MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS
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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **Medical College of Georgia Foundation, Inc.** (a nonprofit organization) (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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 auditor considers 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, 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.

Report of Summarized Comparative Information

We previously audited the Foundation's consolidated financial statements as of and for the year ended June 30, 2018, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 4, 2019

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,161,352	$ 1,425,386
Student loans receivable	16,588	16,588
Promises to give, net of allowance of $239,519 and $228,548, respectively	1,602,932	1,529,511
Investments, at fair value	256,156,287	250,014,984
Investment properties, net	539,686	508,518
Property and equipment, net	14,719,740	9,934,459
Cash value of life insurance, net	233,954	252,804
Other assets	7,012	11,792
Total assets	$ 274,437,551	$ 263,694,042
LIABILITIES AND NET ASSETS		
LIABILITIES		
Split interest agreements and gift annuities payable	$ 818,690	$ 869,766
Note payable	9,472,672	5,000,000
Accounts payable	115,558	154,838
Other payables	20,994	16,105
Total liabilities	10,427,914	6,040,709
NET ASSETS		
Without donor restrictions		
Undesignated	7,625,596	6,822,666
Designated by the Board for endowment	32,669,949	33,819,159
	40,295,545	40,641,825
With donor restrictions		
Time or purpose restrictions	90,841,621	87,382,351
Perpetual in nature	132,872,471	129,629,157
	223,714,092	217,011,508
Total net assets	264,009,637	257,653,333
Total liabilities and net assets	$ 274,437,551	$ 263,694,042

See notes to consolidated financial statements.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Private gifts and contributions	$ 21,347	$ 3,895,633	$ 3,916,980
Investment income, net of fees	65,851	870,976	936,827
Net realized/unrealized gain on investments	627,284	10,364,398	10,991,682
Rental income	18,591	-	18,591
Other income	16,749	426,223	442,972
Change in value of trusts and annuities	-	51,076	51,076
Net assets released from restrictions	9,266,509	(9,266,509)	-
Total revenues	10,016,331	6,341,797	16,358,128
Expenses:			
Program services	6,727,797	-	6,727,797
General and administrative	1,985,112	-	1,985,112
Fundraising	1,288,915	-	1,288,915
Total expenses	10,001,824	-	10,001,824
Transfer of funds for new purpose	(360,787)	360,787	-
Change in net assets	(346,280)	6,702,584	6,356,304
Net assets, beginning of year	40,641,825	217,011,508	257,653,333
Net assets, end of year	$ 40,295,545	$ 223,714,092	$ 264,009,637

See notes to consolidated financial statements.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Private gifts and contributions	$ 119,786	$ 3,829,894	$ 3,949,680
Investment income, net of fees	573,946	2,557,826	3,131,772
Net realized/unrealized gain on investments	3,346,219	13,330,111	16,676,330
Rental income	54,287	-	54,287
Other income	1,874	1,131,406	1,133,280
Change in value of trusts and annuities	-	75,428	75,428
Net assets released from restrictions	9,428,406	(9,428,406)	-
Total revenues	13,524,518	11,496,259	25,020,777
Expenses:			
Program services	8,236,905	-	8,236,905
General and administrative	1,516,543	-	1,516,543
Total expenses	9,753,448	-	9,753,448
Change in net assets	3,771,070	11,496,259	15,267,329
Net assets, beginning of year	36,870,755	205,515,249	242,386,004
Net assets, end of year	$ 40,641,825	$ 217,011,508	$ 257,653,333

See notes to consolidated financial statements.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Program Expenses	Fundraising Expenses	General and Administrative Expenses	2019 Total	2018 Total
Salaries	$ 2,618,616	$ 323,455	$ 842,423	$ 3,784,494	$ 3,666,719
Meals and entertainment	257,968	18,589	2,346	278,903	261,143
Travel	159,672	6,434	17,479	183,585	201,377
Scholarships	2,200,954	-	-	2,200,954	1,637,587
Research	213,051	-	-	213,051	390,947
Facilities	-	-	751,790	751,790	888,456
Events	-	873,197	-	873,197	-
Supplies and equipment	215,631	29,439	-	245,070	907,131
Other	249,046	37,801	345,312	632,159	1,194,173
Investment fees	812,859	-	25,762	838,621	605,915
	$ 6,727,797	$ 1,288,915	$ 1,985,112	$ 10,001,824	$ 9,753,448

See notes to consolidated financial statements.

