UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2022

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT
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TABLE OF CONTENTS

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University System of Georgia Foundation, Inc. and Affiliates
Atlanta, Georgia

Opinion

We have audited the accompanying consolidated financial statements of the **University System of Georgia Foundation, Inc. and Affiliates** (a nonprofit organization), 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 financial position of the University System of Georgia Foundation, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 University System of Georgia Foundation, Inc. and Affiliates 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 opinions.

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 University System of Georgia Foundation, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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 and *Government 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 University System of Georgia Foundation, Inc. and Affiliates' 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 University System of Georgia Foundation, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 57 - 65 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Oher Maters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of the University System of Georgia Foundation, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University System of Georgia Foundation, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University System of Georgia Foundation, Inc. and Affiliates' internal control over financial reporting and compliance.

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 30, 2022

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ **2,245,837**	$ 2,221,455
Pledges and grants receivable, net	**861,132**	590,537
Investments	**6,382,489**	7,072,244
Net investments in direct financing leases	**492,305,623**	513,238,479
Assets limited as to use	**46,032,384**	43,272,629
Total assets	$ **547,827,465**	$ 566,395,344
LIABILITIES AND NET ASSETS		
Liabilities		
Construction payable	$ **-**	$ 357,500
Accounts payable	**153,665**	290,923
Scholarships payable	**-**	277,500
Bonds payable, net	**445,218,432**	468,634,666
USDA notes payable, net	**67,472,187**	70,280,647
Accrued interest payable	**4,203,026**	4,490,692
Total liabilities	**517,047,310**	544,331,928
Net assets		
Without donor restrictions:		
Undesignated	**22,128,028**	13,547,487
Board-designated	**5,046,893**	5,954,074
Total without donor restrictions	**27,174,921**	19,501,561
With donor restrictions	**3,605,234**	2,561,855
Total net assets	**30,780,155**	22,063,416
Total liabilities and net assets	$ **547,827,465**	$ 566,395,344

See Notes to Consolidated Financial Statements.

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER SUPPORT			
Contributions	$ 151,069	$ 1,802,146	$ 1,953,215
In-kind contributions	38,232	-	38,232
Service contract revenue	579,637	-	579,637
Registration fees and other income	13,159	-	13,159
Management fee income	18,686	-	18,686
Investment income, net of investment fees	117,005	22,638	139,643
Net realized and unrealized gains (losses) on investments	(785,089)	(192,504)	(977,593)
Investment income from direct financing leases	20,601,571	-	20,601,571
Rental income	4,188,536	-	4,188,536
Total operating revenues and other support	24,922,806	1,632,280	26,555,086
Net assets released from restrictions:			
Satisfaction of program restrictions	855,412	(855,412)	-
Total operating revenues and other support	25,778,218	776,868	26,555,086
OPERATING EXPENSES			
Program services:			
Scholarships and awards	754,800	-	754,800
R&D programmatic grants	-	-	-
USO and BOR support	487,881	-	487,881
Institutional advancement	239,313	-	239,313
Real estate support	15,852,524	-	15,852,524
Total program services	17,334,518	-	17,334,518
Supporting services:			
General and administrative	103,323	-	103,323
Fundraising	400,506	-	400,506
Total supporting services	503,829	-	503,829
Total operating expenses	17,838,347	-	17,838,347
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	7,939,871	776,868	8,716,739
NON-OPERATING ACTIVITIES			
Contribution revenues of repair and replacement funds	-	-	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	-	-	-
CHANGE IN NET ASSETS	7,939,871	776,868	8,716,739
NET ASSETS, BEGINNING	19,501,561	2,561,855	22,063,416
TRANSFERS	(266,511)	266,511	-
NET ASSETS, ENDING	$ 27,174,921	$ 3,605,234	$ 30,780,155

See Notes to Consolidated Financial Statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
$ 157,013	$ 1,077,560	$ 1,234,573
-	-	-
562,754	50,000	612,754
41,744	-	41,744
17,109	-	17,109
123,242	12,448	135,690
1,287,199	192,282	1,479,481
18,312,672	-	18,312,672
2,705,630	-	2,705,630
23,207,363	1,332,290	24,539,653
1,327,029	(1,327,029)	-
24,534,392	5,261	24,539,653
886,584	-	886,584
5,968	-	5,968
546,336	-	546,336
353,684	-	353,684
14,935,144	-	14,935,144
16,727,716	-	16,727,716
109,443	-	109,443
350,789	-	350,789
460,232	-	460,232
17,187,948	-	17,187,948
7,346,444	5,261	7,351,705
3,789,997	-	3,789,997
3,789,997	-	3,789,997
11,136,441	5,261	11,141,702
8,699,270	2,222,444	10,921,714
(334,150)	334,150	-
$ 19,501,561	$ 2,561,855	$ 22,063,416

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program services					Supporting services		
	Scholarships and awards	USO and BOR support	Institutional advancement	Real estate support	Total program Services	General and administrative	Fundraising	Total
Personnel costs	$ -	$ 313,881	$ 79,056	$ 228,325	$ 621,262	$ 73,283	$ 190,912	$ 885,457
Professional fees	-	48,570	39,500	169,268	257,338	7,676	1,304	266,318
Grants	-	10,000	80,000	-	90,000	-	-	90,000
Scholarships and awards	753,728	28,130	-	-	781,858	1,693	4,384	787,935
Meals and refreshments	-	47,906	13,346	-	61,252	1,485	105,621	168,358
Contributions to other agencies	-	10,216	-	-	10,216	200	-	10,416
Travel	-	6,009	24,756	44	30,809	3,402	15,682	49,893
Operating expenses	1,072	21,524	2,241	7,755	32,592	14,502	77,106	124,200
Dues and registration	-	1,645	414	574	2,633	1,005	3,244	6,882
Insurance	-	-	-	39,232	39,232	-	288	39,520
Interest expense	-	-	-	14,563,902	14,563,902	-	-	14,563,902
PPV management fees	-	-	-	252,774	252,774	77	1,965	254,816
PPV capital improvements	-	-	-	590,650	590,650	-	-	590,650
Total expenses	$ 754,800	$ 487,881	$ 239,313	$ 15,852,524	$ 17,334,518	$ 103,323	$ 400,506	$ 17,838,347

See Notes to Consolidated Financial Statements.

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program services						Supporting services		
	Scholarships and awards	R&D programmatic grants	USO and BOR support	Institutional advancement	Real estate support	Total program services	General and administrative	Fundraising	Total
Personnel costs	$ -	$ -	$ 452,023	$ 87,869	$ 188,382	$ 728,274	$ 97,088	$ 161,991	$ 987,353
Professional fees	-	-	55,816	55,000	169,052	279,868	-	26,164	306,032
Grants	-	5,968	14,057	171,090	-	191,115	-	-	191,115
Scholarships and awards	886,584	-	2,500	30,000	-	919,084	-	-	919,084
Software subscription	-	-	5,238	-	624	5,862	-	7,580	13,442
Meals and refreshments	-	-	8,079	4,016	-	12,095	588	74,733	87,416
Contributions to other agencies	-	-	-	4,000	-	4,000	-	100	4,100
Program advertising	-	-	435	-	-	435	-	-	435
Travel	-	-	-	1,543	-	1,543	221	16,795	18,559
Operating expenses	-	-	6,443	166	17,439	24,048	7,614	53,701	85,363
Dues and registration	-	-	1,745	-	300	2,045	3,714	1,486	7,245
Insurance	-	-	-	-	19,956	19,956	135	-	20,091
Interest expense	-	-	-	-	13,567,669	13,567,669	17	-	13,567,686
Credit card fees	-	-	-	-	872	872	66	8,239	9,177
PPV management fees	-	-	-	-	244,140	244,140	-	-	244,140
PPV capital improvements	-	-	-	-	726,710	726,710	-	-	726,710
Total expenses	$ 886,584	$ 5,968	$ 546,336	$ 353,684	$ 14,935,144	$ 16,727,716	$ 109,443	$ 350,789	$ 17,187,948

See Notes to Consolidated Financial Statements.

