

**MEDICAL COLLEGE OF GEORGIA  
FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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**CONSOLIDATED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Board of Directors of  
Medical College of Georgia Foundation, Inc.  
Augusta, Georgia**

### **Opinion**

We have audited the accompanying consolidated financial statements of **Medical College of Georgia Foundation, Inc.** (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Medical College of Georgia Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Consolidated Financial Statements**

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

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

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## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 2, 2022

# MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,398,200	\$ 2,255,158
Promises to give, net of allowance of \$236,273 and \$274,589, respectively	1,581,213	1,837,637
Due from related party	5,673,636	-
Investments, at fair value	294,127,984	329,553,072
Investment properties, net	775,074	905,059
Property and equipment, net	15,619,705	17,327,520
Cash value of life insurance, net	180,430	177,652
Other assets	24,930	24,930
	<b>\$ 324,381,172</b>	<b>\$ 352,081,028</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Split interest agreements and gift annuities payable	\$ 798,961	\$ 859,124
Notes payable	16,253,617	12,000,000
Accounts payable	567,504	707,935
Other payables	42,266	274,750
	<b>17,662,348</b>	<b>13,841,809</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	9,508,363	8,806,431
Designated by the Board for endowment	35,950,360	38,560,346
	<b>45,458,723</b>	<b>47,366,777</b>
With donor restrictions		
Time or purpose restrictions	109,054,918	146,132,363
Perpetual in nature	152,205,183	144,740,079
	<b>261,260,101</b>	<b>290,872,442</b>
	<b>306,718,824</b>	<b>338,239,219</b>
Total liabilities and net assets	<b>\$ 324,381,172</b>	<b>\$ 352,081,028</b>

**See notes to consolidated financial statements.**

# MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Private gifts and contributions	\$ 82,022	\$ 10,768,922	\$ 10,850,944
In-kind contributions	102,860	-	102,860
Investment income	2,097	125,195	127,292
Net realized/unrealized gain (loss) on investments	(1,257,572)	(29,205,797)	(30,463,369)
Rental income	37,170	-	37,170
Other income	77,804	905,744	983,548
Change in value of trusts and annuities	-	60,163	60,163
Net assets released from restrictions	9,378,330	(9,378,330)	-
Total revenues	8,422,711	(26,724,103)	(18,301,392)
Expenses:			
Program services	8,323,962	-	8,323,962
Supporting services			
General and administrative	3,807,615	-	3,807,615
Fundraising	1,087,426	-	1,087,426
Total expenses	13,219,003	-	13,219,003
Change in donor intent	2,888,238	(2,888,238)	-
Change in net assets	(1,908,054)	(29,612,341)	(31,520,395)
Net assets, beginning of year	47,366,777	290,872,442	338,239,219
Net assets, end of year	\$ 45,458,723	\$ 261,260,101	\$ 306,718,824

**See notes to consolidated financial statements.**

# MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Private gifts and contributions	\$ 41,062	\$ 11,092,636	\$ 11,133,698
Contributions - PPP loan forgiveness	180,335	-	180,335
Investment income	247	98,383	98,630
Net realized/unrealized gain (loss) on investments	8,671,237	67,876,926	76,548,163
Rental income	37,170	-	37,170
Other income	129,368	592,425	721,793
Change in value of trusts and annuities	-	(44,724)	(44,724)
Net assets released from restrictions	8,001,090	(8,001,090)	-
Total revenues	17,060,509	71,614,556	88,675,065
Expenses:			
Program services	7,277,690	-	7,277,690
Supporting services			
General and administrative	3,026,133	-	3,026,133
Fundraising	944,978	-	944,978
Total expenses	11,248,801	-	11,248,801
Change in donor intent	2,899,325	(2,899,325)	-
Change in net assets	8,711,033	68,715,231	77,426,264
Net assets, beginning of year	38,655,744	222,157,211	260,812,955
Net assets, end of year	\$ 47,366,777	\$ 290,872,442	\$ 338,239,219

**See notes to consolidated financial statements.**

# MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

	Supporting Services			2022 Total
	Program Services	Fundraising Expenses	General and Administrative Expenses	
Salaries	\$ 2,980,389	\$ 537,895	\$ 1,163,243	\$ 4,681,527
Meals and entertainment	251,246	35,949	12,262	299,457
Travel	154,900	6,154	34,974	196,028
Scholarships	3,087,109	-	330,837	3,417,946
Research	464	-	-	464
Facilities	-	-	331,357	331,357
Supplies and equipment	592,763	52,772	24,267	669,802
Other	1,257,091	454,656	1,910,675	3,622,422
	\$ 8,323,962	\$ 1,087,426	\$ 3,807,615	\$ 13,219,003

