

AUGUSTA UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

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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 statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year 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, 2019, 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 audit was 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 year ended June 30, 2019 in Supplemental Schedules 1 and 2 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 4, 2019, 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 4, 2019

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	4,315,878
Cash restricted for specific use		3,489,218
Investments restricted for specific use		654,000
Investments - short-term		1,525,924
Current portion of unconditional promises to give - contributions receivable, net		155,965
Other receivables		58,654
Prepaid expenses		1,767
Current portion of minimum lease payments receivable - related party		<u>2,075,696</u>

TOTAL CURRENT ASSETS		<u>12,277,102</u>
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NON-CURRENT ASSETS

Investments - long-term		29,275,391
Unconditional promises to give - contributions receivable, net of current portion and discount		96,513
Cash surrender value of life insurance		194,775
Minimum lease payments receivable - related party, net of current portion		<u>29,510,311</u>

TOTAL NON-CURRENT ASSETS		<u>59,076,990</u>
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TOTAL ASSETS		<u><u>\$ 71,354,092</u></u>
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AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
JUNE 30, 2019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 27,723
Deferred revenue	67,376
Interest payable	406,082
Due to related party	303,793
Current portion of bonds payable	1,025,000
Current portion of unearned interest revenue	<u>883,121</u>
TOTAL CURRENT LIABILITIES	<u>2,713,095</u>
 LONG-TERM LIABILITIES	
Series 2012 bonds payable, net of current portion	14,105,000
Series 2014 bonds payable, net of current portion	7,300,000
Premium on bonds payable	1,429,027
Bond issuance costs, net	(810,460)
Unearned interest revenue	<u>6,727,384</u>
TOTAL LONG-TERM LIABILITIES	<u>28,750,951</u>
TOTAL LIABILITIES	<u>31,464,046</u>
 NET ASSETS	
Without external restrictions	3,483,263
With external restrictions	<u>36,406,783</u>
TOTAL NET ASSETS	<u>39,890,046</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 71,354,092</u></u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	WITHOUT EXTERNAL RESTRICTION	WITH EXTERNAL RESTRICTION	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Donations	\$ 114,547	\$ 1,099,280	\$ 1,213,827
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges	(2,235)	20,915	18,680
	<u>112,312</u>	<u>1,120,195</u>	<u>1,232,507</u>
Investment earnings	114,572	2,712,999	2,827,571
Grant revenue	-	26,536	26,536
Special events	194,367	490,831	685,198
Contributed services	1,523,970	-	1,523,970
Other income	6,285	166,231	172,516
Net assets released from restrictions	<u>2,760,640</u>	<u>(2,760,640)</u>	<u>-</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>4,712,146</u>	<u>1,756,152</u>	<u>6,468,298</u>
EXPENSES AND LOSSES			
Management and general	550,055	-	550,055
Fundraising	1,170,958	-	1,170,958
Program services	<u>2,765,579</u>	<u>-</u>	<u>2,765,579</u>
TOTAL EXPENSES AND LOSSES	<u>4,486,592</u>	<u>-</u>	<u>4,486,592</u>
TRANSFERS	<u>239,959</u>	<u>(239,959)</u>	<u>-</u>
CHANGES IN NET ASSETS	465,513	1,516,193	1,981,706
NET ASSETS, July 1, 2018	<u>3,017,750</u>	<u>34,890,590</u>	<u>37,908,340</u>
NET ASSETS, June 30, 2019	<u>\$ 3,483,263</u>	<u>\$ 36,406,783</u>	<u>\$ 39,890,046</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED JUNE 30, 2019