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 8,716,739**	$ 11,141,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loses (gains) on investments	**969,602**	(1,521,706)
Amortization of debt issuance costs	**640,167**	527,404
Amortization of original issue bond premiums	**(7,150,643)**	(5,132,493)
Contributions restricted for long-term investments	**(263,247)**	(372,734)
Principal received on net investments in direct financing leases	**20,932,856**	16,551,041
Purchase of net investments in direct financing leases	**-**	(134,262,051)
(Increase) decrease in pledges and grants receivable, net	**(270,595)**	280,563
(Decrease) in construction payable	**(357,500)**	(1,368,124)
(Decrease) increase in accounts payable	**(137,258)**	154,036
(Decrease) increase in scholarships payable	**(277,500)**	201,460
(Decrease) increase in accrued interest payable	**(287,666)**	1,243,693
Net cash provided by (used in) operating activities	**22,514,955**	(112,557,209)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**259,298**	224,000
Purchases of investments	**(539,145)**	(407,939)
Payments for construction in progress	**-**	(1,674,546)
Net cash provided by (used in) investing activities	**(279,847)**	**(1,858,485)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	**263,247**	372,734
Proceeds from bond issuance	**-**	138,809,950
Bond redemption	**(16,770,000)**	(10,945,000)
Payments on USDA notes payable	**(2,944,218)**	(2,862,582)
Debt issuance costs paid	**-**	(1,542,379)
Net cash (used in) provided by financing activities	**(19,450,971)**	123,832,723
Net increase in cash and cash equivalents	**2,784,137**	9,417,029
Cash and cash equivalents at beginning of year	**45,494,084**	36,077,055
Cash and cash equivalents at end of year	**$ 48,278,221**	$ 45,494,084
Cash and cash equivalents	**2,245,837**	2,221,455
Assets limited as to use	**46,032,384**	43,272,629
Cash and cash equivalents, end of year	**$ 48,278,221**	$ 45,494,084
SUPPLEMENTAL DATA FOR NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest paid (excluding capitalized interest)	**$ 21,360,639**	$ 16,962,158

See Notes to Consolidated Financial Statements.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The University System of Georgia Foundation, Inc. (the “Foundation”) is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), and was formed on August 10, 1995. The Foundation was organized and operates under the laws of the State of Georgia to serve the needs and interests of the University System of Georgia.

The University System of Georgia Foundation, Inc. is a cooperative organization of the Board of Regents of the University System of Georgia. Its mission is to advance the University System of Georgia, as a whole, consistent with the priorities determined by the University System of Georgia Foundation, Inc. Board of Trustees. The Foundation’s support comes primarily from contributions and grants from individuals and corporations, and from leasing activities within the University System of Georgia. The University System of Georgia Foundation, Inc. has four primary goals, which are:

- To cultivate private support for scholarships for students to attend University System of Georgia institutions.
- To serve as the administrative center for private grants awarded to University System office staff in “Research and Development (R&D) Centers” that feature the strategic priorities of the Board of Regents and that involve multiple University System of Georgia institutions.
- To provide support to the Office of the Chancellor of the University System of Georgia.
- To facilitate financing of capital improvement projects at University System of Georgia institutions.

Significant accounting policies:

Basis of presentation:

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)’s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restriction and net assets with donor restriction.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Basis of presentation: (Continued)

Net assets without donor restrictions consists of net assets that are not subject to donor-imposed stipulations, which are used to account for resources available to carry out the purposes of the Foundation. The principal sources of funds generated for net assets without donor restrictions are contributions and program revenues. Board designated net assets are without donor restriction but are designated by the Board to be spent for specific purposes.

As of June 30, 2022 and 2021, Board designated net assets totaled $5,046,893 and $5,954,074, respectively.

Net assets with donor restrictions consists of net assets that are subject to donor-imposed restrictions. 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Basis of consolidation:

On October 15, 2008, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation I, LLC (“RE I”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation I, LLC was formed for the purpose of obtaining financing, constructing projects, and renting the projects to the Board of Regents.

Also on October 15, 2008, the University System of Georgia Foundation, Inc. formed USGREF Manager, LLC with the University System of Georgia Foundation, Inc. as the sole member. USGREF Manager, LLC was formed for the purpose of managing all USG Real Estate Foundation entities.

On March 26, 2009, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation II, LLC (“RE II”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation II, LLC was formed for the purpose of obtaining financing, constructing projects, and renting the projects to the Board of Regents.

On January 14, 2010, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation III, LLC (“RE III”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation III, LLC was formed for the purpose of obtaining financing, constructing projects, and renting the projects to the Board of Regents.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Basis of consolidation: (Continued)

On August 7, 2015, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation IV, LLC (“RE IV”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation IV, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

On September 14, 2016, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation V, LLC (“RE V”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation V, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

On August 1, 2017, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation VI, LLC (“RE VI”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation VI, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

On April 16, 2018, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation VII, LLC (“RE VII”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation VII, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

Also on April 16, 2018, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation VIII, LLC (“RE VIII”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation VIII, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

On August 28, 2018, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation IX, LLC (“RE IX”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation IX, LLC was formed for the purpose of constructing and renting the projects to the Board of Regents.

Also On August 28, 2018, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation X, LLC (“RE X”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation X, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

On October 18, 2019, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation XI, LLC (“RE XI”), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation XI, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Basis of consolidation: (Continued)

On December 11, 2020, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation XII, LLC ("RE XII"), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation XII, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

On February 11, 2022, the University System of Georgia Foundation, Inc. formed USG Real Estate Foundation XIII, LLC ("RE XIII"), with the University System of Georgia Foundation, Inc. as the sole member. USG Real Estate Foundation XIII, LLC was formed for the purpose of obtaining financing and renting the projects to the Board of Regents.

The consolidated financial statements of University System of Georgia Foundation, Inc. and Affiliates includes the accounts of University System of Georgia Foundation, Inc., USG Real Estate Foundation I, LLC, USG Real Estate Foundation II, LLC, USG Real Estate Foundation III, LLC, USG Real Estate Foundation IV, LLC, USG Real Estate Foundation V, LLC, USG Real Estate Foundation VI LLC, USG Real Estate Foundation VII, LLC, USG Real Estate Foundation VIII, LLC, USG Real Estate Foundation IX, LLC, USG Real Estate Foundation X, LLC, USG Real Estate Foundation XI, LLC, and USG Real Estate Foundation XII, LLC. Intercompany accounts and significant intercompany transactions have been eliminated. There is no activity related to USGREF Manager, LLC or USG Real Estate Foundation XIII, LLC for the years ending June 30, 2022 and 2021.

Contributions:

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions are substantially met. Pledges receivable over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful pledges is based on specifically identified amounts that the Foundation believes to be uncollectible.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Contribution revenues of repair and replacement funds:

In 2021, the Foundation issued bond debt (through wholly-owned RE XI and XII) and used the proceeds to acquire six student housing properties at two institutions within the University System of Georgia (see Note 8). The Foundation acquired these student housing properties from two separate not-for-profit organizations within University System of Georgia by issuing direct financing leases (see Note 6). A stipulation of these acquisitions was that the repair and replacement funds held by the trustee be transferred to the Foundation at the date of acquisition. For the year ending June 30, 2021, the Foundation recognized $3,789,997 in contribution revenues of repair and replacement funds in the accompanying consolidated statement of activities. The acquisition of the USG Real Estate XI, LLC student housing properties closed on October 20, 2020, and the associated repair and replacement funds were received in October 2020. The acquisition of the USG Real Estate XII, LLC student housing properties closed on May 27, 2021, and the associated repair and replacement funds were received in June 2021.