MEDICAL COLLEGE OF GEORGIA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 6,356,304	$ 15,267,329
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation - property and equipment	126,010	57,305
Depreciation - investment properties	55,202	47,736
Net unrealized and realized (gains) on investments	(10,991,682)	(16,676,330)
Contributions restricted for long-term investment	(377,892)	(595,500)
Bad debt write-offs	10,971	58,381
Loss on disposal of investment property	-	477,011
(Increase) decrease in:		
Promises to give	293,500	146,417
Cash value of life insurance	18,850	33,195
Other assets	4,780	2,500
Increase (decrease) in:		
Accounts payable	(39,280)	-
Other payables	4,889	143,771
Split interest and gift annuities payable	(51,076)	(75,428)
Net cash (used in) operating activities	(4,589,424)	(1,113,613)
INVESTING ACTIVITIES		
Proceeds from sale of investments	294,323,140	61,239,959
Purchases of investments	(289,472,761)	(59,290,101)
Purchases of property and equipment	(4,911,291)	(4,504,725)
Purchases of investment property	(86,370)	(127,743)
Net cash (used in) investing activities	(147,282)	(2,682,610)
FINANCING ACTIVITIES		
Borrowings on note payable	4,472,672	2,690,896
Net cash provided by financing activities	4,472,672	2,690,896
NET (DECREASE) IN CASH	(264,034)	(1,105,327)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,425,386	2,530,713
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,161,352	$ 1,425,386

See notes to consolidated financial statements.

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 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 on 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 result could differ from those estimates.

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.

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.

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 (Level 2), 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, 2019 and 2018, the Foundation has no plans or intentions to sell investments at amounts different from NAV.

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 arms' 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, 2019 and 2018. 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.

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.

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.

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 12 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.

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 repairs 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.

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.

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.

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, 2019 and 2018, 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 Organization. The expenses that are allocated on the basis of time and effort include salaries, travel, supplies and equipment, investment fees 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 2019 and 2018. 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.

Recent accounting pronouncements:

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements: (Continued)

The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively, as applicable, to all periods presented, which not have an effect on total net assets or change in net assets for the year ended June 30, 2018. Certain expense groupings for the year ended June 30, 2019 have been reclassified to conform to the new presentation of expense classifications.

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:

Cash and cash equivalents	$	1,071,411
Operating investments		2,410,226
Endowment spending rate distributions and appropriations		2,044,225
	$	5,525,862

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 $32,669,949 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, 2018, 2017 and 2016 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.

NOTE 3. STUDENT LOANS RECEIVABLE AND DUE FROM AUGUSTA UNIVERSITY

At June 30, 2019, student loans receivable consisted of the following:

Student loans, Augusta University bearing interest at 7%-9%, due on demand, unsecured	**$**	**16,588**

At June 30, 2018, student loans receivable consisted of the following:

Student loans, Augusta University bearing interest at 7%-9%, due on demand, unsecured	$	16,588

NOTE 4. INVESTMENTS

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.

