

**GEORGIA HEALTH SCIENCES
FOUNDATION, INC.**

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

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Report of Independent Auditor

To the Board of Trustees
Georgia Health Sciences Foundation, Inc.
Augusta, Georgia

We have audited the accompanying financial statements of Georgia Health Sciences Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Augusta, Georgia
September 7, 2021

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 514,723	\$ 255,811
Short-term investments	6,404,743	13,495,924
Short-term investments - board designated	124,394	124,394
Accounts receivable:		
Due from AU Medical Center, Inc.	41,993	-
Pledges receivable - current portion, net	1,027,759	1,047,472
Prepaid expenses	191,586	181,625
Total Current Assets	8,305,198	15,105,226
Noncurrent Assets:		
Investments	16,554,253	5,088,842
Pledges receivable, net	339,861	595,072
Real property	2,295,000	2,295,000
Total Noncurrent Assets	19,189,114	7,978,914
Total Assets	\$ 27,494,312	\$ 23,084,140
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 67,855	\$ 61,337
Due to Augusta University	420,057	3,917
Due to AU Medical Center, Inc.	61,752	52,640
Annuity payment liabilities - current portion	1,625	1,625
Deferred grant revenue	816,410	299,144
Other current liabilities	1,658	1,773
Total Current Liabilities	1,369,357	420,436
Noncurrent Liabilities:		
Annuity payment liabilities	8,247	7,841
Total Noncurrent Liabilities	8,247	7,841
Total Liabilities	1,377,604	428,277
Net Assets:		
Without Donor Restrictions:		
Undesignated	6,230,284	5,326,927
Designated by the Board	124,394	124,394
With Donor Restrictions:		
Purpose restrictions	16,182,055	14,241,242
Perpetual in nature	3,579,975	2,963,300
Total Net Assets	26,116,708	22,655,863
Total Liabilities and Net Assets	\$ 27,494,312	\$ 23,084,140

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenues:			
Gifts and contributions	\$ 45,140	\$ 4,521,770	\$ 4,566,910
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges net of recoveries	-	(6,969)	(6,969)
Gifts and Contributions, Net	45,140	4,514,801	4,559,941
Contributed services	1,180,361	-	1,180,361
Grant revenue	-	345,857	345,857
Support from affiliates	1,251,083	-	1,251,083
Other support	53	49,683	49,736
Rent from AU	12,300	-	12,300
Investment income, net	975,644	1,160,027	2,135,671
Net assets released from restrictions	3,512,880	(3,512,880)	-
Total Revenues	6,977,461	2,557,488	9,534,949
Expenses:			
Program activities	3,588,627	-	3,588,627
Fundraising	2,032,196	-	2,032,196
Management and general	453,281	-	453,281
Total Expenses	6,074,104	-	6,074,104
Change in net assets	903,357	2,557,488	3,460,845
Net assets, beginning of year	5,451,321	17,204,542	22,655,863
Net assets, end of year	\$ 6,354,678	\$ 19,762,030	\$ 26,116,708

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenues:			
Gifts and contributions	\$ 16,564	\$ 5,048,183	\$ 5,064,747
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges net of recoveries	-	102,502	102,502
Gifts and Contributions, Net	16,564	5,150,685	5,167,249
Contributed services	1,228,398	-	1,228,398
Grant revenue	-	268,317	268,317
Support from affiliates	1,319,129	-	1,319,129
Other support	37	477,008	477,045
Rent from AU	12,300	-	12,300
Investment income, net	382,986	38,391	421,377
Net assets released from restrictions	5,403,099	(5,403,099)	-
Transfers between classes of net assets	42,082	(42,082)	-
Total Revenues	8,404,595	489,220	8,893,815
Expenses:			
Program activities	5,468,285	-	5,468,285
Fundraising	2,091,373	-	2,091,373
Management and general	498,872	-	498,872
Total Expenses	8,058,530	-	8,058,530
Change in net assets	346,065	489,220	835,285
Net assets, beginning of year	5,105,256	16,715,322	21,820,578
Net assets, end of year	<u>\$ 5,451,321</u>	<u>\$ 17,204,542</u>	<u>\$ 22,655,863</u>