There were no contribution revenues of repair and replacement funds for the year ending June 30, 2022.

Cash and cash equivalents:

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalents may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash and investing in cash equivalents with reputable financial institutions.

Excluded are amounts held for specific purposes or amounts which are included in the Foundation's long-term investment strategies.

In-kind contributions:

In-kind contributions are primarily made up of alcohol and printing announcements for the annual fundraiser, which is reflected under supporting services as fundraising in the accompanying consolidated statements of activities at their estimated values at the date of receipt. In-kind contributions totaled $38,232 and $- for the years ended June 30, 2022 and 2021, respectively.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Investments:

Investments consist primarily of pooled funds. Investments are recorded at fair value. Investment expenses incurred totaled $6,756 and $6,363 for the years ended June 30, 2022 and 2021, respectively.

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 securities are exposed to various risks, such as interest rate risk, market risk, and credit risk.

Investments in direct financing-type leases:

The Foundation leases real estate to the Board of Regents, a related party. The leases are accounted for as direct financing-type leases. The present value of the minimum lease payments is recorded as an asset and is amortized as payments are received.

The difference between gross minimum lease payments and the present value of the gross minimum lease payments is recorded as unearned income and is amortized as payments are received. In accordance with its stated purpose as a not-for-profit organization, the Foundation structures its lease agreements to provide rental proceeds to meet related debt service, interest expenses, and administrative and operating expenses. The terms of these lease agreements are considered more favorable than commercial terms on similar facilities and equipment. The lessees are responsible for the payment of property taxes, routine maintenance, insurance, and other costs incidental to the use of the facilities. The lease agreements generally provide for an initial rental period with renewable terms that extend over the term of the debt financing the leased property. The lease agreements are cancelable by the lessees at specified times during the lives of the leases. Leases with agencies of the State of Georgia are for no longer than one year, with renewable options. Lease payments are structured, together with debt service reserves included in assets limited as to use, to provide sufficient funds to meet the debt service provided all renewal terms are exercised.

Debt issuance costs:

Debt issuance costs, comprised principally of underwriting, legal, and printing fees are recorded as deferred charges and amortized over the term of the debt using the interest method. At June 30, 2022 and 2021, accumulated amortization of the debt issuance costs were $2,181,316 and $1,539,811, respectively.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Bond premiums and discounts:

Bond premiums are presented as an increase of the face amount of bonds payable. Bond discounts are presented as a decrease of the face amount of bonds payable. Both are amortized over the term of the debt using the interest method.

Deferred revenue:

Revenue received in advance is deferred and recognized over the periods to which it relates.

Use of estimates:

The Foundation prepares its consolidated financial statements in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the consolidated financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument 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.

Bond proceeds restricted for construction, debt service, and reserves - Assets limited as to use funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

Operating funds held by trustee - Assets limited as to use funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

Bonds payable - Fair value, as disclosed in Note 8, is the price that would be paid to transfer the liability in an orderly transaction between market participants.

Other receivables and payables - The carrying amount approximates fair value because of the short-term maturity of these instruments.

The Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. 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. 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 for identical or similar assets or liabilities.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

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.

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.

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.

Income tax status:

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 a publicly supported organization and not as 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. The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination.

Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not have a material effect on the Foundation's consolidated financial statements.

The Foundation files Form 990 in the U.S. federal jurisdiction and the State of Georgia.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Income tax status: (Continued)

The *Tax Reform Act of 1986* requires governmental organizations issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental organizations must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Organizations are required to remit arbitrage rebate payments for non-purpose interest to the federal government at least once every five years over the life of the bonds. The Foundation reports arbitrage (other debt service) expenditures when the liability is due.

Change in donor intent:

During the year ended June 30, 2021, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling $334,150, resulting in transfers from net assets without donor restrictions to net assets with donor restrictions.

During the year ended June 30, 2022, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling $266,511, resulting in transfers from net assets without donor restrictions to net assets with donor restrictions.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statements of activities and consolidated statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Furthermore, all other costs have been allocated among the programs and supporting services benefited as required by FASB's *Not-for-Profit* presentation and disclosure guidance. Personnel costs, professional fees, meals and entertainment, contributions to other agencies, bank credit card fees, travel and conferences, operating expense, dues and registration, gifts and awards, insurance, and bond fees expenses are allocated based on the department and the percentage of time that the department supports the various programs and supporting services.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Recent accounting pronouncements:

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

For the year ending June 30, 2022, the Foundation adopted ASU 2020-07 and has adjusted the presentation in these consolidated financial statements accordingly. This adjustment did not have an effect on total net assets or the change in total net assets for 2022 or 2021.

NOTE 2. LIQUIDITY AND AVAILABILTIY

The Foundation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Foundation are expected to be met on a monthly basis from contributions received without donor restriction, private grants and contracts, service contract revenue, registration fees and other income, management fee income, investment income to be used for operating purposes, investment income from direct financing leases, rental receipts, and annual endowment distributions and appropriations available for general expenditure. Financial assets available for general expenditure, that is, without donor or restrictions limiting their use, within one year of the statement of financial position, comprise the following:

	2022	2021
Cash and cash equivalents	**$ 837,331**	$ 1,368,307
Endowment spending rate distributions and appropriations	**265,655**	308,660
	$ 1,102,986	$ 1,676,967

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments (quasi-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.

For the years ending June 30, 2022 and 2021 board-designated endowment of $5,046,893 and $5,954,074, respectively, is subject to an annual spending rate generally not to exceed 5% as described in Note 12. 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), these amounts could be made available if necessary.

NOTE 3. CONCENTRATION OF CREDIT RISK

Cash is maintained at multiple financial institutions and, as a result, credit exposure to any one institution is limited. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to $250,000 per depositor.

At times, the balance of the Foundation's accounts may exceed the federally insured limits. As of June 30, 2022 and 2021, the Foundation's uninsured cash balances totaled $1,995,837 and $1,726,780, respectively. The Foundation has not experienced any losses on its cash and believes it is not exposed to any significant credit risk on cash.

NOTE 4. PLEDGES AND GRANTS RECEIVABLE

The pledges and grants receivable at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Pledges and grants with donor restrictions	**$ 868,183**	$ 593,328
Total pledges and grants receivable	**868,183**	593,328
Less discount on multi-year pledges	**(7,051)**	(2,791)
Total pledges and grants receivable, net	**$ 861,132**	$ 590,537
Amount Due in:		
Less than one year	**$ 301,516**	$ 480,828
One to five years	**566,667**	112,500
Total pledges and grants receivable	**$ 868,183**	$ 593,328

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.26% and 1% as of June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, pledges and grants receivable were considered fully collectible.