Foundation investments for which NAV is used as a practical expedient to estimate fair value are classified as either Level 2 or Level 3 in the fair value hierarchy, depending on the classifications of the underlying fund assets and the Foundation's ability to redeem its interest in the fund at or near the statement of financial position date. If the underlying fund assets are available for redemption at NAV at or near the statement of financial position date (generally within 90 days), then the Foundation's interest in the fund may be classified as a Level 2 investment. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

The following tables sets forth by level, within the fair value hierarchy, the Foundation’s investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 4,923,379	$ -	$ -	$ 4,923,379
Holdback receivable	10,564,697	-	-	10,564,697
ETFs:				
Equity ETF	30,668,673	-	-	30,668,673
Fixed income ETF	2,401,708	-	-	2,401,708
Real assets ETF	11,697,507	-	-	11,697,507
Total ETFs	44,767,888	-	-	44,767,888
Mutual funds:				
Domestic equities	678,584	-	-	678,584
Domestic fixed	430,436	-	-	430,436
International equities	281,107	-	-	281,107
International fixed	99,504	-	-	99,504
Real assets	64,867	-	-	64,867
Total mutual funds	1,554,498	-	-	1,554,498

NOTE 4. INVESTMENTS (Continued)

	Level 1	Level 2	Level 3	Total
Private equity	-	-	173,455,774	173,455,774
Real assets	-	-	18,542,245	18,542,245
Land held for sale	-	-	689,000	689,000
Split-interest investments:				
Cash and cash equivalents	-	108,670	-	108,670
Equities	-	686,914	-	686,914
Fixed income	-	863,222	-	863,222
	-	1,658,806	-	1,658,806
Total investments at fair value	$ 61,810,462	$ 1,658,806	$ 192,687,019	$ 256,156,287

The Foundation has investments, as a limited partner, in 41 partnerships at June 30, 2019. 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 18.1% of that partnership's assets.

The foundation owns one investment that makes up 32.1% of its total assets and 34.4% 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, 2019 are reasonable.

As of June 30, 2019, the Foundation's direct investment in real estate consists of ownership of properties with a total net book value of $539,686. Depreciation expense totaling $55,202, related to investments in real estate, was recognized during the year ended June 30, 2019.

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.

NOTE 4. INVESTMENTS (Continued)

Rollforward of Level 3 investments for the year ended June 30, 2019 is as follows:

Level 3 rollforward	Private equities	Real assets	Land held for sale	Total
Beginning value as of July 1, 2018	$ 128,416,277	$ 20,090,392	$ 689,000	$ 149,195,669
Acquisitions	203,623,432	2,521,605	-	206,145,037
Dispositions/proceeds	(160,703,474)	(6,727,535)	-	(167,431,009)
Net realized and unrealized gains	2,119,539	2,657,783		4,777,322
Fair value at June 30, 2019	$ 173,455,774	$ 18,542,245	$ 689,000	$ 192,687,019
Net gains in Level 3 attributable to changes in net unrealized gains related to those investments still held at June 30, 2019	$ 3,408,652	$ 2,523,145	$ -	$ 5,931,797

Quantitative Information about Level 3 Fair Value Measurements

	Fair value at 6/30/19	Valuation technique(s)	Unobservable input	Range (weighted average)
Private equities	$ 173,455,774	Discounted cash flow/market comparable companies	Constant prepayment rate EBITDA	3.5% - 5.5% 6% - 15%
Real assets	18,542,245	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, 2019, the Foundation's remaining outstanding commitments to private investments, which are projected to be paid over the succeeding 15 years, totaled $69,835,826, in the following investment strategies:

Investment strategies are comprised of the following at June 30, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities				
Private equity partnerships	$ 173,455,774	$ 46,706,465	Illiquid	Various
Land held for sale	689,000	-	Illiquid	Various
Real assets	18,542,245	23,129,361	Illiquid	Various
Total	$ 192,687,019	$ 69,835,826		

NOTE 4. INVESTMENTS (Continued)

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 and 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 $1,658,806 at June 30, 2019.

Investment returns are reported net of investment fees totaling $3,110,504 for the year ended June 30, 2019.

The Foundation's cost of investments at June 30, 2019 was $233,477,409.