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Activities	Management and General	Fundraising	2021 Total Expenses
Staff salaries	\$ 175,579	\$ 248,187	\$ 1,028,707	\$ 1,452,473
Scholarships, fellowships, and awards	1,226,471	-	-	1,226,471
Supplies and other operating expense	293,938	18,693	429,103	741,734
Property and equipment	616,942	-	150	617,092
Employee benefits	132,201	86,354	277,717	496,272
Faculty salaries	334,961	-	-	334,961
Other fund disbursements	267,857	30	100	267,987
Dues and memberships	207,472	2,493	31,389	241,354
Special events	203,877	47	20,048	223,972
Marketing and advertising	17,809	-	112,887	130,696
Publications and printing	17,282	3,856	87,330	108,468
Other personal services	18,392	35,864	4,440	58,696
Professional fees	6,938	34,275	13,511	54,724
Meals	35,645	119	14,208	49,972
Repairs and maintenance	17,095	-	-	17,095
Medical and surgical supplies	13,433	-	-	13,433
Travel	416	55	9,098	9,569
Insurance	-	8,429	-	8,429
Banking and credit card fees	31	7,886	-	7,917
Property taxes	-	6,684	-	6,684
Rent	2,288	309	3,508	6,105
Total Expenses	\$ 3,588,627	\$ 453,281	\$ 2,032,196	\$ 6,074,104

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Activities	Management and General	Fundraising	2020 Total Expenses
Property and equipment	\$ 1,189,965	\$ -	\$ 11,435	\$ 1,201,400
Capital projects	1,200,000	-	-	1,200,000
Scholarships, fellowships, and awards	1,188,019	-	1,000	1,189,019
Staff salaries	146,852	253,795	723,280	1,123,927
Supplies and other operating expense	293,615	28,008	330,396	652,019
Special events	319,796	2,480	197,753	520,029
Employee benefits	122,609	97,517	270,009	490,135
Faculty salaries	291,954	-	170,000	461,954
Dues and memberships	201,207	1,573	43,507	246,287
Other fund disbursements	193,189	1,829	1,679	196,697
Other personal services	105,617	38,449	28,582	172,648
Publications and printing	32,666	3,839	86,175	122,680
Travel	50,153	6,049	53,970	110,172
Marketing and advertising	17,365	-	74,702	92,067
Rent	3,485	379	81,199	85,063
Meals	38,020	644	17,686	56,350
Repairs and maintenance	35,327	-	-	35,327
Medical and surgical supplies	34,318	-	-	34,318
Professional fees	4,025	28,450	-	32,475
Insurance	-	19,852	-	19,852
Banking and credit card fees	103	8,867	-	8,970
Property taxes	-	7,141	-	7,141
Total Expenses	\$ 5,468,285	\$ 498,872	\$ 2,091,373	\$ 8,058,530

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Cash received from gifts and contributions	\$ 4,661,533	\$ 5,517,217
Cash received from grants	863,123	376,671
Cash received from affiliates	1,209,090	1,444,887
Cash received from sales and services	49,736	477,045
Payments to AU and Affiliates for program support	(1,800,025)	(4,518,432)
Payments to AU for fundraising expenses	(851,835)	(862,975)
Payments to other suppliers of goods and services	(419,980)	(507,341)
Payments for scholarships and fellowships	(1,226,471)	(1,189,019)
Cash received from other receipts - rent	12,300	12,300
Net cash from operating activities	<u>2,497,471</u>	<u>750,353</u>
Cash flows from investing activities:		
Purchases of investments	(13,682,790)	(2,800,481)
Proceeds from sale of investments	11,444,231	2,136,401
Net cash from investing activities	<u>(2,238,559)</u>	<u>(664,080)</u>
Net change in cash and cash equivalents	258,912	86,273
Cash and cash equivalents, beginning of year	255,811	169,538
Cash and cash equivalents, end of year	<u>\$ 514,723</u>	<u>\$ 255,811</u>

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Summary of significant accounting policies