NOTE 5. INVESTMENTS

As of June 30, 2022 and 2021, investments consist of pooled diversified funds in the amount of $6,382,489 and $7,072,244, respectively. The pooled diversified fund includes investments in funds that invest primarily in money markets, mutual funds, equity, and debt securities. There are no unfunded commitments as of June 30, 2022.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Pooled funds:				
Domestic equities	$ -	$ 3,417,856	$ -	$ 3,417,856
International equities	-	1,130,815	-	1,130,815
Fixed income	-	1,732,172	-	1,732,172
Non-traditional funds	-	-	-	-
Money market funds	-	101,646	-	101,646
Total pooled funds	-	6,382,489	-	6,382,489
Total investments at fair value	$ -	$ 6,382,489	$ -	$ 6,382,489

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Pooled funds:				
Domestic equities	$ -	$ 3,668,950	$ -	$ 3,668,950
International equities	-	1,056,320	-	1,056,320
Fixed income	-	1,318,822	-	1,318,822
Non-traditional funds	-	887,309	-	887,309
Money market funds	-	140,843	-	140,843
Total pooled funds	-	7,072,244	-	7,072,244
Total investments at fair value	$ -	$ 7,072,244	$ -	$ 7,072,244

NOTE 6. INVESTMENTS IN DIRECT FINANCING LEASES

The Foundation has entered into thirty agreements with the Board of Regents to lease properties for use by seventeen institutions in the University System of Georgia. The construction of the properties was funded using the proceeds of the 2008, 2009, 2010, 2018, 2019 tax-exempt bonds issued by the Georgia Higher Education Facilities Authority, the 2018 tax-exempt bonds issued by the Barnesville-Lamar County Industrial Development Authority, the 2018 tax-exempt bonds issued by the Joint Development Authority of Bleckley County and Dodge County, the 2018 tax-exempt bonds issued by the Americus-Sumter Payroll Development Authority, the 2019 tax-exempt bonds issued by the Development Authority of Bibb County, the 2019 tax-exempt bonds issued by the Albany-Dougherty Inner City Authority, the 2020 tax-exempt bonds issued by the Albany-Dougherty Inner City Authority, the 2021 tax-exempt bonds issued by the Development Authority of the City of Milledgeville and Baldwin County (see note 8), the 2018 notes payable issued by the United States Department of Agriculture (USDA), and 2019 notes payable (see Note 9) issued by the USDA.

Following is a summary of the components of the Foundation's net investment in direct financing-type leases at June 30, 2022 and 2021:

	2022	2021
Total minimum lease payments to be received	**$ 688,522,330**	$ 730,056,756
Less unearned income	**196,216,707**	216,818,277
Net investment	**$ 492,305,623**	$ 513,238,479

Net minimum lease payments to be received as of June 30, 2022, over the life of the leases are as follows:

June 30,	**Minimum Lease Payments**	**Less Unearned Interest**	**Net Minimum Lease Payments**
2023	$ 41,607,915	$ 19,747,089	**$ 21,860,826**
2024	41,642,002	18,930,879	**22,711,123**
2025	41,648,095	17,982,586	**23,665,509**
2026	41,683,796	17,042,311	**24,641,485**
2027	41,678,004	16,061,596	**25,616,408**
2028 – 2032	206,918,272	64,192,203	**142,726,069**
2033 – 2037	194,833,275	33,707,033	**161,126,242**
2038 – 2042	68,151,712	6,805,680	**61,346,032**
2043 – 2047	6,435,390	1,455,332	**4,980,058**
2048 – 2050	3,923,869	291,998	**3,631,871**
Total	$ 688,522,330	$ 196,216,707	**$ 492,305,623**

NOTE 7. ASSETS LIMITED AS TO USE

The financing of the purchase of various facilities including student housing, student centers, campus bookstores, parking decks and stadium renovations subject to the terms of Trust Indentures between the Georgia Higher Education Facilities Authority and Trustees. Under the provisions of the Trust Indentures, Debt Service Reserve Funds will be used to pay principal of, premium, if any, and interest on the bonds if sufficient funds are on deposit with the Trustees on the date such payment is due. The Trust Indentures also provide for other funds, including the Repair and Replacement Funds, Construction Funds, and the Surplus Funds.

Pursuant to the Agreements, the Borrower has agreed to deliver the gross revenues attributable to the project to the Trustees for deposit in the Revenue Funds, as applicable, from which the operating expenses of the project, debt service of the bonds, and other amounts will be paid.

Bond Funds were established to be used as sinking funds to pay the principal of, premium, if any, and interest on the bonds.

If on any interest payment date there should be insufficient funds within an account in the bond funds to pay interest, principal or premium due on the respective series of bonds, there shall be transferred to the respective account in the bond funds from the related account in the debt service reserve funds such amounts as are necessary to pay the interest, principal, and premium due on the related series of bonds.

Operating Funds were established under the provisions of the Trust Indentures which will be used to pay for allowable operating expenses.

As of June 30, 2022 and 2021, all assets limited as to use are made up of cash held by the Trustees. A summary of the assets limited as to use held by the Trustee under the Trust Indenture as of June 30, 2022 and 2021, is as follows:

	2022	2021
R&R Funds	**$ 27,370,504**	$ 23,520,053
Renovation funds	**2,539,089**	2,940,624
Surplus Funds	**231,220**	228,365
Operating Funds	**6,996,312**	8,798,072
Bond Funds	**3,747,385**	2,011,251
Construction Funds	**-**	357,553
Reserve Funds	**5,147,874**	5,416,711
	$ 46,032,384	$ 43,272,629

NOTE 8. BONDS PAYABLE

Series 2010A USG Real Estate Foundation III, LLC Bonds Payable

In August 2010, the Georgia Higher Education Facilities Authority issued revenue bonds and loaned the proceeds to USG Real Estate Foundation III, LLC in the amount of $94,210,000. The Series 2010A bonds were issued to finance construction of facilities at colleges and universities in the University System of Georgia on real estate owned by the Board of Regents. The real estate on which the facilities are constructed will be leased to USG Real Estate Foundation III, LLC by the Board of Regents pursuant to a ground lease for minimal rent.

The terms of the bonds require the USG Real Estate Foundation III, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Series 2010A bonds will mature on June 1, 2041, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 1st and June 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.00% to 5.00%.

The original bond principal of $94,210,000 was allocated to projects at the various institutions as follows:

Institution	Amount
College of Coastal Georgia	$ 28,955,000
East Georgia State College	8,910,000
Georgia College and State University	31,400,000
Savannah State University	18,930,000
University of West Georgia	6,015,000
	$ 94,210,000

In May 2015, the College and the Board of Regents informed the Foundation that as of May 14, 2015, the College of Coastal Georgia student housing facility project, would be leased to an unrelated third party entity through a long-term concession arrangement. As part of the concession arrangement, the monies collected from the unrelated third party entity would be used to service the outstanding bonds payable liability of $14,795,000, which met the legal requirements for defeasance. As of May 14, 2015, the applicable rental agreements and ground leases between the Foundation and the Board of Regents was effectively terminated. Therefore, neither the assets limited as to use held by the Trustee nor the bonds payable are included on the consolidated statements of financial position as of June 30, 2022 and 2021.

NOTE 8. BONDS PAYABLE (Continued)

In May 2015, the College and the Board of Regents informed the Foundation that as of May 14, 2015, the East Georgia College student housing facility project, would be leased to an unrelated third party entity through a long-term concession arrangement. As part of the concession arrangement, the monies collected from the unrelated third party entity would be used to service the outstanding bonds payable liability of $8,450,000, which met the legal requirements for defeasance. As of May 14, 2015, the applicable rental agreement and ground lease between the Foundation and the Board of Regents was effectively terminated. Therefore, neither the assets limited as to use held by the Trustee nor the bonds payable are included on the consolidated statements of financial position as of June 30, 2022 and 2021.

In March 2020, the Georgia Higher Education Facilities Authority issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation III, LLC. The Series 2020 bonds were issued to refund the remaining Series 2010A USG Real Estate Foundation III, LLC bonds payable. The refund met the legal requirements for defeasance of the bond liability. As of March 19, 2020, the applicable rental agreements and ground leases between the Foundation and the Board of Regents was effectively terminated.

Therefore, neither the assets limited as to use held by the Trustee nor the bonds payable are included on the accompanying consolidated statement of financial position as of June 30, 2022 and 2020.

Refunding Series 2015 USG Real Estate Foundation I, LLC Bonds Payable

In June 2015, the Georgia Higher Education Facilities Authority issued refunding revenue bonds and loaned the proceeds to USG Real Estate Foundation I, LLC in the amount of $85,570,000. The Refunding Series 2015 bonds were issued to refund the Series 2008 bonds.

The terms of the bonds require the USG Real Estate Foundation I, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Series 2015 bonds will mature on June 15, 2040, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 15th and June 15th, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 2.00% to 5.00%.