	MANAGEMENT AND GENERAL	FUNDRAISING	PROGRAM SERVICES	TOTAL
Banking and credit card fees	\$ 12,098	\$ -	\$ -	\$ 12,098
Dues and memberships	1,263	5,271	32,599	39,133
Employee benefits	92,025	209,654	27,765	329,444
Faculty salaries	-	837	183,746	184,583
General and administrative expenses	100,000	-	46,181	146,181
Insurance	10,189	-	-	10,189
Interest	-	-	853,007	853,007
Meals	173	8,371	36,752	45,296
Other fund disbursements	2,617	14,780	163,655	181,052
Other personal services	17,827	9,080	102,983	129,890
Professional fees	53,696	-	3,650	57,346
Property and equipment	114	11,038	36,361	47,513
Publications and printing	3,117	27,687	11,403	42,207
Rent	150	423	21,916	22,489
Repairs and maintenance	-	-	67,117	67,117
Scholarships, fellowships, and awards	-	-	582,643	582,643
Special events	61	53,591	174,683	228,335
Staff salaries	240,403	700,511	45,577	986,491
Supplies & other operating expenses	11,990	111,549	214,162	337,701
Travel	4,332	18,166	161,379	183,877
	<u>\$ 550,055</u>	<u>\$ 1,170,958</u>	<u>\$ 2,765,579</u>	<u>\$ 4,486,592</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,981,706
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of unearned interest	(925,671)
Amortization of bond issuance costs	43,161
Amortization of bond premium	(113,519)
Net unrealized and realized gains on investments	(718,079)
Changes in assets and liabilities:	
Unconditional promises to give - contributions receivable	70,564
Other receivables	(5,663)
Prepaid expenses	(1,767)
Due from related party	443,489
Cash surrender value of life insurance	32,490
Accounts payable	(199,815)
Deferred revenue	17,815
Interest payable	(12,142)
Due to related party	(124,783)
Net Cash Provided By Operating Activities	<u>487,786</u>
CASH FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	16,761,698
Purchases of investments	(17,382,916)
Payments received on capital leases	2,045,320
Net Cash Provided By Investing Activities	<u>1,424,102</u>
CASH FROM FINANCING ACTIVITIES	
Principal payments on bonds	(960,000)
Net Cash Used In Financing Activities	<u>(960,000)</u>
Net Increase in Cash and Cash Equivalents	951,888
Cash and Cash Equivalents, Beginning of Year	6,853,208
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,805,096</u></u>
Classified as:	
Cash and cash equivalents	\$ 4,315,878
Cash restricted for specific use	3,489,218
Total cash and cash equivalents	<u><u>\$ 7,805,096</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	\$ 935,507

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 three 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; 3) ASU Student Life, LLC, which is a limited liability company organized for the purpose of constructing a student life center. ASU Student Life, LLC was dissolved during the year ended June 30, 2019.

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 provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. 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 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.

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 using discounted at 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, 2019, the Foundation's allowance for doubtful receivables was \$16,016.

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.

PROPERTY AND EQUIPMENT - Depreciation of property and equipment is provided principally on the straight-line method over the estimated useful lives of the assets. Property and equipment are valued at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Buildings and improvements are depreciated on a straight-line method over 39 years.

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 year ended June 30, 2019 was \$43,161.

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 three limited liability companies: ASU Jaguar Student Housing I, LLC, ASU Jaguar Student Center, LLC, and ASU Student Life 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 and 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.

RECLASSIFICATIONS - Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires disclosure of (a) quantitative and qualitative information about the availability of the Foundation's financial assets at June 30, 2019 to meet cash needs for general expenditures within one year of that date and (b) information that is useful for assessing the Foundation's liquidity and that describes how the Foundation manages its liquid assets available to meet cash needs for general expenditures within one year of June 30, 2019. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017. Management adopted ASU 2016-14 effective July 1, 2018 and beginning net assets to conform to the new presentation.

SUBSEQUENT EVENTS - The Foundation has evaluated subsequent events through September 4, 2019, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY

The Foundation has approximately \$12,277,000 of financial assets available at June 30, 2019 to meet cash needs for expenditures in the following year consisting of cash in the amount of approximately \$7,805,000, investments restricted for specific use in the amount of \$654,000, investments - short-term in the amount of approximately \$1,526,000, current portion of unconditional promises to give of approximately \$156,000, current portion of minimum lease payments receivable - related party in the amount of approximately \$2,076,000 and other receivables in the amount of approximately \$60,000. Of that amount approximately \$3,483,000 is not subject to donor restriction or Board designation and is available for general expenditures. Approximately \$8,774,000 is subject to donor restrictions or Board designations and is immediately available for the donor restricted or Board-designated purpose of those funds. The Foundation has a policy of maintaining cash on hand sufficient to fund all donor or designation obligations. The Foundation maintains financial assets, which consist of cash on hand to meet nine months of normal operating expenses, which are, on average, approximately \$3,365,000. The Foundation has a policy to structure its assets to be available as its general expenditures, liabilities and other obligations come due.