Nature of Operations – Georgia Health Sciences Foundation, Inc. (the “Foundation”) was established to contribute to the long-term enhancement of Augusta University (“AU”) and to provide assistance to AU and Augusta University Medical Center, Inc. (“AUMC”) in their development and fundraising activities. In addition, the Foundation provides broad advice, consultation, and support to the President of AU and AUMC. The Foundation is supported primarily through contributions from individuals, corporations, and other nonprofit foundations. The primary purpose of the fundraising efforts of the Foundation are to support scholarships at AU, and capital projects and other non-recurring projects at AU and AUMC. The nature of the fundraising efforts for capital and other non-recurring projects results in fluctuations of total net asset balances due to funds being raised in advance of capital and other special projects. The Foundation also receives and manages an endowment for the benefit of AU and AUMC. The Foundation is a cooperative organization of the Board of Regents of the University System of Georgia. Its mission is to advance the University System of Georgia, as a whole, consistent with the priorities determined by the Foundation’s Board of Trustees (“Board”).

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

Cash and Cash Equivalents – Cash and cash equivalents consist of petty cash, demand deposits, and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Investments – Investments in common trust funds and securities with an established market value are carried at market value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of activities. The Board of Regents Short-Term Investment Pool, Diversified Fund for Foundations, Balanced Income Fund, and Total Return Fund are included in investments.

Accounts Receivable – Accounts receivable include amounts from AUMC, which is an organization affiliated with AU. Management believes the amounts due are fully collectible.

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

Grant Revenue and Receivable – Revenue from grants is recognized as expenditures are made for approved activities. Grant revenue related to capital projects is recognized as the projects are completed. Grants receivable are recorded from time to time for amounts promised from grantors. Deferred revenue is recorded until amounts are expended for purposes authorized in the grant agreements.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Summary of significant accounting policies (continued)

In-Kind Contributions and Contributed Services – In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Foundation benefited from donated assets, which have been reported as contribution revenue and donor restricted program expense in the statements of activities. The Foundation also receives professional services and supplies from the AU Office of Advancement, which have been recorded as contributed services revenue and fundraising and general operating expenses in the statements of activities.

Restricted Cash and Investments – Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the statements of financial position.

Board-Designated Assets – Designated assets represent short-term investments that have been designated formally by Board action to support purposes as deemed necessary by the Board.

Real Property – Real property consists of land owned by the Foundation and is recorded at the property's realizable value which approximates fair market value. The Company evaluates real property for impairment at least annually or when events occur or circumstances change that would, more likely than not, reduce the fair value of the real property below its carrying value.

Fixed Assets – Fixed assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Foundation's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

Concentrations of Credit Risk – The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of these insured limits. As of June 30, 2021 and 2020, the Foundation had \$437,367 and \$283,949 in excess of the insured amount, respectively.

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

Contributions and Net Assets – Unconditional promises to give are recognized as revenue when the underlying promises are received by the Foundation and are reported as revenue with donor restrictions or revenue without donor restrictions.

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

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

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Summary of significant accounting policies (continued)

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

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense towards restricted resources and then toward unrestricted resources.

U.S. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA is a model act approved by the Uniform Law Commission ("ULC"), formerly known as the National Conference of Commissioners on Uniform State Laws, that serves as a guideline for states to use in enacting legislation.

Income Taxes – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is further classified as a public charity under Section 170(b)(1)(a)(iv). The Foundation is subject to federal income tax on unrelated business income. The Foundation has evaluated the effect of U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt organization. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Foundation had no uncertain income tax positions at June 30, 2021 and 2020.

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

New Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This standard, along with all subsequent amendments to the ASU (collectively, "ASC 606"), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. The Foundation has adopted this standard during the year ended June 30, 2021. There were no significant impacts to the financial statements and underlying accounting as a result of this implementation, which has been applied retrospectively to the 2021 and 2020 financial statements.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Summary of significant accounting policies (continued)

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the calendar year ending June 30, 2023. The Foundation is currently evaluating the effect of the implementation of this new standard.