**See notes to consolidated financial statements.**



**MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	<u>Supporting Services</u>			<u>2021 Total</u>
	<u>Program Services</u>	<u>Fundraising Expenses</u>	<u>General and Administrative Expenses</u>	
Salaries	\$ 2,684,504	\$ 535,206	\$ 976,641	\$ 4,196,351
Meals and entertainment	39,268	3,668	5,892	48,828
Travel	15,778	3,263	5,478	24,519
Scholarships	3,079,950	-	263,460	3,343,410
Facilities	-	-	380,309	380,309
Supplies and equipment	856,844	15,095	20,663	892,602
Other	601,346	387,746	1,373,690	2,362,782
	<u>\$ 7,277,690</u>	<u>\$ 944,978</u>	<u>\$ 3,026,133</u>	<u>\$ 11,248,801</u>

**See notes to consolidated financial statements.**

# MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (31,520,395)	\$ 77,426,264
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation - property and equipment	90,700	104,117
Depreciation - investment properties	129,985	128,531
Net unrealized and realized losses (gains) on investments	30,463,369	(76,548,163)
Contribution from forgiveness of PPP Loan	-	(180,335)
Bad debt write-offs	38,316	205,592
Loss on disposal of property and equipment	1,847,792	24,931
(Increase) decrease in:		
Student loans receivable	(5,673,636)	16,588
Promises to give	218,108	(576,148)
Cash value of life insurance	(2,778)	25,348
Other assets	-	(23,883)
(Decrease) increase in:		
Accounts payable	(140,431)	177,768
Other payables	(232,484)	26,304
Split interest and gift annuities payable	(60,163)	44,724
Net cash (used in) provided by operating activities	(4,841,617)	851,638
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	13,722,360	9,707,020
Purchases of investments	(8,760,641)	(9,059,631)
Purchases of property and equipment	(230,677)	(1,698,492)
Purchases of investment property	-	(19,890)
Net cash provided by (used in) investing activities	4,731,042	(1,070,993)
<b>FINANCING ACTIVITIES</b>		
Borrowings on note payable	5,000,000	1,260,394
Payments on notes payable	(746,383)	-
Net cash provided by financing activities	4,253,617	1,260,394
<b>NET INCREASE IN CASH</b>	4,143,042	1,041,039
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,255,158	1,214,119
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 6,398,200	\$ 2,255,158
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES</b>		
Forgiveness of PPP loan	\$ -	\$ 180,335

**See notes to consolidated financial statements.**

# MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Organization:

Medical College of Georgia Foundation, Inc. (the "Foundation") is a nonprofit corporation incorporated under the laws of the State of Georgia in 1954. The Foundation serves the needs and interests of the Medical College of Georgia, the Augusta University Health Sciences campus and the Augusta University Health System. The Foundation receives and administers funds for the support and enhancement of the Medical College of Georgia, the Augusta University Health Sciences campus and the Augusta University Health System, and manages investments and distributes funds in accordance with donor instructions and the board of director's intentions for gifts. The Foundation provides support for faculty chairs, research in the health sciences fields, scholarships to qualified students and other institutional programs. The Foundation is a 501(c)(3) and 509(a)(1) public charity and functions as an independent corporation governed by its articles of incorporation, by-laws and its Board of Directors.

#### Wholly owned subsidiaries:

The following organizations are all wholly owned subsidiaries of the Foundation and are included in the consolidated financial statements of the Foundation with all material intercompany accounts and transactions eliminated in consolidation:

Central Square, LLC, was formed as a single member limited liability corporation in 1997 to serve as the holder of the land and building for the Central Square Shopping Center.

Resurgens Properties, LLC, was formed as a single member limited liability corporation in 2007 to hold title to real estate and similar property purchased by the Foundation.

Paceline Ride, LLC was formed as a single member limited liability corporation in 2018 to organize and fundraise an annual bike ride to fund critical research and survivorship at the Georgia Cancer Center.

#### Significant accounting policies:

##### Basis of presentation:

The Foundation's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Contributions:

Contribution revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions restricted by donors are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions of property, plant and equipment without donor-imposed stipulations restricting the use of such long-lived assets are reported as support without donor restriction. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as increases of net assets with donor restriction. Restrictions are considered to be satisfied at the time of acquisition of such long-lived assets.

Donated services are recorded by the Foundation when these services create or enhance financial assets or require specialized skills, and provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation had \$102,860 in such in-kind contributions for the year ending June 30, 2022. The Foundation did not have any such in-kind contributions for the year ending June 30, 2021.

##### Promises to give:

Promises to give due in the next year are recorded at their net realizable value. Promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the contributions are to be received.

An allowance for uncollectible promises to give is provided based on management's evaluation of potential uncollectible promises to give at year-end.

##### Cash and cash equivalents:

Cash and cash equivalents are comprised of highly liquid financial instruments with original maturities of three months or less, including short-term financial instruments included in the Foundation's investment accounts.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Concentrations of credit risk:

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Foundation's cash accounts are placed with high credit quality financial institutions and the Foundation's investment portfolio is diversified among a variety of asset categories, which are held by several investment managers. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Foundation regularly evaluates its depository arrangements and investment strategies.

##### Investments:

Investments consist primarily of cash and cash equivalents, marketable securities, privately held limited partnerships, hedge funds, real assets, and real estate. Investments in equity securities with readily determinable fair values are reported at fair value.