NOTE 8. BONDS PAYABLE (Continued)

The original bond principal of $85,570,000 was allocated to projects at the various institutions as follows:

Institution	Amount
Darton College	$ 22,955,000
Dalton State College	7,080,000
Fort Valley State University	21,535,000
Georgia College State University	8,865,000
University of North Georgia	
(formerly known as Gainesville State College)	5,310,000
Kennesaw State University	
(formerly known as Southern Polytechnic State University)	19,825,000
	$ 85,570,000

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2015 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 15,)	Principal	Interest	Total
2023	$ 2,895,000	$ 3,036,775	$ 5,931,775
2024	3,035,000	2,892,025	5,927,025
2025	3,195,000	2,740,275	5,935,275
2026	3,345,000	2,580,525	5,925,525
2027	3,445,000	2,480,175	5,925,175
2028 – 2032	19,450,000	10,196,494	29,646,494
2033 – 2036	23,850,000	5,804,950	29,654,950
2038 – 2040	13,630,000	1,013,925	14,643,925
	$ 72,845,000	$ 30,745,144	$ 103,590,144

Refunding Series 2018 USG Real Estate Foundation VI, LLC Bonds Payable

In June 2018, the Barnesville-Lamar County Industrial Development Authority issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation VI, LLC in the amount of $25,190,000. The Series 2018 bonds were issued to acquire a student housing property from the Gordon College Properties Foundation, LLC, and another student housing property from Gordon College Properties Foundation II, LLC, which are both wholly owned by Gordon State College Foundation, Inc. (a separate not-for-profit organization within the University System of Georgia).

NOTE 8. BONDS PAYABLE (Continued)

The terms of the bonds require the USG Real Estate Foundation VI, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Refunding Series 2018 bonds will mature on June 1, 2038, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 1st and June 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charged to the institution's facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2018 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 1,)	Principal	Interest	Total
2023	$ 1,270,000	$ 931,650	$ 2,201,650
2024	1,330,000	868,150	2,198,150
2025	1,395,000	801,650	2,196,650
2026	1,470,000	731,900	2,201,900
2027	1,540,000	658,400	2,198,400
2028 – 2032	7,000,000	2,224,125	9,224,125
2033 – 2037	5,550,000	999,275	6,549,275
2038	1,250,000	62,500	1,312,500
	$ 20,805,000	$ 7,277,650	$ 28,082,650

Refunding Series 2018 USG Real Estate Foundation VII, LLC Bonds Payable

In June 2018, the Joint Development Authority of Bleckley County and Dodge County issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation VII, LLC in the amount of $48,505,000. The Refunding Series 2018 bonds were issued to acquire three student housing properties from MGS Real Estate Foundation, LLC, and three additional student housing properties from MGC Real Estate Foundation II, LLC, which are both wholly owned by Middle Georgia State University Foundation, Inc. (a separate not-for-profit organization within the University System of Georgia).

NOTE 8. BONDS PAYABLE (Continued)

The terms of the bonds require the USG Real Estate Foundation VII, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Refunding Series 2018 bonds will mature on July 1, 2038, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 1st and July 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.25% to 5.00%.

The terms of the bonds require the Foundation to set rates and charged to the institution's facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2018 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (July 1,)	Principal	Interest	Total
2023	$ 1,960,000	$ 2,043,369	$ 4,003,369
2024	2,055,000	1,942,994	3,997,994
2025	2,160,000	1,837,619	3,997,619
2026	2,270,000	1,726,869	3,996,869
2027	2,385,000	1,610,494	3,995,494
2028 – 2032	13,770,000	6,188,253	19,958,253
2033 – 2037	15,310,000	2,785,500	18,095,500
2038	3,865,000	186,124	4,051,124
	$ 43,775,000	$ 18,321,222	$ 62,096,222

Refunding Series 2018A & 2018B USG Real Estate Foundation VIII, LLC Bonds Payable

In June 2018, the Americus-Sumter Payroll Development Authority issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation VIII, LLC in the amount of $33,750,000. The Refunding Series 2018 bonds were issued to acquire three student housing properties from GSW Foundation Housing, LLC, and two additional student housing properties from GSW Foundation Housing II, LLC, which are both wholly owned by Georgia Southwestern University Foundation, Inc. (a separate not-for-profit organization within the University System of Georgia).

NOTE 8. BONDS PAYABLE (Continued)

The terms of the bonds require the USG Real Estate Foundation VIII, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Refunding Series 2018A will mature on June 1, 2037 and the 2018B bonds will mature on June 1, 2039, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 1st and June 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 2.85% to 4.50%.

The terms of the bonds require the Foundation to set rates and charged to the institution's facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2018A & 2018B bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 1,)	Principal	Interest	Total
2023	$ 1,315,000	$ 1,242,578	$ 2,557,578
2024	1,375,000	1,183,617	2,558,617
2025	1,435,000	1,121,269	2,556,269
2026	1,500,000	1,055,869	2,555,869
2027	1,570,000	986,953	2,556,953
2028 – 2032	8,980,000	3,807,738	12,787,738
2033 – 2037	11,035,000	1,746,648	12,781,648
2038 – 2039	1,750,000	119,025	1,869,025
	$ 28,960,000	$ 11,263,697	$ 40,223,697

<u>Refunding Series 2019 USG Real Estate Foundation II, LLC Bonds Payable</u>

In March 2019, the Georgia Higher Education Facilities Authority issued refunding revenue bonds and loaned the proceeds to USG Real Estate Foundation II, LLC in the amount of $58,395,000. The Refunding Series 2019 bonds were issued to refund the Series 2009A USG Real Estate Foundation II, LLC bonds.

The terms of the bonds require the USG Real Estate Foundation II, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

NOTE 8. BONDS PAYABLE (Continued)

The Refunding Series 2019 bonds will mature on June 15, 2039, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 15th and June 15th, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.00% to 5.00%.

The original bond principal of $58,395,000 was allocated to projects at the various institutions as follows:

Institution	Amount
Columbus State University	$ 24,675,000
Kennesaw State University (formerly known as Southern Polytechnic State University)	33,720,000
	$ 58,395,000

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2019 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 15,)	Principal	Interest	Total
2023	$ 2,070,000	$ 2,410,300	$ 4,480,300
2024	2,175,000	2,306,800	4,481,800
2025	2,280,000	2,198,050	4,478,050
2026	2,400,000	2,084,050	4,484,050
2027	2,520,000	1,964,050	4,484,050
2028 – 2032	14,595,000	7,801,750	22,396,750
2033 – 2037	18,245,000	4,161,550	22,406,550
2038 – 2039	8,460,000	511,000	8,971,000
	$ 52,745,000	$ 23,437,550	$ 76,182,550

Series 2019 USG Real Estate Foundation IX, LLC Bonds Payable

In April 2019, the Development Authority of Bibb County issued revenue bonds and loaned the proceeds to the USG Real Estate Foundation IX, LLC in the amount of $18,335,000. The Series 2019 bonds were issued to finance construction of student housing facilities at Middle Georgia State University's Macon campus on real estate owned by the Board of Regents. The real estate on which the facilities are constructed will be leased to USG Real Estate Foundation IX, LLC by the Board of Regents pursuant to a ground lease for minimal rent.

NOTE 8. BONDS PAYABLE (Continued)

The terms of the bonds require the USG Real Estate Foundation IX, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Series 2019 bonds will mature on June 1, 2050, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 1st and June 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.00% to 5.25%.