In September 2020, FASB issued amended guidance for the treatment of contributed nonfinancial assets for not-for-profit (“NFP”) entities. The guidance requires NFP entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The guidance also requires new disclosures regarding the inputs for measurement. The guidance will initially be applied using a retrospective approach. The amendments in the guidance will be effective for the year ending June 30, 2023. Early adoption is permitted. Management is evaluating the impact of the guidance on the Foundation’s financial statements.

Note 2—Investments at fair value

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

At June 30, 2021 and 2020, the carrying value of the Foundation’s investments was \$23,083,390 and \$18,709,160, respectively, which approximates fair value. These investments were comprised entirely of funds invested in the Board of Regents Investment Pool as follows:

	<u>2021</u>	<u>2020</u>
Investment pools at fair value:		
Board of Regents:		
Short-term fund (short-term investments)	\$ 6,529,137	\$ 13,620,318
Balanced income fund	5,073,018	157,255
Total return fund	5,075,796	154,754
Diversified fund (including endowment investments)	6,405,439	4,776,833
Total investments	<u>\$ 23,083,390</u>	<u>\$ 18,709,160</u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited financial statements of the Board of Regents of the University System of Georgia – Administrative Central Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their website at <http://www.audits.ga.gov>.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Investments at fair value (continued)

The effective duration of the Short-Term Fund at June 30, 2021 and 2020, is 0.89 years and 0.98 years, respectively. At June 30, 2021 and 2020, the Foundation's total investment of \$6,529,137 and \$13,620,318, respectively, in the Short-Term Fund is invested in debt securities. The effective duration of the Diversified Fund at June 30, 2021 and 2020, is 5.25 years and 5.11 years, respectively. At June 30, 2021, of the Foundation's total investment of \$6,405,439 in the diversified fund, \$1,172,195 is invested in debt securities. At June 30, 2020, of the Foundation's total investment of \$4,776,833 in the diversified fund, \$831,169 is invested in debt securities. The effective duration of the Balanced Income Fund at June 30, 2021 and 2020, is 7.13 years and 5.78 years, respectively. At June 30, 2021, of the Foundation's total investment of \$5,073,018 in the balanced income fund, \$3,226,439 is invested in debt securities. At June 30, 2020, of the Foundation's total investment of \$157,255 in the balanced income fund, \$110,079 is invested in debt securities. The effective duration of the Total Return Fund at June 30, 2021 and 2020, is 6.23 years and 5.62 years, respectively. At June 30, 2021, of the Foundation's total investment of \$5,075,796 in the total return fund, \$1,365,389 is invested in debt securities. At June 30, 2020, of the Foundation's total investment of \$154,754 in the total return fund, \$46,426 is invested in debt securities.

The following schedule summarizes the investment return in the statements of activities:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 291,144	\$ 391,582
Net realized and unrealized gains	1,861,922	46,502
Expenses	<u>(17,395)</u>	<u>(16,707)</u>
Investment income, net	<u>\$ 2,135,671</u>	<u>\$ 421,377</u>

Investment revenues are reported net of related investment expenses in the statements of activities.

Note 3—Liquidity and availability of resources

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 514,723	\$ 255,811
Investments	<u>1,891,434</u>	<u>1,848,020</u>
	<u>\$ 2,406,157</u>	<u>\$ 2,103,831</u>

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

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Functional expenses

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

Note 5—Pledges receivable

Pledges receivable consisted of the following at June 30, 2021:

	Due in Less Than 1 Year	Due in 1 - 5 Years	Due in More Than 5 Years	Total
Pledges receivable	\$ 1,040,494	\$ 352,000	\$ -	\$ 1,392,494
Less:				
Discount to net present value	-	(6,839)	-	(6,839)
Allowance for uncollectible pledges	(12,735)	(5,300)	-	(18,035)
Net pledges receivable	<u>\$ 1,027,759</u>	<u>\$ 339,861</u>	<u>\$ -</u>	<u>\$ 1,367,620</u>

Pledges receivable consisted of the following at June 30, 2020:

	Due in Less Than 1 Year	Due in 1 - 5 Years	Due in More Than 5 Years	Total
Pledges receivable	\$ 1,359,286	\$ 604,000	\$ -	\$ 1,963,286
Less:				
Discount to net present value	-	(3,728)	-	(3,728)
Allowance for uncollectible pledges	(311,814)	(5,200)	-	(317,014)
Net pledges receivable	<u>\$ 1,047,472</u>	<u>\$ 595,072</u>	<u>\$ -</u>	<u>\$ 1,642,544</u>

Pledges with due dates extending beyond one year are discounted to their present value using U.S. Treasury rates consistent with the life of the pledge, commensurate with the risks involved. The applicable rate at June 30, 2021 and 2020, was 0.87% and 0.29%, respectively.