Investments in traditional equity securities and fixed-income funds, and marketable real assets with readily determinable fair values and all investments in debt securities are reported at fair value with the realized and unrealized gains and losses, net of investment fees, included in the consolidated statement of activities. Publicly traded equity securities, fixed income funds, and marketable real assets are valued using quoted market prices (Level 1) and exchange rates, if applicable.

Investments in marketable or non-marketable alternative securities ("alternative investments") consisting of private equity funds and hedge funds are reported at estimated fair value. The Foundation uses the net asset value (NAV) per share or its equivalent reported by the investment managers as a practical expedient to estimate fair value for certain investments, although NAV in many instances may not equal realizable value. The NAV per share or its equivalent was applied to certain investments that do not have readily determinable fair values, including private equities, private limited partnership interest, real assets, and natural resources, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2022 and 2021, the Foundation has no plans or intentions to sell investments at amounts different from NAV.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Investments: (Continued)

Non-marketable alternatives consist of private real estate and real assets, and private equity funds. Real estate and real assets are valued based on appraisals of properties and assets held and are conducted by third-party appraisers retained by the funds' managers. Fund managers typically value privately held companies at cost as adjusted based on recent arm's length transactions. Real assets are physical or identifiable assets such as commodities (oil, precious metals, agriculture, etc.) and real estate. Also, the equity of corporations in the energy or natural resources sectors are included in this category since they are closely tied to the underlying real asset markets. For hedge fund-of-funds, valuations provided by the underlying fund managers are evaluated by the fund-of-funds investment managers who believe such values are reasonable at June 30, 2022 and 2021. The values assigned to alternative investments are based on current information and do not represent amounts which might ultimately be realized (Level 3). Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been realized had a ready market for the investments existed and those differences could be material. The change in net assets related to marketable alternative strategies is presented as realized and unrealized gain and loss based on the estimated fair value of each fund manager.

Investments are recorded at fair value. Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as income or loss.

The NAV practical expedient includes commingled funds since the Foundation has the ability to redeem the commingled funds with the investee at net asset value (NAV) per share at measurement date. These investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investment income, including interest and dividends and realized and unrealized gains and losses are presented in the consolidated statement of activities, net of investment fees. Pooled investment earnings and related expenses are allocated on a quarterly basis based on the percentage of ownership interest of each fund in the investment pool.

Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Split interest agreements:

The Foundation is the beneficiary of several split interest agreements that are charitable remainder annuity trusts and charitable remainder unitrusts. Under certain agreements, the Foundation has been named trustee for the trusts. For trusts where the Foundation is the trustee, a liability has been recorded at the estimated present value of the life interest amount payable to the beneficiary. The estimated present value of amounts due to beneficiaries is determined by the Foundation using certain actuarial assumptions and the Internal Revenue Service discount rate in place at the date of the donation. Changes in the recorded assets due to changes in life expectancy, present value actuarial assumptions, or the market value are reflected as changes in the split interest agreements in the accompanying consolidated statement of activities.

##### Life insurance contracts:

Life insurance contracts owned by the Foundation are recorded at their cash surrender values as the Foundation has the full rights to the cash value of the policies. Some policies are funded with contributions from donors and others are funded by the existing cash value in the policy. The Foundation will collect on the face values of the policies when the insured deceases and will apply the proceeds to the purposes intended by the donor, whether that be with or without donor intent. The Foundation netted the cash values of life insurance with related policy loans as the loans are to be liquidated by deduction of the proceeds of the policy upon maturity or cancellation.

##### Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

##### Net Assets Without Donor Restrictions:

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Net assets: (Continued)

###### Net Assets With Donor Restriction:

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

###### Donor restricted – time or purpose accounting:

Endowment and other income along with private gifts which have donor stipulations that limit their use are recorded as revenue under net assets with donor restriction and released from restrictions when a stipulated time restriction ends or purpose restriction expires. The related expenses are presented as changes in net assets without donor restriction.

###### Endowment accounting:

Donor restricted – perpetual in nature endowment funds are subject to the restrictions of the gift instruments which require that the principal be invested in perpetuity. The accumulated realized and unrealized gains of the perpetual endowment funds have been classified as net assets with donor restriction if the income distributed from these funds is restricted. Realized and unrealized gains are classified as without donor restriction if the income distributed from these funds is not restricted by a donor. See Note 11 for discussion on endowment accounting.

###### Property and equipment:

Property and equipment are stated at historical cost, or if donated, at fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives ranging from 5 to 40 years.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Property and equipment (Continued):

Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

The Foundation capitalizes the acquisition of property and equipment assets in excess of \$1,000 having an estimated useful life which extends substantially beyond the year of acquisition. Property and equipment assets that are not capitalized are expensed when acquired. Maintenance and repair items are charged to operations and major improvements are capitalized.

##### Fair value of financial instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash and cash equivalents* - The carrying amount approximates fair value because of the short-term maturity of these instruments.

*Investments* - Investments are carried at fair value based on quoted market prices for those or similar investments.

*Other receivables and payables* - The carrying amount approximates fair value because of the short-term maturity of these instruments. The derivative financial instruments are valued at the net present value of future cash flows attributable to the difference between the contractual variable and fixed rates in the agreements.

The Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Fair value of financial instruments: (Continued)

These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

*NAV* – Valuations for assets and liabilities that are valued using the net asset value (“NAV”) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. The types of investments that would generally be included in this category include debt and equity securities issued by private entities and partnerships.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Significant accounting policies: (Continued)

##### Fair value of financial instruments: (Continued)

The preceding 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.

For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

##### Functional allocation of expenses:

Directly identifiable expenses are charged to programs and supporting services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. The expenses that are allocated on the basis of time and effort include salaries, travel, supplies and equipment, and other expenses.

##### Income taxes:

The Foundation qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as other than a private Foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In the opinion of management, the Foundation had no significant unrelated business taxable income during 2022 and 2021. Accordingly, no provision or benefit for federal and state income taxes has been recorded in the accompanying consolidated financial statements. The Foundation believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Recent accounting pronouncements:

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use, or control the use of the given asset assumed under the lease. The standard will be effective for nonpublic companies for fiscal years beginning after December 15, 2021. Management is reviewing this standard for applicability in the next fiscal year.

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. For the year ending June 30, 2022, the Foundation adopted ASU 2020-07 and has adjusted the presentation in these financial statements accordingly. The adjustment did not have an effect on total net assets or the change in net assets for 2022 or 2021.

### NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 4,896,682	\$ 2,255,158
Receivables, gross	236,274	-
Operating investments	-	4,553,660
Endowment spending rate distributions and appropriations	1,011,563	1,777,824
	<u>\$ 6,144,519</u>	<u>\$ 8,586,642</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Board-designated endowment, of \$35,950,360 and \$38,560,346 as of June 30, 2022 and 2021, respectively, is subject to an annual spending rate generally not to exceed 3.5% to 4.0% of a rolling average using the three prior calendar years ended December 31, 2021, 2020 and 2019 based upon the purpose of the design. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), those amounts could be made available if necessary.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

In certain cases, the inputs used to measure fair value may fall into multiple 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 the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Foundation adopted the provisions of *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (Topic 820) to certain investments in funds that do not have readily determinable fair values. The guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated under the standards.

The following tables sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
<b>Investments:</b>					
Money market funds	\$ 2,914,828	\$ -	\$ -	\$ -	\$ 2,914,828
Mutual funds					
Domestic equities	823,664	-	-	-	823,664
Domestic fixed	379,647	-	-	-	379,647
International equities	123,579	-	-	-	123,579
International fixed	56,282	-	-	-	56,282
Real assets	86,244	-	-	-	86,244
Private equity	-	-	-	268,933,415	268,933,415
Real asset limited partnerships	-	-	-	18,762,508	18,762,508
Land held for sale	-	-	555,000	-	555,000
Split-interest investments					
Cash and cash equivalents	-	108,599	-	-	108,599
Mutual funds – equity	-	571,168	-	-	571,168
Mutual funds – fixed income	-	813,050	-	-	813,050
Total assets at fair value	<u>\$ 4,384,244</u>	<u>\$ 1,492,817</u>	<u>\$ 555,000</u>	<u>\$ 287,695,923</u>	<u>\$ 294,127,984</u>

The Foundation has investments, as a limited partner, in 31 partnerships at June 30, 2022. These partnerships invest in a wide variety of assets including domestic and international equities, real estate, fixed income, and diversifying strategies. The Foundation's ownership interest in any individual partnership does not exceed 12.8% of that partnership's assets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Foundation owns one investment that makes up 79.6% of its total assets and 85.0% of its total investments at fair value. All other investments are individually less than 10% of the Foundation's total assets and total investments at fair value.

The values of the Foundation's partnership investments as furnished by the general partners are reviewed by Foundation management, and management believes the values shown at June 30, 2022 are reasonable.

As of June 30, 2022, the Foundation's direct investment in real estate consists of ownership of properties with a total net book value of \$775,074. Depreciation expense totaling \$129,985, related to investments in real estate, was recognized during the year ended June 30, 2022.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that were classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

Rollforward of Level 3 investments for the year ended June 30, 2022 is as follows:

Level 3 rollforward	Land held for sale
Beginning value as of July 1, 2021	\$ 689,000
Acquisitions	-
Dispositions/proceeds	(134,000)
Net realized and unrealized gains	-
	\$ 555,000
Net gains in Level 3 attributable to changes in net unrealized gains related to those investments still held at June 30, 2022	\$ -

Additional information about level 3 and NAV practical expedient investments:

#### Quantitative Information about Level 3 & NAV Practical Expedient Fair Value Measurements

	Fair value at 6/30/22	Valuation technique(s)	Unobservable input	Range (weighted average)
Private equities	\$ 268,933,415	Discounted cash flow/market comparable companies	Constant prepayment rate EBITDA	3.5% - 5.5% 6% - 15%
Real assets	18,762,508	Discounted cash flow/market comparable companies	Constant prepayment rate EBITDA	3.5% - 5.5% 6% - 15%
Land held for sale	555,000	Original purchase price, appraisal valuation	Real market rate	N/A