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

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, 2019, the Foundation had approximately \$7,200,000 of uninsured cash balances.

NOTE 4 - RESTRICTED INVESTMENTS

Investments identified separately on the statement of financial position as investments restricted for a specific use represents 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, 2019:

	Cost	Fair Value
Pooled investments	\$ 1,521,386	\$ 1,525,924
Mutual funds	4,335,168	4,321,414
Exchange traded funds	5,817,266	5,803,649
Alternative investments	750,704	918,884
Repurchase agreements	654,000	654,000
Money market funds	1,625,548	1,625,548
Trading equities	10,417,995	13,069,306
Debt securities:		
Corporate bonds	3,492,403	3,536,590
	<u>\$28,614,470</u>	<u>\$ 31,455,315</u>

Investment return on cash and investments is summarized as follows at June 30, 2019:

Dividend and interest income	\$ 749,652
Net realized and unrealized gains (losses)	1,240,512
Trust and investment fees	<u>(123,433)</u>
	<u>\$ 1,866,731</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, 2019:

Due in less than one year	\$ 171,981
Due in 1-5 years	100,000
	<u>271,981</u>
Less allowance for doubtful accounts	16,016
Less amount representing interest	3,487
Net	<u>\$ 252,478</u>
Current receivable portion net of allowances	\$ 155,965
Long-term receivable net of allowances and interest	96,513
Net pledges receivable	<u>\$ 252,478</u>

Unconditional promises to give receivable in more than one year are discounted at 1.79%. Two donors made up 57% of total pledges receivable at June 30, 2019.

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, 2019:

Minimum lease payments receivable	\$ 21,179,342
Less: Unearned interest revenue	<u>(5,539,182)</u>
Net investment in lease	<u>\$ 15,640,160</u>

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

Years ending June 30, 2020	\$ 1,343,915
2021	1,354,368
2022	1,360,317
2023	1,360,930
2024	1,360,930
Thereafter	<u>14,398,882</u>
	<u>\$ 21,179,342</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, 2019:

Minimum lease payments receivable	\$ 10,406,665
Less: Unearned interest revenue	<u>(2,071,323)</u>
Net investment in lease	<u>\$ 8,335,342</u>

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

Years ending June 30, 2020	\$ 731,781
2021	726,794
2022	725,088
2023	726,963
2024	724,019
Thereafter	<u>6,772,020</u>
	<u>\$ 10,406,665</u>

NOTE 8 - REVENUE BONDS

ASU Jaguar Student Housing I, LLC had the following revenue bonds payable at June 30, 2019:

\$17,505,000 ASU Jaguar Student Housing I, LLC, Revenue Bonds, Series 2012, dated November 1, 2012, due in annual installments ranging from \$655,000 to \$1,245,000, due through February 1, 2035, interest at 2.0% to 5.0%	\$ 14,760,000
Original issue premium on Series 2012 Revenue Bonds	1,156,333
Less: Unamortized bond issuance cost	<u>(642,546)</u>
	<u>\$ 15,273,787</u>

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:

<u>Years ending June 30:</u>	
2020	\$ 655,000
2021	685,000
2022	725,000
2023	760,000
2024	800,000
Thereafter	11,135,000
	<u>\$ 14,760,000</u>

Interest expense on the bonds totaled \$584,761 during the year ending June 30, 2019, 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, 2019 by \$79,115. 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, 2019:

\$9,025,000 ASU Jaguar Student Center, LLC, Educational Facilities Revenue Bonds, Series 2014, dated October 30, 2014, due in annual installments ranging from \$370,000 to \$1,795,000, due through July 1, 2034, interest at 2% to 5%	\$ 7,670,000
Original issue premium on Series 2012 Revenue Bonds	272,694
Less: Unamortized bond issuance cost	(167,914)
	<u>\$ 7,774,780</u>

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

<u>Years ending June 30:</u>	
2020	\$ 370,000
2021	390,000
2022	405,000
2023	420,000
2024	435,000
Thereafter	5,650,000
	<u>\$ 7,670,000</u>

Interest incurred during the year ending June 30, 2019 totaled \$268,246. Amortization of the bond premium began July 1, 2007 using the effective interest method which reduced interest expense for the year ended June 30, 2019 by \$34,404. 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.

