759,182</b>
<b>TOTAL LIABILITIES</b>	<b>302,708</b>	<b>18,375,497</b>	<b>8,754,545</b>		<b>27,382,750</b>
<b>NET ASSETS</b>					
Without donor restrictions	4,274,225	278,308	104,001		4,656,534
With donor restrictions	39,856,531	2,614,627	2,151,725		44,622,883
<b>TOTAL NET ASSETS</b>	<b>44,130,756</b>	<b>2,892,935</b>	<b>2,255,726</b>		<b>49,279,417</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 44,433,464</b>	<b>\$ 21,268,432</b>	<b>\$ 11,010,271</b>		<b>\$ 76,662,167</b>



AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE 2 -  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
JUNE 30, 2020

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing 1, LLC	ASU Jaguar Student Center, LLC	Eliminating Entries	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 6,351,239	\$ 230,523	\$ 164,749		\$ 6,746,511
Cash restricted for specific use	-	1,746,440	1,829,758		3,576,198
Investments restricted for specific use	-	654,000	-		654,000
Investments - short-term	1,572,604	-	-		1,572,604
Current portion of unconditional promises to give - contributions receivable, net	118,069	-	-		118,069
Other receivables	-	13,625	-		13,625
Prepaid expenses	18,279	-	-		18,279
Due from related party	-	50,000	-	\$ (50,000)	-
Current portion of minimum lease payments receivable - related party	-	1,354,368	726,794		2,081,162
<b>TOTAL CURRENT ASSETS</b>	<u>8,060,191</u>	<u>4,048,956</u>	<u>2,721,301</u>		<u>14,780,448</u>
<b>NON-CURRENT ASSETS</b>					
Investments - long-term	28,984,427	-	-		28,984,427
Unconditional promises to give - Charitable remainder unitrusts	83,115	-	-		83,115
Unconditional promises to give - contributions receivable, net of current portion and discount	57,145	-	-		57,145
Cash surrender value of life insurance	204,387	-	-		204,387
Minimum lease payments receivable - related party, net of current portion	-	18,481,059	8,948,090		27,429,149
<b>TOTAL NON-CURRENT ASSETS</b>	<u>29,329,074</u>	<u>18,481,059</u>	<u>8,948,090</u>		<u>56,758,223</u>
<b>TOTAL ASSETS</b>	<u>\$ 37,389,265</u>	<u>\$ 22,530,015</u>	<u>\$ 11,669,391</u>		<u>\$ 71,538,671</u>

(continued)

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE 2 -  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (continued)  
JUNE 30, 2020

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing 1, LLC	ASU Jaguar Student Center, LLC	Eliminating Entries	Total
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 29,005	\$ -	\$ -		\$ 29,005
Deferred revenue	60,474	-	28,333		88,807
Interest payable	-	252,167	138,328		390,495
Due to related party	95,512	-	50,000	\$ (50,000)	95,512
Current portion of bonds payable		685,000	390,000		1,075,000
Current portion of unearned interest revenue	-	595,956	242,136		838,092
<b>TOTAL CURRENT LIABILITIES</b>	<b>184,991</b>	<b>1,533,123</b>	<b>848,797</b>		<b>2,516,911</b>
<b>LONG-TERM LIABILITIES</b>					
Series 2012 bonds payable, net of current portion	-	13,420,000	-		13,420,000
Series 2014 bonds payable, net of current portion	-	-	6,910,000		6,910,000
Premium on bonds payable	-	1,066,209	239,950		1,306,159
Bond issuance costs, net	-	(608,976)	(156,720)		(765,696)
Unearned interest revenue	-	4,317,167	1,572,124		5,889,291
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>18,194,400</b>	<b>8,565,354</b>		<b>26,759,754</b>
<b>TOTAL LIABILITIES</b>	<b>184,991</b>	<b>19,727,523</b>	<b>9,414,151</b>		<b>29,276,665</b>
<b>NET ASSETS</b>					
Without donor restrictions	3,577,270	280,523	114,749		3,972,542
With donor restrictions	33,627,004	2,521,969	2,140,491		38,289,464
<b>TOTAL NET ASSETS</b>	<b>37,204,274</b>	<b>2,802,492</b>	<b>2,255,240</b>		<b>42,262,006</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 37,389,265</b>	<b>\$ 22,530,015</b>	<b>\$ 11,669,391</b>		<b>\$ 71,538,671</b>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE 3 -  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing I, LLC	ASU Jaguar Student Center, LLC	Total
REVENUES, GAINS AND OTHER SUPPORT				
Donations	\$ 4,143,931	\$ -	\$ -	\$ 4,143,931
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges	(15,004)	-	-	(15,004)
	<u>4,128,927</u>	<u>-</u>	<u>-</u>	<u>4,128,927</u>
Investment earnings	8,481,584	628,720	242,136	9,352,440
Grant revenue	16,068	-	-	16,068
Special events	263,069	-	-	263,069
Contributed services	1,526,671	-	-	1,526,671
Other income	39,008	102,090	70,910	212,008
	<u>14,455,327</u>	<u>730,810</u>	<u>313,046</u>	<u>15,499,183</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT				
EXPENSES AND LOSSES				
Management and general	444,756	61,024	60,748	566,528
Fundraising	1,165,537	-	-	1,165,537
Program Services	5,918,552	579,343	251,812	6,749,707
	<u>7,528,845</u>	<u>640,367</u>	<u>312,560</u>	<u>8,481,772</u>
TOTAL EXPENSES AND LOSSES				
CHANGES IN NET ASSETS	6,926,482	90,443	486	7,017,411
NET ASSETS, July 1, 2020	<u>37,204,274</u>	<u>2,802,492</u>	<u>2,255,240</u>	<u>42,262,006</u>
NET ASSETS, June 30, 2021	<u>\$ 44,130,756</u>	<u>\$ 2,892,935</u>	<u>\$ 2,255,726</u>	<u>\$ 49,279,417</u>

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE 4 -  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing I, LLC	ASU Jaguar Student Center, LLC	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Donations	\$ 3,553,809	\$ -	\$ -	\$ 3,553,809
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges	3,623	-	-	3,623
	<u>3,557,432</u>	<u>-</u>	<u>-</u>	<u>3,557,432</u>
Investment earnings	359,297	658,757	257,063	1,275,117
Grant revenue	19,042	-	-	19,042
Special events	457,141	-	-	457,141
Contributed services	1,525,033	-	-	1,525,033
Other income	9,653	102,090	69,974	181,717
	<u>5,927,598</u>	<u>760,847</u>	<u>327,037</u>	<u>7,015,482</u>
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>				
<b>EXPENSES AND LOSSES</b>				
Management and general	457,223	60,938	60,833	578,994
Fundraising	1,142,862	-	-	1,142,862
Program Services	2,053,847	592,317	275,502	2,921,666
	<u>3,653,932</u>	<u>653,255</u>	<u>336,335</u>	<u>4,643,522</u>
<b>TOTAL EXPENSES AND LOSSES</b>				
CHANGES IN NET ASSETS	2,273,666	107,592	(9,298)	2,371,960
NET ASSETS, July 1, 2019	<u>34,930,608</u>	<u>2,694,900</u>	<u>2,264,538</u>	<u>39,890,046</u>
NET ASSETS, June 30, 2020	<u>\$ 37,204,274</u>	<u>\$ 2,802,492</u>	<u>\$ 2,255,240</u>	<u>\$ 42,262,006</u>