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

As of June 30, 2022, the Foundation's remaining outstanding commitments to private investments, which are projected to be paid over the succeeding 15 years, totaled \$11,342,294, in the following investment strategies:

Investment strategies are comprised of the following at June 30, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equities				
Global equities	\$ 124,829,603	\$ -	Quarterly	One Quarter
Absolute return	50,007,147	-	Quarterly to 25%	One Quarter
Private capital	67,943,154	7,119,041	Illiquid	Various
Global fixed income	26,153,511	-	Quarterly	One Quarter
	<u>268,933,415</u>	<u>7,119,041</u>		
Land held for sale	555,000	-	Illiquid	Various
Real assets				
Real assets	18,762,508	4,223,253	Quarterly	One Quarter
	<u>18,762,508</u>	<u>4,223,253</u>		
Total	<u>\$ 288,250,923</u>	<u>\$ 11,342,294</u>		

Investments in private equity and real estate funds are generally made through limited partnerships. Under the terms of these partnership agreements, the Foundation is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the general partner. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, the general partner may extend the terms or request an extension of terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events. As a result, the timing of future capital calls or distributions in any particular year are not certain.

Investments held under split-interest agreements in which the Foundation is the trustee were \$1,492,817 at June 30, 2022.

The Foundation's cost of investments at June 30, 2022 was \$216,391,290.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following tables sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
<b>Investments:</b>					
Money market funds	\$ 2,315,716	\$ -	\$ -	\$ -	\$ 2,315,716
Mutual funds					
Domestic equities	1,017,437	-	-	-	1,017,437
Domestic fixed	428,110	-	-	-	428,110
International equities	268,521	-	-	-	268,521
International fixed	98,687	-	-	-	98,687
Real assets	40,754	-	-	-	40,754
Private equity	-	-	-	305,518,839	305,518,839
Real asset limited partnerships	-	-	-	17,437,943	17,437,943
Land held for sale	-	-	689,000	-	689,000
Split-interest investments					
Cash and cash equivalents	-	117,196	-	-	117,196
Mutual funds – equity	-	697,000	-	-	697,000
Mutual funds – fixed income	-	923,869	-	-	923,869
Total assets at fair value	<u>\$ 4,169,225</u>	<u>\$ 1,738,065</u>	<u>\$ 689,000</u>	<u>\$ 322,956,782</u>	<u>\$ 329,553,072</u>

The Foundation has investments, as a limited partner, in 32 partnerships at June 30, 2021. These partnerships invest in a wide variety of assets including domestic and international equities, real estate, fixed income, and diversifying strategies. The Foundation's ownership interest in any individual partnership does not exceed 12.8% of that partnership's assets.

The foundation owns one investment that makes up 79.6% of its total assets and 85.0% of its total investments at fair value. All other investments are individually less than 10% of the Foundation's total assets and total investments at fair value.

The values of the Foundation's partnership investments as furnished by the general partners are reviewed by Foundation management, and management believes the values shown at 2021 are reasonable.

As of June 30, 2021, the Foundation's direct investment in real estate consists of ownership of properties with a total net book value of \$905,059. Depreciation expense totaling \$128,531, related to investments in real estate, was recognized during the year ended June 30, 2021.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that were classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

Rollforward of Level 3 investments for the year ended June 30, 2021 is as follows:

Level 3 rollforward	Land held for sale
Beginning value as of July 1, 2020	\$ 689,000
Acquisitions	-
Dispositions/proceeds	-
Net realized and unrealized gains	-
	-
Fair value at June 30, 2021	\$ 689,000
Net gains in Level 3 attributable to changes in net unrealized gains related to those investments still held at June 30, 2021	\$ -

Additional information about level 3 and NAV practical expedient investments:

#### Quantitative Information about Level 3 & NAV Practical Expedient Fair Value Measurements

	Fair value at 06/30/21	Valuation technique(s)	Unobservable input	Range (weighted average)
Private equities	\$ 305,518,839	Discounted cash flow/market comparable companies	Constant prepayment rate EBITDA	3.5% - 5.5% 6% - 15%
Real assets	17,437,943	Discounted cash flow/market comparable companies	Constant prepayment rate EBITDA	3.5% - 5.5% 6% - 15%
Land held for sale	689,000	Original purchase price, appraisal valuation	Real market rate	N/A

As of June 30, 2021, the Foundation's remaining outstanding commitments to private investments, which are projected to be paid over the succeeding 15 years, totaled \$14,449,983, in the following investment strategies:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investment strategies are comprised of the following at June 30, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equities				
Global equities	\$ 181,761,321	\$ -	Quarterly	One Quarter
Absolute return	51,010,839	-	Quarterly to 25%	One Quarter
Private capital	46,593,168	8,228,610	Illiquid	Various
Global fixed income	<u>26,153,511</u>	<u>-</u>	Quarterly	One Quarter
	305,518,839	8,228,610		
Land held for sale	689,000	-	Illiquid	Various
Real assets				
Real assets	14,766,378	-	Quarterly	One Quarter
Real assets	<u>2,671,565</u>	<u>6,221,373</u>	Illiquid	Various
	17,437,943	6,221,373		
Total	<u>\$ 323,645,782</u>	<u>\$ 14,449,983</u>		

Investments in private equity and real estate funds are generally made through limited partnerships. Under the terms of these partnership agreements, the Foundation is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the general partner. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, the general partner may extend the terms or request an extension of terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events. As a result, the timing of future capital calls or distributions in any particular year are not certain.