Note 6—In-kind contributions

The Foundation receives noncash donations which include equipment, materials, supplies, and other items for certain events and projects. The value of these donated items that are included in the revenue and the corresponding expenses for the years ended June 30, 2021 and 2020, are approximately \$173,332 and \$119,034, respectively. The Foundation also receives support and supplies from the AU Office of Advancement. Such support and supplies totaled \$1,180,361 and \$1,228,398 during the years ended June 30, 2021 and 2020, respectively, and are recorded as contributed services revenue and fundraising and general operating expenses in the statements of activities.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Annuity payment liabilities

Charitable gift annuities are arrangements between a donor and the Foundation in which the donor contributes assets to the Foundation in exchange for a promise from the Foundation to pay the donor a fixed amount for a specified period of time. Assets received have been recognized at fair value, and an annuity payment liability has been recognized at the present value of the future cash flows projected to be paid. Donor restricted contribution revenue is recognized as the difference between these two amounts as the donor has placed restrictions on the Foundation's use of its portion of the assets. To calculate the present value of the charitable gift annuity, the 2012 life expectancy tables (published by the Centers for Disease Control and Prevention) and discount rates ranging from 2.76% to 4.38% (applicable U.S. Treasury rates at the date of contribution) were used.

During the year ended June 30, 2016, the Foundation entered into a split-interest agreement. The donor made an irrevocable contribution of \$250,000. The Foundation agreed to pay the donor an annual sum of \$22,500 beginning on June 1, 2016 and continuing for the rest of his life. The annual annuity is paid in monthly installments of \$1,875 at the beginning of each month. The Foundation's obligation to pay the donor terminates with the monthly payment preceding the donor's death. During the year ended June 30, 2020, the donor passed away, and as a result, the Foundation will transfer the funds in accordance with the split-interest agreement.

During the year ended June 30, 2016, the Foundation entered into a split-interest agreement. The donor made an irrevocable contribution of \$250,000. The Foundation agreed to pay the donor an annual sum of \$22,500 beginning on March 1, 2016 and continuing for the rest of his life. The annual annuity is paid in monthly installments of \$1,875 at the beginning of each month. The Foundation's obligation to pay the donor terminates with the monthly payment preceding the donor's death. During the year ended June 30, 2020, the donor passed away, and as a result, the Foundation transferred the funds in accordance with the split-interest agreement.

During the year ended June 30, 2012, the Foundation entered into a split-interest agreement. The donor made an irrevocable contribution of \$25,000. The Foundation agreed to pay the donor an annual sum of \$1,625 beginning on March 31, 2012 and continuing for the rest of his life. The annual annuity is paid in quarterly installments of \$406 at the end of each quarter. The Foundation's obligation to pay the donor terminates with the quarterly payment preceding the donor's death.

During the year ended June 30, 2011, the Foundation entered into a split-interest agreement. The donor made an irrevocable contribution of \$510,000. The Foundation agreed to pay the donor an annual sum of \$43,860 beginning on March 31, 2011 and continuing for the rest of his life. The annual annuity is paid in quarterly installments of \$10,965 at the end of each quarter. The Foundation's obligation to pay the donor terminates with the quarterly payment preceding the donor's death. During the year ended June 30, 2020, the donor passed away, and as a result, the Foundation transferred the funds in accordance with the split-interest agreement.