Commencing in 2022, the terms of the bonds require the Foundation to set rates and charged to the institution's facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2019 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 1,)	Principal	Interest	Total
2023	$ 335,000	$ 798,550	$ 1,133,550
2024	350,000	785,150	1,135,150
2025	365,000	771,150	1,136,150
2026	380,000	756,550	1,136,550
2027	395,000	737,550	1,132,550
2028 – 2032	2,295,000	3,370,750	5,665,750
2033 – 2037	2,855,000	2,812,250	5,667,250
2038 – 2042	3,435,000	2,238,300	5,673,300
2043 – 2047	4,210,000	1,462,425	5,672,425
2048 – 2050	3,080,000	328,913	3,408,913
	$ 17,700,000	$ 14,061,588	$ 31,761,588

Refunding Series 2019 USG Real Estate Foundation X, LLC Bonds Payable

In May 2019, the Albany Dougherty Inner City Authority issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation X, LLC in the amount of $21,190,000. The Refunding Series 2019 bonds were issued to acquire four student housing properties from ASU Real Estate Foundation, LLC, which is wholly owned by Albany State University Foundation, Inc. (a separate not-for-profit organization within the University System of Georgia).

The terms of the bonds require the USG Real Estate Foundation X, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

NOTE 8. BONDS PAYABLE (Continued)

The Refunding Series 2019 bonds will mature on June 1, 2034, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 1st and June 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 4.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charged to the institution's facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2019 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 1,)	Principal	Interest	Total
2023	$ 1,150,000	$ 857,550	$ 2,007,550
2024	1,210,000	800,050	2,010,050
2025	1,265,000	739,550	2,004,550
2026	1,335,000	676,300	2,011,300
2027	1,400,000	609,550	2,009,550
2028 – 2032	8,120,000	1,925,000	10,045,000
2033 – 2034	3,785,000	228,600	4,013,600
	$ 18,265,000	$ 5,836,600	$ 24,101,600

<u>Refunding Series 2020A USG Real Estate Foundation III, LLC Bonds Payable</u>

In March 2020, the Georgia Higher Education Facilities Authority issued refunding revenue bonds and loaned the proceeds to USG Real Estate Foundation III, LLC in the amount of $47,640,000. The Refunding Series 2020A bonds were issued to refund the Series 2010A USG Real Estate Foundation III, LLC bonds.

The terms of the bonds require the USG Real Estate Foundation III, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

The Refunding Series 2020A bonds will mature on June 15, 2041, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on December 15th and June 15th, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.00% to 5.00%.

NOTE 8. BONDS PAYABLE (Continued)

The original bond principal of $47,640,000 was allocated to projects at the various institutions as follows:

Institution	Amount
College of Coastal Georgia	$ 9,135,000
University of West Georgia	4,110,000
Savannah State University	12,935,000
Georgia College and State University	21,460,000
	$ 47,640,000

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Refunding Series 2020A bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 15,)	Principal	Interest	Total
2023	$ 1,500,000	$ 1,939,250	$ 3,439,250
2024	1,575,000	1,864,250	3,439,250
2025	1,650,000	1,785,500	3,435,500
2026	1,735,000	1,703,000	3,438,000
2027	1,815,000	1,616,250	3,431,250
2028 – 2032	10,565,000	6,622,000	17,187,000
2033 – 2037	13,370,000	3,789,450	17,159,450
2038 – 2041	12,650,000	1,065,250	13,715,250
	$ 44,860,000	$ 20,384,950	$ 65,244,950

Refunding Series 2020 USG Real Estate Foundation XI, LLC Bonds Payable

In October 2020, the Albany Dougherty Inner City Authority issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation XI, LLC in the amount of $47,395,000. The Refunding Series 2020 bonds were issued to acquire four student housing properties from ASU Real Estate Foundation, LLC, which is wholly owned by Albany State University Foundation, Inc. (a separate not-for-profit organization within the University System of Georgia).

The terms of the bonds require the USG Real Estate Foundation XI, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

NOTE 8. BONDS PAYABLE (Continued)

The Refunding Series 2020 bonds will mature on July 1, 2041, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 1st and July 1st, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 2.50% to 5.00%.

Commencing in October 2021, the terms of the bonds require the Foundation to set rates and charged to the institution’s facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2020 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (July 1,)	Principal	Interest	Total
2023	$ 1,565,000	$ 1,974,913	$ 3,539,913
2024	1,635,000	1,894,913	3,529,913
2025	1,730,000	1,810,788	3,540,788
2026	1,810,000	1,722,288	3,532,288
2027	1,900,000	1,629,538	3,529,538
2028 – 2032	11,010,000	6,588,438	17,598,438
2033 – 2037	14,010,000	3,553,150	17,563,150
2038 – 2042	11,430,000	766,881	12,196,881
	$ 45,090,000	$ 19,940,909	$ 65,030,909

Refunding Series 2021 USG Real Estate Foundation XII, LLC Bonds Payable

In May 2021, the Development Authority of the City of Milledgeville and Baldwin County issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation XII, LLC in the amount of $66,890,000. The Refunding Series 2021 bonds were issued to acquire two student housing properties from GCSU Foundation Property V, LLC, which is wholly owned by Georgia College and State University Foundation, Inc. (a separate not-for-profit organization within the University System of Georgia).

The terms of the bonds require the USG Real Estate Foundation XII, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the bonds, and retire the debt (see Note 6).

NOTE 8. BONDS PAYABLE (Continued)

The Refunding Series 2021 bonds will mature on June 15, 2037, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on June 15th and December 15th, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 4.00% to 5.00%.

Commencing in October 2021, the terms of the bonds require the Foundation to set rates and charged to the institution's facilities, such that the debt service coverage ratio calculation at the end of fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2021 bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (June 15,)	Principal	Interest	Total
2023	$ 2,980,000	$ 3,096,200	$ 6,076,200
2024	3,130,000	2,947,200	6,077,200
2025	3,285,000	2,790,700	6,075,700
2026	3,450,000	2,626,450	6,076,450
2027	3,620,000	2,453,950	6,073,950
2028 – 2032	21,000,000	9,366,250	30,366,250
2033 – 2037	26,745,000	3,620,900	30,365,900
	$ 64,210,000	$ 26,901,650	$ 91,111,650

NOTE 8. BONDS PAYABLE (Continued)

Summary:

A summary of the components of bonds payable at June 30, 2022 and 2021 is as follows:

	2022	2021
Refunding Series 2015 USG Real Estate Foundation I, LLC	**$ 72,845,000**	$ 75,555,000
Refunding Series 2018 USG Real Estate Foundation VI, LLC	**20,805,000**	22,005,000
Refunding Series 2018 USG Real Estate Foundation VII, LLC	**43,775,000**	45,570,000
Refunding Series 2018A & 2018B USG Real Estate Foundation VIII, LLC	**28,960,000**	30,220,000
Refunding Series 2019 USG Real Estate Foundation II, LLC	**52,745,000**	54,720,000
Series 2019 USG Real Estate Foundation IX, LLC	**17,700,000**	18,025,000
Refunding Series 2019 USG Real Estate Foundation X, LLC	**18,265,000**	19,360,000
Refunding Series 2020A USG Real Estate Foundation III, LLC	**44,860,000**	46,285,000
Refunding Series 2020 USG Real Estate Foundation XI, LLC	**45,090,000**	47,395,000
Refunding Series 2021 USG Real Estate Foundation XII, LLC	**64,210,000**	66,890,000
Unamortized original issue premium, net	**40,419,703**	47,570,346
Unamortized bond issuance costs, net	**(4,456,271)**	(4,960,680)
	$ 445,218,432	$ 468,634,666

Bond interest expense incurred totaled $21,072,973 and $16,095,532, for the years ended June 30, 2022 and 2021, respectively.

The fair value of the bonds at June 30, 2022 and 2021, were $430,139,237 and $505,866,221, respectively.

NOTE 9. NOTES PAYABLE

USG Real Estate Foundation IV, LLC USDA Notes Payable

In September 2018, the Foundation refinanced a Bond Anticipation Note (BAN) with five individual, 19-year low-interest fixed rate notes payable with the USDA. The real estate on which the facilities are constructed will be leased to USG Real Estate Foundation IV, LLC by the Board of Regents pursuant to a ground lease for minimal rent.