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

NOTE 8 - REVENUE BONDS (continued)

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, 2019.

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, 2019.

The following table sets forth by level, within the fair value hierarchy, the Foundation's fair value measurements at June 30, 2019:

June 30, 2019	Total	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contributions receivable	\$ 252,478	\$ -	\$ 252,478	\$ -
Pooled investments	1,525,923	-	1,525,923	-
Available for sale mutual funds:				
Emerging markets bond	-	-	-	-
High yield bond	-	-	-	-
Intermediate government	1,220,286	1,220,286	-	-
Intermediate - term bond	1,180,101	1,180,101	-	-
Multisector bond	610,736	610,736	-	-
Pooled investment fund	715,099	-	715,099	-
Ultrashort bond	595,192	595,192	-	-
World bond	-	-	-	-
Available for sale exchange-traded funds:				
Commodities precious metals	204,142	204,142	-	-
Diversified emerging markets	245,976	245,976	-	-
Diversified Pacific/Asia	112,979	112,979	-	-
Energy	-	-	-	-
Europe stock	249,157	249,157	-	-
Financial	150,829	150,829	-	-
Foreign large blend	1,708,972	1,708,972	-	-
Foreign large growth	494,633	494,633	-	-
Foreign large value	409,860	409,860	-	-
Foreign small/mid blend	128,891	128,891	-	-
Healthcare	157,427	157,427	-	-

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

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

Total	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019 (continued)</u>			
Available for sale exchange-traded funds (continued):			
India equity	54,064	54,064	-
Japan stock	137,471	137,471	-
High yield bond	-	-	-
Large blend	207,209	207,209	-
Large growth	-	-	-
Large value	236,900	236,900	-
Mid-cap growth	268,176	268,176	-
Miscellaneous region	-	-	-
Real estate	234,866	234,866	-
Small blend	656,366	656,366	-
Technology	145,731	145,731	-
Repurchase agreements	654,000	-	654,000
Money market funds:			
Government MMA	903,309	-	903,309
General MMA	722,239	-	722,239
Trading equities:			
Basic materials	521,881	521,881	-
Communication services	90,580	90,580	-
Computer hardware	-	-	-
Consumer cyclical	936,909	936,909	-
Consumer defensive	486,881	486,881	-
Consumer discretionary	-	-	-
Consumer goods	837,635	837,635	-
Energy	651,960	651,960	-
Financial	1,814,945	1,814,945	-
Healthcare	2,094,734	2,094,734	-
Industrial goods/services	1,290,949	1,290,949	-
Oil equipment & services	32,144	32,144	-
Real estate	45,760	45,760	-
Services	564,646	564,646	-
Technology	3,645,106	3,645,106	-
Utilities	55,177	55,177	-

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

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

Total	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019 (continued)</u>			
Available for sale debt securities:			
Corporate bonds:			
Moodys: A1	80,296	-	80,296
Moodys: A2; S&P A	299,042	-	299,042
Moodys: A2; S&P A-	149,407	-	149,407
Moodys: A3	64,513	-	64,513
Moodys: A3; S&P BBB+	99,201	-	99,201
Moodys: Aa3	100,019	-	100,019
Moodys: Aaa; S&P AA+	20,021	-	20,021
Moodys: B2; S&P B	142,493	-	142,493
Moodys: B2; S&P B-	19,775	-	19,775
Moodys: B2; S&P B+	102,250	-	102,250
Moodys: Ba1; S&P BBB	131,704	-	131,704
Moodys: Baa1; S&P BBB+	164,773	-	164,773
Moodys: Baa2; S&P BBB-	110,072	-	110,072
Moodys: Baa2; S&P BBB	305,441	-	305,441
Moodys: Baa3; S&P BBB-	468,523	-	468,523
Moodys: Baa3; S&P BB+	101,505	-	101,505
Moodys: Baa3; S&P BBB+	100,330	-	100,330
Moodys: Caa1; S&P CCC+	49,250	-	49,250
Moodys: Caa3; S&P CCC	17,900	-	17,900
S&P BBB-	190,584	-	190,584
S&P BB+	99,666	-	99,666
Amtrust Financial Services	49,534	-	49,534
Blackstone Mtg Trust Inc.	52,113	-	52,113
Bridgewater Bank	50,031	-	50,031
Colony Cap Inc.	48,750	-	48,750
Wells Fargo Bank	150,024	-	150,024
Pennymac Corp	50,462	-	50,462
Goldman Sachs Inc.	198,860	-	198,860
Federal Home Loan Mortgage	120,054	-	120,054
Total assets, at fair value	<u>30,788,912</u>	<u>\$ 22,479,271</u>	<u>\$ 8,309,641</u>
Other*:			
Limited partnership	631,121		
Pooled investments in mutual funds	287,763		
Total	<u>\$ 31,707,796</u>		