At June 30, 2021 and 2020, long-term investments include \$26,149 and \$312,009, respectively, of assets related to the split-interest agreements. An annuity payment liability of \$9,872 and \$9,466, respectively, related to the split-interest agreements has been reported separately in the statements of financial position at June 30, 2021 and 2020. For the year ended June 30, 2021, gifts and contributions, net in the statements of activities included an increase of \$15,389 from the split-interest agreements. For the year ended June 30, 2020, gifts and contributions, net in the statements of activities included an increase of \$168,921 from the split-interest agreements. The decrease and increase in valuation of the split-interest agreements for the years ended June 30, 2021 and 2020 totaled \$2,031 and \$32,875, respectively, and is included in investment income, net in the statements of activities.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8—Fair value measurements

The Foundation follows the provisions of FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, which, among other things, requires enhanced disclosures about investments that are measured and reported at fair value. U.S. GAAP establishes a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

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

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

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments. The types of investments which would generally be included in this category include debt and equity securities issued by private entities and partnerships. The inputs into the determination of fair value require significant judgment or estimation. Inputs include recent transactions, earnings forecasts, market multiples, and future cash flows. For private equity real estate investments, inputs include projected cash flows over periods of time using rates of return deemed appropriate, information on the physical value of the property and the sales prices of comparable properties.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8—Fair value measurements (continued)

The table below summarizes the levels of the U.S. GAAP fair value hierarchy into which the Foundation's investments fall as of June 30, 2021, based on the level of input utilized to measure fair value.

Description	Fair Value Measurements at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Board of Regents Investment Pool:				
Short-term fund	\$ -	\$ 6,529,137	\$ -	\$ 6,529,137
Balanced fund income	5,073,018	-	-	5,073,018
Total return fund	5,075,796	-	-	5,075,796
Diversified fund	6,405,439	-	-	6,405,439
Total investments - recurring basis	<u>\$ 16,554,253</u>	<u>\$ 6,529,137</u>	<u>\$ -</u>	<u>\$ 23,083,390</u>

The table below summarizes the levels of the U.S. GAAP fair value hierarchy into which the Foundation's investments fall as of June 30, 2020, based on the level of input utilized to measure fair value.

Description	Fair Value Measurements at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Board of Regents Investment Pool:				
Short-term fund	\$ -	\$ 13,620,318	\$ -	\$ 13,620,318
Balanced fund income	157,255	-	-	157,255
Total return fund	154,754	-	-	154,754
Diversified fund	4,776,833	-	-	4,776,833
Total investments - recurring basis	<u>\$ 5,088,842</u>	<u>\$ 13,620,318</u>	<u>\$ -</u>	<u>\$ 18,709,160</u>

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

Note 9—Endowment funds

The Foundation's endowment fund consists of individual donor restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the state of Georgia's enacted version of the UPMIFA as imposing a duty on the Foundation to use good faith and prudent care in adopting investment and spending policies to preserve endowment assets while providing income and appreciation to meet the donors' intention in perpetuity. As a result of this interpretation, the Foundation classifies as 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.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Endowment funds (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making their determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Where the Board designates unrestricted funds to function as endowments, they are classified as net assets without donor restrictions.

The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the indicated years.

Endowment net asset composition by type of fund as of June 30, 2021:

	With Donor Restrictions
Donor-restricted endowment funds	\$ 5,461,896
Total funds	<u>\$ 5,461,896</u>

Endowment net asset composition by type of fund as of June 30, 2020:

	With Donor Restrictions
Donor-restricted endowment funds	\$ 4,060,803
Total funds	<u>\$ 4,060,803</u>

Reconciliation of endowment net assets to the statements of financial position:

	2021	2020
Endowment net assets included in:		
Short-term investments	\$ 357,824	\$ 291,296
Long-term investment endowment	5,104,072	3,769,507
Total endowment net assets	<u>\$ 5,461,896</u>	<u>\$ 4,060,803</u>

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Endowment funds (continued)

Changes in endowment net assets for the year ended June 30, 2021:

	With Donor Restrictions
Endowment net assets, July 1, 2020	\$ 4,060,803
Contributions	385,806
Investment return:	
Investment income	61,677
Net appreciation (depreciation)	1,083,247
Total investment return	<u>1,144,924</u>
Net additions (reductions) to endowments from donor designation changes	(97,632)
Appropriation of endowment assets for expenditure	<u>(32,005)</u>
Endowment net assets, June 30, 2021	<u>\$ 5,461,896</u>