Investments held under split-interest agreements in which the Foundation is the trustee were \$1,738,065 at June 30, 2021.

The Foundation's cost of investments at June 30, 2021 was \$217,679,857.

### NOTE 4. INVESTMENT PROPERTIES

Investment properties leased under operating leases or land held for investment consist of the following:

	<u>2022</u>	<u>2021</u>
Central Square Shopping Center	\$ 1,598,431	\$ 1,598,431
Less accumulated depreciation	<u>(823,357)</u>	<u>(693,372)</u>
Total property and equipment, net	<u>\$ 775,074</u>	<u>\$ 905,059</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 4. INVESTMENT PROPERTIES (Continued)

Depreciation expense for investment properties totaled \$129,985 and \$128,531 for the years ended June 30, 2022 and 2021, respectively.

The Foundation also holds for investment or future development land in Richmond and Houston counties in Georgia.

### NOTE 5. SPLIT – INTEREST AGREEMENTS

The Foundation is the beneficiary under several split-interest agreements, primarily charitable remainder annuity trusts and charitable remainder unitrusts. Under these agreements, the Foundation will receive the assets of the trusts upon their expirations, normally the death of a life income beneficiary. Until that time, the life income beneficiary receives the income from the trust. Assets in the charitable remainder trusts are recorded at their fair values upon the establishment of the trusts. The Foundation recognizes contribution revenue in an amount equal to the present value of the remainder interest at that time.

Due to the indirect nature of these investments, and based on the underlying assets, the Foundation classifies all such investment assets as Level 2.

Split-interest gifts are recorded at fair market value and the gifts are discounted to net present value based on the life expectancy of the donor.

### NOTE 6. FUTURE MINIMUM RENTS

The Foundation entered into a lease agreement with a local foundation for an area of their building. The lease is for \$3,098 a month and ends on July 31, 2023.

At June 30, 2022, future minimum rents receivable under the operating lease agreements for non-investment properties are due as follows for the years ending:

2023	\$	37,176
2024		<u>3,098</u>
	\$	<u><u>40,274</u></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2022	2021
Resurgens land	\$ 13,537,736	\$ 14,814,851
Paceline property and equipment	14,704	14,704
Furniture, fixtures and equipment	258,151	598,151
Building improvements	2,475,421	2,475,421
	16,286,012	17,903,127
Less accumulated depreciation	(666,307)	(575,607)
	\$ 15,619,705	\$ 17,327,520

Depreciation expense for property and equipment for the years ended June 30, 2022 and 2021 was \$90,700 and \$104,117, respectively.

### NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS – TIME OR PURPOSE

Net assets with donor restrictions due to time or purpose are available for aid to specific Augusta University and Foundation departments and programs.

Net assets with donor restrictions due to time or purpose are available for the following purposes:

	2022	2021
Unappropriated appreciation on donor-restricted endowment	\$ 102,027,176	\$ 139,154,831
Academic support	3,246,156	3,864,536
Scholarships and fellowships	809,897	1,356,843
Research	2,669,818	1,503,961
Facilities	301,871	252,192
	\$ 109,054,918	\$ 146,132,363

Net assets with donor restrictions due to time or purpose consist of the following:

	2022	2021
Promises to give	\$ 558,918	\$ 916,666
Investments, at fair value	108,496,000	145,215,697
	\$ 109,054,918	\$ 146,132,363

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS – TIME OR PURPOSE (Continued)

Gifts and accumulated earnings on donor-restricted endowment funds, which are restricted for certain purposes as specified by the donor, include restrictions for support of scholarship programs, academic support, and facilities.

### NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL IN NATURE

Net assets with donor restrictions that are perpetual in nature consist of endowment funds, the income from which is available to fund scholarships and for aid to specific departments and programs.

Net assets with donor restrictions that are perpetual in nature are available for the following purposes:

	2022	2021
Academic support	\$ 77,700,555	\$ 76,801,077
Scholarships and fellowship	72,147,536	65,917,010
Facilities	110,150	55,050
Research	2,246,942	1,966,942
	<u>152,205,183</u>	<u>144,740,079</u>
Underwater endowment	-	-
	<u>\$ 152,205,183</u>	<u>\$ 144,740,079</u>

Net assets with donor restrictions that are perpetual in nature consist of the following:

	2022	2021
Promises to give	\$ 1,022,294	\$ 920,971
Investments, at fair value	150,627,889	143,130,108
Land held for sale	555,000	689,000
	<u>\$ 152,205,183</u>	<u>\$ 144,740,079</u>

### NOTE 10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2022	2021
Academic support	\$ 5,568,946	\$ 4,637,089
Scholarships	3,202,429	3,149,533
Research	392,647	197,766
Facilities	798	114
Other	162,673	-
Student loans	50,837	16,588
	<u>\$ 9,378,330</u>	<u>\$ 8,001,090</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 11. ENDOWMENT

#### **Interpretation of Relevant Law**

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Directors of the Foundation, as authorized by the UPMIFA (the "Act"), has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as net assets with donor restrictions that are perpetual in nature the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the donor-restricted endowment fund that is not classified as donor-restricted in perpetuity is classified as donor-restricted by time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and appreciation of investments, other resources of the Foundation, and the investment policies of the Foundation.