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

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

* "Other" investments are measured at fair value in the table above using the NAV per share (or its equivalent) practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy table to the amounts presented in the Statement of Net Assets.

The following tables set forth a summary of the Foundation's investments with a reported net asset value for the years ended June 30:

2019	Fair value	Unfunded commitment	Redemption frequency	Other redemption restrictions	Redemption notice period
Available for sale mutual funds:					
Pooled investment fund ^(a)	\$ 287,763	-	daily	none	1 day
Other:					
Limited partnership ^(b)	631,121	-	daily	none	1 day

(a) PPB Advisors Alternative Series Fund, LP - Class Y Interests, a Delaware limited partnership, invests all of its investable assets in Canyon Value Realization Fund, L.P. Canyon Value Realization Fund, L.P., a Delaware limited partnership, seeks capital appreciation and income by investing in debt and equity securities, with an emphasis on debt instruments.

(b) The fund trades a diversified portfolio of over 100 currency, interest rate, stock index, energy, metal and agricultural commodity futures, forward contracts and options on U.S. and international exchanges and in the interbank currency market. The funds financial assets are made up of 98% of U.S. Treasury notes and 2% of exchange-traded futures contracts and over-the-counter forward currency contracts.

NOTE 10 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

Subject to expenditure for specified purpose:

Academic program support and university advancement	\$ 16,754,168
Not subject to appropriation or expenditure	19,652,615
Total net assets with donor restrictions	<u>\$ 36,406,783</u>

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

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

NOTE 10 - RESTRICTIONS ON NET ASSETS (continued)

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

	Accumulated Investment Losses	Original Donor Restrictions	Total Net Endowment Assets
Endowment net assets, June 30, 2018	\$ (17,342)	\$ 27,061,123	\$ 27,043,781
Contributions	-	293,262	293,262
Transfers to comply with donor intent	-	(9,519)	(9,519)
Investment income, net	5,807	1,743,004	1,748,811
Amounts appropriated for expenditure	-	(887,397)	(887,397)
Endowment net assets, June 30, 2019	<u>\$ (11,535)</u>	<u>\$ 28,200,473</u>	<u>\$ 28,188,938</u>

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. At June 30, 2019, funds with original gift values of \$73,369, fair values of \$61,834, and deficiencies of \$11,535 were reported in net assets with donor restrictions. During the year, the Foundation did not appropriate any expenditure from underwater endowments. Management expects these amounts to be fully recovered during 2020 due to favorable market fluctuations.

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 to the extent possible. For the year ending June 30, 2019, the estimated travel expenses paid on behalf of the Foundation, supplies provided and salaries and fringe benefits of support staff contributed to the Foundation was \$1,553,781. This was recorded as contributed services, and fundraising expenses.

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.



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, 2019, 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 4, 2019.

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 4, 2019

SUPPLEMENTAL INFORMATION
(See Independent Auditors' Report)

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE 1 -
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing 1, LLC	ASU Jaguar Student Center, LLC	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,903,829	\$ 182,716	\$ 229,333		\$ 4,315,878
Cash restricted for specific use	-	1,688,540	1,800,678		3,489,218
Investments restricted for specific use	-	654,000	-		654,000
Investments - short-term	1,525,924	-	-		1,525,924
Current portion of unconditional promises to give - contributions receivable, net	155,965	-	-		155,965
Other receivables	45,029	13,625	-		58,654
Prepaid expenses	1,767	-	-		1,767
Due from related party	100,000	100,000	-	\$ (200,000)	-
Current portion of minimum lease lease payments receivable - related party	-	1,343,915	731,781		2,075,696
TOTAL CURRENT ASSETS	5,732,514	3,982,796	2,761,792		12,277,102
NON-CURRENT ASSETS					
Investments - long-term	29,275,391	-	-		29,275,391
Unconditional promises to give - contributions receivable, net of current portion and discount	96,513	-	-		96,513
Cash surrender value of life insurance	194,775	-	-		194,775
Minimum lease payments receivable - related party, net of current portion	-	19,835,427	9,674,884		29,510,311
TOTAL NON-CURRENT ASSETS	29,566,679	19,835,427	9,674,884		59,076,990
TOTAL ASSETS	\$ 35,299,193	\$ 23,818,223	\$ 12,436,676		\$ 71,354,092