The following tables sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 599,288	$ -	$ -	$ 599,288
Fixed income:				
Intermediate term bonds	19,676,247	-	-	19,676,247
High yield bonds	21,953	-	-	21,953
Emerging markets bonds	78,612	-	-	78,612
Non-traditional bonds	48,428	-	-	48,428
Bank loan	15,407	-	-	15,407
Inflation-protected bond	4,863,957	-	-	4,863,957
Total fixed income	24,704,604	-	-	24,704,604
Equity securities:				
Small cap equities	107,258	-	-	107,258
Mid cap equities	249,330	-	-	249,330
Large cap equities	72,916,313	-	-	72,916,313
Diversified emerging markets	81,083	-	-	81,083
Managed futures	48,000	-	-	48,000
Multicurrency	31,879	-	-	31,879
Multialternative	33,583	-	-	33,583
Complementary strategies	142,364	-	-	142,364
Total equity securities	73,609,810	-	-	73,609,810

NOTE 4. INVESTMENTS (Continued)

	Level 1	Level 2	Level 3	Total
Private equity	-	-	128,416,277	128,416,277
Real assets	-	-	20,090,392	20,090,392
Land held for sale	-	-	689,000	689,000
Split-interest investments:				
Cash and cash equivalents	-	364,117	-	364,117
Equities	-	694,701	-	694,701
Fixed income	-	846,795	-	846,795
	-	1,905,613	-	1,905,613
Total investments at fair value	$ 98,913,702	$ 1,905,613	$ 149,195,669	$ 250,014,984

The Foundation has investments, as a limited partner, in 34 partnerships at June 30, 2018. 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 6.0% of that partnership's assets in 2018, no individual partnership investment exceeds 10.0% of the Foundation's assets, and no manager controls partnerships having more than 10.0% of the Foundation's assets. 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, 2018 are reasonable.

As of June 30, 2018, the Foundation's direct investment in real estate consists of ownership of properties with a total net book value of $508,518. Depreciation expense totaling $47,736, related to investments in real estate, was recognized during the year ended June 30, 2018.

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.

NOTE 4. INVESTMENTS (Continued)

Rollforward of Level 3 investments for the year ended June 30, 2018 is as follows:

Level 3 rollforward	Private equities	Real assets	Land held for sale	Total
Beginning value as of July 1, 2017	$ 107,685,947	$ 20,379,901	$ 689,000	$ 128,754,848
Acquisitions	15,866,575	506,888	-	16,373,463
Dispositions/proceeds	(4,823,123)	(636,336)	-	(5,459,459)
Net realized and unrealized gains (losses)	9,686,878	(160,061)	-	9,526,817
Fair value at June 30, 2018	$ 128,416,277	$ 20,090,392	$ 689,000	$ 149,195,669
Net gains (losses) in Level 3 attributable to changes in net unrealized gains (losses) related to those investments still held at June 30, 2018	$ 9,205,467	$ (160,061)	$ -	$ 9,045,406

Quantitative Information about Level 3 Fair Value Measurements

	Fair value at 6/30/18	Valuation technique(s)	Unobservable input	Range (weighted average)
Private equities	$128,416,277	Discounted cash flow/market comparable companies	Constant prepayment rate EBITDA	3.5% - 5.5% 6% - 15%
Real assets	20,090,392	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, 2018, the Foundation's remaining outstanding commitments to private investments, which are projected to be paid over the succeeding 15 years, totaled $17,316,298, in the following investment strategies:

Investment strategies are comprised of the following at June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities				
Private equity partnerships	$ 128,416,277	$ 15,504,744	Illiquid	Various
Land held for sale	689,000	-	Illiquid	Various
Real assets	20,090,392	1,811,554	Illiquid	Various
Total	$ 149,195,669	$ 17,316,298		

NOTE 4. INVESTMENTS (Continued)

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 and 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 $1,905,613 at June 30, 2018.