#### **Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$13,002,857, fair values of \$12,013,227 and deficiencies of \$989,630 were reported in net assets with donor restriction. At June 30, 2021, there were no deficiencies reported in net assets with donor restrictions.

#### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11. ENDOWMENT (Continued)

#### Return Objectives and Risk Parameters (Continued)

Under this policy, as approved by the Investment Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Foundation uses a broadly diversified portfolio established by its investment committee, in consultation with a professional advisory firm. The Foundation portfolio is designed to achieve a total net return on investments which exceed the rate of inflation (Consumer Price Index) plus 5% over the long term, net of expenses, that is equal to or exceed selected appropriate investment benchmarks for each class of investments, maintenance of sufficient liquidity to fund current programs and preservation of principal of the assets over the long term with minimal risk appropriate for this objective. The expected return is sufficient to support the Foundation's spending policy below.

#### Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation's Investment Committee of the Board of Directors (the "Committee") determines the method to be used to appropriate endowment funds for expenditure. The Foundation has a spending policy whereby a certain percentage (generally not to exceed 4.0% of a rolling average of endowment net assets for scholarships and generally not to exceed 3.5% of a rolling average for all other funds using the prior three calendar years ended December 31, 2021, 2020, and 2019) may be distributed for purposes of supporting activities with and without donor restriction. In addition, the Foundation charges a 1.25% administration fee based on the prior year endowment pool balance. The Foundation's Investment Committee of the Board of Directors review spending policies annually and approved distributions they deem to be prudent.

The Endowment Net Asset Composition by type of Fund as of June 30, 2022 are:

<b>Endowment Net Asset Composition by Type of Fund as of June 30, 2022</b>				
	<u>Without Donor Restriction- Board Designated</u>	<u>Donor- restricted by Time or Purpose</u>	<u>Donor- restricted in Perpetuity</u>	<u>Total</u>
<b>Donor-restricted endowment funds</b>	\$ -	\$ 89,569,679	\$ 152,205,183	\$ 241,774,862
<b>Board-designated endowment funds</b>	<u>35,950,360</u>	-	-	<u>35,950,360</u>
<b>Total funds</b>	<u>\$ 35,950,360</u>	<u>\$ 89,569,679</u>	<u>\$ 152,205,183</u>	<u>\$ 277,725,222</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11. ENDOWMENT (Continued)

The Changes in Endowment Net Asset for the year ended June 30, 2022 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2022			
	Without Donor- Restriction- Board Designated	Donor-restricted by Time or Purpose	Donor- restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 38,560,346	\$ 130,226,016	\$ 144,740,079	\$ 313,526,441
Investment return:				
Net depreciation (realized and unrealized)	(785,507)	(28,996,543)	-	(29,782,050)
Investment income	74,624	96,061	-	170,685
Total investment return	(710,883)	(28,900,482)	-	(29,611,365)
Contributions	-	-	7,684,002	7,684,002
Change in donor intent	(496,579)	-	(218,898)	(715,477)
Appropriation of endowment assets for expenditure	(1,402,524)	(11,755,855)	-	(13,158,379)
Endowment net assets, end of year	\$ 35,950,360	\$ 89,569,679	\$ 152,205,183	\$ 277,725,222

#### Description of Amounts Classified as Donor-Restricted in Perpetuity Net Assets and and Donor-Restricted by Time or Purpose Net Assets (Endowment Only) as of June 30, 2022

##### Donor-Restricted in Perpetuity Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA

\$ 152,205,183

Total endowment funds classified as donor-restricted in perpetuity net assets

\$ 152,205,183

##### Donor-Restricted by Time or Purpose Net Assets

The portion of perpetual endowment funds subject to a time or purpose restriction under UPMIFA:

    With purpose restrictions

\$ 89,569,679

Total endowment funds classified as donor-restricted by time or purpose net assets

\$ 89,569,679



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11. ENDOWMENT (Continued)

The Endowment Net Asset Composition by type of Fund as of June 30, 2021 are:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021			
	Without Donor- Restriction- Board Designated	Donor-restricted by Time or Purpose	Donor-restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 130,226,016	\$ 144,740,079	\$ 274,966,095
Board-designated endowment funds	<u>38,560,346</u>	<u>-</u>	<u>-</u>	<u>38,560,346</u>
Total funds	<u>\$ 38,560,346</u>	<u>\$ 130,226,016</u>	<u>\$ 144,740,079</u>	<u>\$ 313,526,441</u>