(continued)

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE 1 -
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (continued)
JUNE 30, 2019

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing I, LLC	ASU Jaguar Student Center, LLC	Eliminating Entries	Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 27,723	\$ -	\$ -		\$ 27,723
Deferred revenue	37,069	-	30,307		67,376
Interest payable	-	260,354	145,728		406,082
Due to related party	303,793	50,000	150,000	\$ (200,000)	303,793
Current portion of bonds payable	-	655,000	370,000		1,025,000
Current portion of unearned interest revenue	-	626,058	257,063		883,121
TOTAL CURRENT LIABILITIES	368,585	1,591,412	953,098		2,713,095
LONG-TERM LIABILITIES					
Series 2012 bonds payable, net of current portion	-	14,105,000	-		14,105,000
Series 2014 bonds payable, net of current portion	-	-	7,300,000		7,300,000
Premium on bonds payable	-	1,156,333	272,694		1,429,027
Bond issuance costs, net	-	(642,546)	(167,914)		(810,460)
Unearned interest revenue	-	4,913,124	1,814,260		6,727,384
TOTAL LONG-TERM LIABILITIES	-	19,531,911	9,219,040		28,750,951
TOTAL LIABILITIES	368,585	21,123,323	10,172,138		31,464,046
NET ASSETS					
Without external restrictions	3,071,214	282,716	129,333		3,483,263
With external restrictions	31,859,394	2,412,184	2,135,205		36,406,783
TOTAL NET ASSETS	34,930,608	2,694,900	2,264,538		39,890,046
TOTAL LIABILITIES AND NET ASSETS	\$ 35,299,193	\$ 23,818,223	\$ 12,436,676		\$ 71,354,092

AUGUSTA UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE 2 -
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Augusta University Foundation, Inc.	ASU Jaguar Student Housing I, LLC	ASU Jaguar Student Center, LLC	ASU Student Life, LLC	Total
REVENUES, GAINS AND OTHER SUPPORT					
Donations	\$ 1,213,827	\$ -	\$ -	\$ -	\$ 1,213,827
Change in valuation allowance to discount pledges to net present value and provision for uncollectible pledges	18,680	-	-	-	18,680
	<u>1,232,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,232,507</u>
Investment earnings	1,869,200	686,908	271,463	-	2,827,571
Grant revenue	26,536	-	-	-	26,536
Special events	685,198	-	-	-	685,198
Contributed services	1,523,970	-	-	-	1,523,970
Other income	(2,460)	102,090	72,886	-	172,516
	<u>5,334,951</u>	<u>788,998</u>	<u>344,349</u>	<u>-</u>	<u>6,468,298</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT					
EXPENSES AND LOSSES					
Management and general	428,232	61,098	60,725	-	550,055
Fundraising	1,170,958	-	-	-	1,170,958
Program Services	1,799,274	681,279	285,026	-	2,765,579
	<u>3,398,464</u>	<u>742,377</u>	<u>345,751</u>	<u>-</u>	<u>4,486,592</u>
TOTAL EXPENSES AND LOSSES					
Transfer	(185,444)	-	-	185,444	-
	<u>1,751,043</u>	<u>46,621</u>	<u>(1,402)</u>	<u>185,444</u>	<u>1,981,706</u>
CHANGES IN NET ASSETS					
NET ASSETS, July 1, 2018	<u>33,179,565</u>	<u>2,648,279</u>	<u>2,265,940</u>	<u>(185,444)</u>	<u>37,908,340</u>
NET ASSETS, June 30, 2019	<u>\$ 34,930,608</u>	<u>\$ 2,694,900</u>	<u>\$ 2,264,538</u>	<u>\$ -</u>	<u>\$ 39,890,046</u>