USG Real Estate Foundation V, LLC USDA Notes Payable

In November 2019, the Foundation refinanced a BAN with four individual, 22 year low-interest fixed rate notes payable with the USDA. The real estate on which the facilities are constructed will be leased to USG Real Estate Foundation V, LLC by the Board of Regents pursuant to a ground lease for minimal rent.

NOTE 9. NOTES PAYABLE (Continued)

At June 30, 2022 and 2021, the USDA notes payable consists of the following:

	2022	2021
USG Real Estate Foundation IV, LLC		
USDA Note #1 for $8,500,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $580,380 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 7,431,251**	$ 7,797,208
USDA Note #2 for $8,000,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $546,240 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 6,994,118**	$ 7,338,548
USDA Note #3 for $9,500,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $648,660 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 8,305,516**	$ 8,714,526
USDA Note #4 for $9,000,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $614,520 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 7,868,383**	$ 8,255,867
USDA Note #5 for $5,500,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $375,540 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 4,808,456**	$ 5,045,252
USG Real Estate Foundation V, LLC		
USDA Note #1 for $9,500,000 - (November 2019) Note payable collateralized by real estate. Annual principal and interest payments of $596,125 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 8,868,416**	$ 9,188,875

NOTE 9. NOTES PAYABLE (Continued)

USDA Note #2 for $9,100,000 - (November 2019) Note payable collateralized by real estate. Annual principal and interest payments of $571,025 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 8,495,009**	$ 8,801,975
USDA Note #3 for $8,400,000 - (November 2019) Note payable collateralized by real estate. Annual principal and interest payments of $527,100 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 7,841,547**	$ 8,124,900
USDA Note #4 for $8,590,000 - (November 2019) Note payable collateralized by real estate. Annual principal and interest payments of $539,023 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 8,018,914**	$ 8,308,677
	$ 68,631,610	$ 71,575,828

The terms of the USDA notes payable require the USG Real Estate Foundation IV, LLC and USG Real Estate Foundation V, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the note, and retire the debt (see Note 6).

The USG Real Estate Foundation IV, LLC USDA notes payable will all mature on September 20, 2037, bear interest at a fixed rate of 2.75%, and are payable annually on September 20th. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture.

The USG Real Estate Foundation V, LLC USDA notes payable will all mature on November 18, 2041, bear interest at a fixed rate of 3.00%, and are payable annually on November 18th. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture.

NOTE 9. NOTES PAYABLE (Continued)

At June 30, 2022, the scheduled principal repayments of the nine outstanding USDA notes payable are as follows:

Redemption Date	Principal	Interest	Total
2023	$ 3,028,184	$ 1,970,429	$ 4,998,613
2024	3,114,550	1,884,063	4,998,613
2025	3,203,385	1,795,228	4,998,613
2026	3,294,758	1,703,855	4,998,613
2027	3,388,741	1,609,872	4,998,613
2028 – 2032	18,450,209	6,542,856	24,993,065
2033 – 2037	21,237,089	3,755,976	24,993,065
2038 – 2042	12,914,694	1,012,196	13,926,890
	$ 68,631,610	$ 20,274,475	$ 88,906,085

Summary:

A summary of the components of the notes payable at June 30, 2022 and 2021, is as follows:

	2022	2021
USG Real Estate Foundation IV, LLC USDA notes payable	**$ 35,407,724**	$ 37,151,401
USG Real Estate Foundation V, LLC USDA notes payable	**33,223,886**	34,424,427
Unamortized debt issuance costs, net	**(1,159,423)**	(1,295,181)
	$ 67,472,187	$ 70,280,647

Interest expense on the notes payable incurred totaled $2,032,388 and $2,088,094, for the years ended June 30, 2022 and 2021, respectively.

NOTE 10. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
Scholarship and awards	$ 127,387	$ 404,479
USO and BOR Support	2,048,732	1,137,508
Total subject to expenditure for specified purpose:	2,176,119	1,541,987
Perpetual in nature:		
Scholarship and awards	1,429,115	1,019,868
Total perpetual in nature:	1,429,115	1,019,868
Total net assets with donor restrictions:	$ 3,605,234	$ 2,561,855

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
Cash	$ 1,369,987	$ 845,548
Pledges and grants receivable, net	806,132	508,037
Investments	-	188,402
Total subject to expenditure for specified purpose:	2,176,119	1,541,987
Endowments (perpetual in nature and purpose restrictions):		
Cash	38,519	7,600
Pledges and grants receivable, net	55,000	82,500
Investments	1,335,596	929,768
Total endowments:	1,429,115	1,019,868
Total net assets with donor restrictions:	$ 3,605,234	$ 2,561,855

NOTE 11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2022 and 2021, by incurring expenses satisfying the restricted purpose specified by donors as follows:

Purpose restrictions accomplished:

	2022	2021
R&D programmatic grants	$ -	$ 6,152
Scholarship and awards	312,982	363,678
USO and BOR Support	542,430	785,198
Institutional advancement	-	172,001
	$ 855,412	$ 1,327,029

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 Trustees 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 net assets with donor restrictions perpetual in nature at the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions perpetual in nature is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with FASB's *Not-For-Profit* presentation and disclosure guidance, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2022, the Foundation had nine funds with original gift value of $794,572, fair value of $709,109, and deficiency of $85,463. At June 30, 2021, the Foundation did not have any deficiencies in the endowment.

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 as well as board-designated funds. Under this policy, as approved by the Finance Committee of the Board of Trustees, 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 asset classes while assuming a moderate level of investment risk.

NOTE 12. ENDOWMENT (Continued)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's Finance Committee of the Board of Trustees (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 5% of the fair value of endowment net assets each year) may be distributed for purposes of supporting unrestricted and temporarily restricted activities.

The Foundation's Finance Committee of the Board of Trustees reviews spending policies annually and approves distributions they deem to be prudent.

The Endowment Net Asset Composition by type of Fund as of June 30, 2022 and 2021, is as follows:

	Quasi-Endowment *(Without Donor Restrictions)*	Endowment *(With Donor Restrictions)*	Total
June 30, 2022			
Board-designated endowment funds	**$ 5,046,893**	**$ -**	**$ 5,046,893**
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	**-**	**1,374,115**	**1,374,115**
Accumulated investment (losses)	**-**	**(43,116)**	**(43,116)**
Endowment net assets, end of year	**$ 5,046,893**	**$ 1,330,999**	**$ 6,377,892**
June 30, 2021			
Board-designated endowment funds	$ 5,954,074	$ -	$ 5,954,074
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	937,368	937,368
Accumulated investment gains	-	158,290	158,290
Endowment net assets, end of year	$ 5,954,074	$ 1,095,658	$ 7,049,732

NOTE 12. ENDOWMENT (Continued)

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

	Quasi-Endowment *(Without Donor Restrictions)*	Endowment *(With Donor Restrictions)*	Total
Endowment net assets, beginning of year	**$ 5,954,074**	**$ 1,095,658**	**$ 7,049,732**
Investment return:			
Investment income, net of investment fees	**97,349**	**20,939**	**118,288**
Realized and unrealized net (losses)	**(777,098)**	**(191,711)**	**(968,809)**
Total investment (losses)	**(679,749)**	**(170,772)**	**(850,521)**
Contributions	**1,233**	**290,747**	**291,980**
Change in donor intent	**-**	**146,000**	**146,000**
Appropriation of endowment assets for expenditure	**(228,665)**	**(30,634)**	**(259,299)**
Endowment net assets, end of year	**$ 5,046,893**	**$ 1,330,999**	**$ 6,377,892**

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

	Quasi-Endowment *(Without Donor Restrictions)*	Endowment *(With Donor Restrictions)*	Total
Endowment net assets, beginning of year	$ 4,748,392	$ 618,207	$ 5,366,599
Investment return:			
Investment income, net of investment fees	75,117	11,260	86,377
Realized and unrealized net gains	1,329,424	192,392	1,521,816
Total investment gains	1,404,541	203,652	1,608,193
Contributions	1,398	290,234	291,632
Change in donor intent	-	7,304	7,304
Appropriation of endowment assets for expenditure	(200,257)	(23,739)	(223,996)
Endowment net assets, end of year	$ 5,954,074	$ 1,095,658	$ 7,049,732

NOTE 13. RELATED PARTY TRANSACTIONS

One of the Foundation's primary functions is to support the Board of Regents of the University System of Georgia. The Foundation's Board of Trustees is comprised of current and former Regents and others with knowledge and commitment to public higher education and with access to businesses, groups, and individuals interested in promoting, encouraging, and supporting the charitable purposes and functions of the Foundation. All Trustees are elected by the Board of Trustees. The Board of Regents has no authority to appoint or elect members of the Foundation's Board of Trustees.