Investment returns are reported net of investment fees totaling $2,396,773 for the year ended June 30, 2018.

The Foundation's cost of investments at June 30, 2018 was $180,177,783.

NOTE 5. INVESTMENT PROPERTIES

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

	2019	2018
Central Square Shopping Center	**$ 1,041,360**	$ 954,990
Less accumulated depreciation	**(501,674)**	(446,472)
Total property and equipment, net	**$ 539,686**	$ 508,518

Depreciation expense for investment properties totaled $55,202 and $47,736 for the years ended June 30, 2019 and 2018, respectively.

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

NOTE 6. 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 7. 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, 2019, future minimum rents receivable under the operating lease agreements for non-investment properties are as due as follows for the years ending:

2020	$	37,176
2021		37,176
2022		37,176
2023		37,176
2024		3,098
	$	151,802

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
Resurgens land	$ 12,174,287	$ 7,379,793
Paceline property and equipment	14,704	-
Furniture, fixtures and equipment	258,151	256,905
Building improvements	2,693,741	2,592,894
	15,140,883	10,229,592
Less accumulated depreciation	(421,143)	(295,133)
Total property and equipment, net	$ 14,719,740	$ 9,934,459

Depreciation expense for property and equipment for the years ended June 30, 2019 and 2018 was $126,010 and $57,305, respectively.

NOTE 9. 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:

	2019	2018
Unappropriated appreciation on donor-restricted endowment	$ 77,345,980	$ 75,118,473
Academic support	11,627,426	10,046,868
Scholarships and fellowships	605,185	305,243
Research	952,181	1,476,694
Facilities	204,320	328,544
Student loans	106,529	106,529
	$ 90,841,621	$ 87,382,351

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

	2019	2018
Student loans receivable	$ 16,588	$ 16,588
Promises to give	812,951	962,866
Cash	89,941	89,941
Investments, at fair value	89,922,141	86,312,956
	$ 90,841,621	$ 87,382,351

NOTE 9. 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 10. 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:

	2019	2018
Academic support	**$ 79,928,397**	$ 78,994,406
Scholarships and fellowship	**50,805,586**	48,933,974
Facilities	**50,000**	50,000
Research	**2,128,442**	1,650,777
	132,912,425	129,629,157
Underwater endowment	**(39,954)**	-
	$ 132,872,471	$ 129,629,157

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

	2019	2018
Promises to give	**$ 1,029,500**	$ 651,059
Investments, at fair value	**131,153,971**	128,289,098
Land held for sale	**689,000**	689,000
	$ 132,872,471	$ 129,629,157

NOTE 11. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2019	2018
Academic support	$ 6,113,108	$ 5,135,316
Scholarships	2,718,943	3,482,234
Research	219,538	462,589
Facilities	2,797	348,267
Paceline	212,123	-
	$ 9,266,509	$ 9,428,406

NOTE 12. 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, 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.

NOTE 12. ENDOWMENT (Continued)

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, 2019, funds with original gift values of $377,891, fair values of $337,937 and deficiencies of $39,954 were reported in net assets with donor restrictions. There were no underwater endowments at June 30, 2018.

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. 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.

NOTE 12. ENDOWMENT (Continued)

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, 2018, 2017, and 2016) may be distributed for purposes of supporting activities with and without donor restriction. In addition, the Foundation charges a 1% 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, 2019 are:

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Without Donor Restriction-Board Designated	Donor-restricted by Time or Purpose	Donor-restricted in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 77,345,980	$ 132,872,471	$ 210,218,451
Board-designated endowment funds	32,669,949	-	-	32,669,949
Total funds	$ 32,669,949	$ 77,345,980	$ 132,872,471	$ 242,888,400

The Changes in Endowment Net Asset for the year ended June 30, 2019 are:

Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2019

	Without Donor-Restriction-Board Designated	Donor-restricted by Time or Purpose	Donor-restricted in Perpetuity	Total
Endowment net assets, beginning of year	$ 33,819,159	$ 75,118,473	$ 129,629,157	$ 238,566,789
Investment return:				
Net appreciation (realized and unrealized)	627,242	10,290,304	-	10,917,546
Realized and unrealized (losses) below corpus	-	-	(39,954)	(39,954)
Investment income	65,199	863,327	(39,954)	928,526
Total investment return	692,441	11,153,631	(39,954)	11,806,118
Contributions	-	-	2,922,481	2,922,481
Transfer of funds for new purpose	-	-	360,787	360,787
Appropriation of endowment assets for expenditure	(1,841,651)	(8,926,124)	-	(10,767,775)
Endowment net assets, end of year	$ 32,669,949	$ 77,345,980	$ 132,872,471	$ 242,888,400

NOTE 12. ENDOWMENT (Continued)

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, 2019

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	**$ 132,872,471**
Total endowment funds classified as donor-restricted in perpetuity net assets	**$ 132,872,471**
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	**$ 77,345,980**
Total endowment funds classified as donor-restricted by time or purpose net assets	**$ 77,345,980**

The Endowment Net Asset Composition by type of Fund as of June 30, 2018 are:

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Without Donor-Restriction-Board Designated	Donor-restricted by Time or Purpose	Donor-restricted in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 75,118,473	$ 129,629,157	$ 204,747,630
Board-designated endowment funds	33,819,159	-	-	33,819,159
Total funds	$ 33,819,159	$ 75,118,473	$ 129,629,157	$ 238,566,789

NOTE 12. ENDOWMENT (Continued)

The Changes in Endowment Net Asset for the year ended June 30, 2018 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2018			
	Without Donor-Restriction – Board Designated	**Donor-restricted by Time or Purpose**	**Donor-restricted in Perpetuity**	**Total**
Endowment net assets, beginning of year	$ 33,540,819	$ 66,310,059	$ 127,714,592	$ 227,565,470
Investment return:				
Net appreciation (realized and unrealized)	3,345,471	13,252,593	-	16,598,064
Investment income	573,133	3,371,538	-	3,944,671
Total investment return	3,918,604	16,624,131	-	20,542,735
Contributions	1,000	-	1,864,565	1,865,565
Transfer of funds for new purpose	-	-	50,000	50,000
Appropriation of endowment assets for expenditure	(3,641,264)	(7,815,717)	-	(11,456,981)
Endowment net assets, end of year	$ 33,819,159	$ 75,118,473	$ 129,629,157	$ 238,566,789

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, 2018

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	$ 129,629,157
Total endowment funds classified as donor-restricted in perpetuity net assets	$ 129,629,157
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	$ 75,118,473
Total endowment funds classified as donor-restricted by time or purpose net assets	$ 75,118,473

NOTE 13. 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 14. NOTE 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 agreement was modified on October 7, 2014 to raise the not to exceed amount to $5,000,000. The agreement was modified again on October 7, 2016 to change the interest rate from a fixed 3.25% to a fixed 3.50%. The note was modified again on May 29, 2019 to raise the not to exceed amount to $12,000,000 and raise the interest rate to a fixed 4.75%. The note is collateralized by various real property owned by Resurgens Properties, LLC funded by the draw note. The note matures in September 2021.

The note balance was $9,472,672 and $5,000,000 at June 30, 2019 and 2018, respectively.

NOTE 15. 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. The service-grades are as follows: less than one year, 3% of the qualifying participant's compensation for the plan year; one year but less than three years, 3% of the qualifying participant's compensation for the plan year; three years but less than five years, 6% of the qualifying participant's compensation for the plan year; and over 5 years, 10% of the qualifying participants compensation. Total contributions for the years ended June 30, 2019 and 2018 were $24,151 and $40,340, 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 16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through September 4, 2019, the date on which the consolidated financial statements were available to be issued.