Changes in endowment net assets for the year ended June 30, 2020:

	With Donor Restrictions
Endowment net assets, July 1, 2019	\$ 3,700,334
Contributions	248,733
Investment return:	
Investment income	68,832
Net appreciation (depreciation)	(63,136)
Total investment return	<u>5,696</u>
Net additions (reductions) to endowments from donor designation changes	134,075
Appropriation of endowment assets for expenditure	<u>(28,035)</u>
Endowment net assets, June 30, 2020	<u>\$ 4,060,803</u>

Strategies employed for achieving investment objectives

Endowment Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment fund deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$-0- as of June 30, 2021 and \$1,501 as of June 30, 2020. These deficits resulted from unfavorable market conditions which resulted in negative investment returns.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Endowment funds (continued)

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

Relationship of Spending Policy to Investment Objectives – The Foundation determines the method to be used to appropriate endowment funds for 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 31st 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.

Note 10—Board-designated net assets without donor restrictions

Board-designated net assets without donor restrictions consist of funds which are available to support the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Short-term investments - Board-designated for:		
Presidential University Advancement fund	\$ 124,394	\$ 124,394
Total short-term investments - Board-designated	<u>\$ 124,394</u>	<u>\$ 124,394</u>

Note 11—Related party transactions

Effective February 1, 2010, the Foundation entered into an agreement with AU to license the vacant land owned by the Foundation to AU for its use as additional parking. This agreement calls for monthly payments on an annual license fee of \$10,000. In June 2011, the Foundation renewed the agreement increasing the monthly fee. This is being recognized on a monthly basis as rental income. Rental income of \$12,300 was recognized for the years ended June 30, 2021 and 2020.

The costs of services rendered by the AU Office of Advancement for fundraising activities are primarily borne by AU and AUMC. These costs approximated \$1,180,000 and \$1,228,000 for the years ended June 30, 2021 and 2020, respectively, and is included in contributed services and fundraising and general operating expenses in the statements of activities.

GEORGIA HEALTH SCIENCES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Related party transactions (continued)

In July 2017, a memorandum of understanding entered into by the Foundation, the University System of Georgia Board of Regents, and AUMC was amended. The amendment states that AUMC will contribute funds to support the annual operating budget of the AU Office of Advancement. At June 30, 2021 and 2020, \$1,565,720 and \$1,251,083 had been paid by AUMC to the Foundation pursuant to the amended arrangement. At June 30, 2021 and 2020, \$41,993 and \$-0- remained as a receivable from AUMC, respectively. During the years ended June 30, 2021 and 2020, the Foundation recorded revenue of \$1,251,083 and \$1,319,129, respectively, which is included in support from affiliates without donor restrictions in the statements of activities.

In January 2010, a memorandum of understanding was entered into by the Foundation and AUMC whereby AUMC will provide up to \$15,000 to support a local and state advocacy program managed by the Foundation. The Foundation received no support from this agreement during the years ended June 30, 2021 and 2020.

Note 12—Risks and uncertainties

On March 11, 2020, the novel coronavirus disease (“COVID-19”) was declared a pandemic by the World Health Organization. On March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 outbreak. In response to the worldwide spread of COVID-19, management of the Foundation has implemented a number of practices designed to protect the safety and well-being of its donors and fund recipients.

Although there has been no significant impact on the Foundation’s operations, the extent to which COVID-19 may impact the Foundation’s future operations will depend upon future developments which are highly uncertain and cannot be predicted at this time. Management is continuously monitoring the Foundation’s financial performance and related cash position and liquidity and developing and implementing plans designed to maintain the Foundation’s financial position should the breadth and duration of the business disruptions related to COVID-19, as well as its impact on the U.S. economy and business confidence, continue for an extended period of time.

Note 13—Planned merger with affiliate foundation

In May of 2021, the Boards of Trustees of the Foundation and the Augusta University 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 Augusta University Foundation based on the fair market values on the date of the transfer.

Note 14—Subsequent events

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