The Changes in Endowment Net Asset for the year ended June 30, 2021 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2021			
	Without Donor- Restriction – Board Designated	Donor-restricted by Time or Purpose	Donor-restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 30,419,525	\$ 71,960,149	\$ 135,902,804	\$ 238,282,478
Investment return:				
Net appreciation (realized and unrealized)	8,683,154	67,637,519	-	76,320,673
Investment income	<u>129,406</u>	<u>76,328</u>	<u>-</u>	<u>205,734</u>
Total investment return	8,812,560	67,713,847	-	76,526,407
Contributions	-	-	3,769,275	3,769,275
Change in donor intent	527,767	-	5,068,000	5,595,767
Appropriation of endowment assets for expenditure	<u>(1,199,506)</u>	<u>(9,447,980)</u>	<u>-</u>	<u>(10,647,486)</u>
Endowment net assets, end of year	<u>\$ 38,560,346</u>	<u>\$ 130,226,016</u>	<u>\$ 144,740,079</u>	<u>\$ 313,526,441</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 11. ENDOWMENT (Continued)

Description of Amounts Classified as Donor-Restricted in Perpetuity Net Assets and Donor-Restricted by Time or Purpose Net Assets (Endowment Only) as of June 30, 2021

Donor-Restricted in Perpetuity Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	<u>\$ 144,740,079</u>
Total endowment funds classified as donor-restricted in perpetuity net assets	<u>\$ 144,740,079</u>
Donor-Restricted by Time or Purpose Net Assets	
The portion of perpetual endowment funds subject to a time or purpose restriction under UPMIFA:	
With purpose restrictions	<u>\$ 130,226,016</u>
Total endowment funds classified as donor-restricted by time or purpose net assets	<u>\$ 130,226,016</u>

### NOTE 12. PUBLIC MATCHING FUNDS

Since 1989, the Foundation has received approximately \$7,160,000 from the University of Georgia Board of Regents of the University System of Georgia.

### NOTE 13. NOTES PAYABLE

During the year ended June 30, 2013, the Foundation entered into a non-revolving secured draw loan not to exceed \$3,000,000 with a financial institution to provide financing to obtain land located around Augusta University. The note was modified on May 27, 2020 to lower the interest rate to 3.50% and raise the maximum draw amount to \$12,000,000. The note is collateralized by various real property owned by Resurgens Properties, LLC funded by the draw note. In December 2021, the Foundation modified the aforementioned note which extended the maturity date to December 28, 2023 and lowered the interest rate to 3.25%.

The note balance was \$11,253,617 and \$12,000,000 at June 30, 2022 and 2021, respectively.

In October 2021, the Foundation entered into a commercial note agreement for \$5,000,000 (the "Bridge Loan") with a financial institution to provide financing for the HUB project. The Bridge Loan is collateralized by a \$5,000,000 deposit account and bears an interest rate equal to the index plus 0.60% per annum. The Bridge Loan calls for a variable payment schedule consisting of thirty-six consecutive monthly payments of accrued interest payable on the first day of each month beginning November 1, 2021. The Bridge Loan matures on October 12, 2024. At June 30, 2022, the interest rate was 1.37% and the outstanding note balance was \$5,000,000.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 13. NOTES PAYABLE (Continued)

Annual principal payments for the notes payable are as follows for the years ending June 30:

2024	\$	11,253,617
2025		5,000,000
	\$	<u>16,253,617</u>

### NOTE 14. EMPLOYEE BENEFIT PLANS

The Foundation has a 401(a) defined contribution plan covering Foundation employees in which the Foundation contributes up to 10% of an employee's compensation to the plan. Employees are immediately vested. Total contributions for the years ended June 30, 2022 and 2021 were \$133,189 and \$104,569, respectively.

The Foundation also provides a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code and Foundation employees may make contributions to the 403(b) plan up to the maximum amount allowed by the Internal Revenue Code.

### NOTE 15. PAYROLL PROTECTION PROGRAM (PPP) LOAN

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. One component of the CARES Act was the paycheck protection program ("PPP") which provides small business with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration ("SBA") with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Foundation applied for and was accepted to participate in this program. On April 18, 2020, the Foundation received funding for approximately \$180,335.

In November 2020, the Foundation was notified that their PPP loan had been forgiven. As this time, the debt was removed and contribution revenue of \$180,335 was recognized during the year ended June 30, 2021. The contribution revenue for the PPP loan is shown in "Contributions – PPP loan forgiveness" on the Consolidated Statement of Activities for the year ended June 30, 2021.

### NOTE 16. RELATED PARTIES

In October 2021, the Foundation entered into a member agreement with two parties, one of which is the HUB Augusta Collaborative, Inc. (the "Collaborative"). The Foundation is a one-third member of the Collaborative. The member agreement stipulates the Foundation will be reimbursed by the Collaborative for all payments of principal, interest, and other charges paid by the Foundation related to the Bridge Loan discussed in Note 13. As of June 30, 2022, the Collaborative owes the Foundation \$5,673,636 which is included as a due from related party on the Consolidated Statement of Financial Position.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 17. SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events occurring through September 2, 2022, the date on which the consolidated financial statements were available to be issued.