Certain expenses were incurred by the Board of Regents in conducting various program services for the Foundation. In return, the Foundation reimbursed these costs to the Board of Regents totaling $835,084 and $900,630 during the years ended June 30, 2022 and 2021, respectively. The Foundation also reimbursed personnel costs to the Board of Regents for certain administrative services provided by employees of the Board of Regents.

NOTE 14. COMMITMENTS AND CONTINGENCIES

From time to time, the Foundation is involved in various litigation matters arising from the normal course of business. The Foundation has business insurance that covers various litigation matters. The Foundation has not experienced any losses from litigation, and believes it is not exposed to any significant risk.

NOTE 15. IN-KIND CONTRIBUTIONS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

Type	**2022**	2021	Usage
Annual Gala Items	**$ 38,232**	$ -	Fundraising
	$ 38,232	$ -	

The Foundation recognized contributed nonfinancial assets within revenue, including contributed items for the annual gala. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed items for the gala were valued using estimated average prices of identical or similar products or services using pricing data of similar products or services under a 'like-kind' methodology, considering the utility of the goods at the time of the contribution.

NOTE 16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through September 30, 2022, the date on which the consolidated financial statements were available to be issued.

SINGLE AUDIT SECTION

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title/Project Name	Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture		
Direct funded awards:		
Community Facilities Loans and Grants		
USG Real Estate IV, LLC		
Loan #1	10.766	$ 7,797,208
Loan #2	10.766	7,338,548
Loan #3	10.766	8,714,526
Loan #4	10.766	8,255,867
Loan #5	10.766	5,045,252
		37,151,401
USG Real Estate V, LLC		
Loan #1	10.766	9,188,875
Loan #2	10.766	8,801,975
Loan #3	10.766	8,124,900
Loan #4	10.766	8,308,677
		34,424,427
Total U.S. Department of Agriculture	10.766	71,575,828
Total expenditures of federal awards		$ 71,575,828

See Notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University System of Georgia Foundation, Inc. and Affiliates under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University System of Georgia Foundation, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University System of Georgia Foundation, Inc. and Affiliates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The University System of Georgia Foundation, Inc. and Affiliates has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

NOTE 4. LOANS OUTSTANDING

University System of Georgia Foundation, Inc. and Affiliates has received two U.S. Department of Agriculture communities and facilities loan clusters. The total federal expenditures in the current year are presented in the Schedule of Expenditures of Federal Awards.

NOTE 4. LOANS OUTSTANDING (Continued)

University System of Georgia Foundation, Inc. and Affiliates had the following balance outstanding on the notes payable at June 30, 2022:

Cluster/Program Title Outstanding	Assistance Listing Number	Amount
USG Real Estate Foundation IV, LLC USDA notes payable		
Loan #1	10.766	$ 7,431,251
Loan #2	10.766	6,994,118
Loan #3	10.766	8,305,516
Loan #4	10.766	7,868,383
Loan #5	10.766	4,808,456
		35,407,724
USG Real Estate Foundation V, LLC USDA notes payable		
Loan #1	10.766	8,868,416
Loan #2	10.766	8,495,009
Loan #3	10.766	7,841,547
Loan #4	10.766	8,018,914
		33,223,886
		$ 68,631,610

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

To the Board of Trustees
University System of Georgia Foundation, Inc. and Affiliates
Atlanta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University System of Georgia Foundation, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University System of Georgia Foundation, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University System of Georgia Foundation, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the University System of Georgia Foundation, Inc. and Affiliates' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
September, 30 2022

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
University System of Georgia Foundation, Inc. and Affiliates
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University System of Georgia Foundation, Inc. and Affiliates' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University System of Georgia Foundation, Inc. and Affiliates' major federal programs for the year ended June 30, 2022. The University System of Georgia Foundation, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University System of Georgia Foundation, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University System of Georgia Foundation, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University System of Georgia Foundation, Inc. and Affiliates' compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University System of Georgia Foundation, Inc. and Affiliates' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University System of Georgia Foundation, Inc. and Affiliates' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University System of Georgia Foundation, Inc. and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University System of Georgia Foundation, Inc. and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University System of Georgia Foundation, Inc. and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University System of Georgia Foundation, Inc. and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September, 30 2022

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:
Financial Statements:

Type of auditor's report issued	**Unmodified**	
	Yes	**No**
Internal control over financial reporting:		
Material weaknesses identified?		**X**
Significant deficiencies identified not considered to be material weaknesses?		**None Reported**
Noncompliance material to the financial statements noted?		**X**

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?		**X**
Significant deficiencies identified not considered to be material weaknesses?		**None Reported**
Type of auditor's report issued on compliance for major programs	**Unmodified**	
Audit findings required to be reported in accordance with 2 CFR Section 200.516(a)		**X**

Identification of major programs:

U.S. Department of Agriculture

10.766 Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs	$ 2,147,275	
	Yes	**No**
Auditee qualified as low-risk auditee?		**X**
Financial Statement Findings?		**X**
Federal Award Findings/Questioned Costs?		**X**

II. – FINANCIAL STATEMENT FINDINGS

NONE

III. – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

NONE

II. – FINANCIAL STATEMENT FINDINGS

NONE

III. – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

NONE

SUPPLEMENTARY INFORMATION

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	USG Foundation, Inc.	USG Real Estate Foundation I, LLC	USG Real Estate Foundation II, LLC	USG Real Estate Foundation III, LLC	USG Real Estate Foundation IV, LLC	USG Real Estate Foundation V, LLC	USG Real Estate Foundation VI, LLC
Cash and cash equivalents	$ 2,191,321	$ -	$ -	$ -	$ 15	$ (15)	$ 3,707
Pledges and grants receivable, net	1,081,185	-	-	-	-	-	-
Investments	6,382,489	-	-	-	-	-	-
Net investments in direct financing leases	-	66,639,318	53,035,830	45,895,579	32,786,522	31,048,831	22,108,887
Assets limited as to use	-	2,619,458	3,650,986	3,208,000	6,148,984	4,765,082	2,900,775
Total assets	$ 9,654,995	$ 69,258,776	$ 56,686,816	$ 49,103,579	$ 38,935,521	$ 35,813,898	$ 25,013,369
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable	$ 82,092	$ -	$ -	$ 14,791	$ 8,070	$ 52,751	$ -
Bonds payable, net	-	72,871,434	56,586,588	51,248,912	-	-	21,575,731
USDA notes payable, net	-	-	-	-	34,874,066	32,598,121	-
Accrued interest payable	-	118,088	93,735	75,413	794,625	609,102	75,046
Total liabilities	82,092	72,989,522	56,680,323	51,339,116	35,676,761	33,259,974	21,650,777
Net assets (deficit)							
Without donor restrictions:							
Undesignated	920,776	(3,730,746)	6,493	(2,235,537)	3,258,760	2,553,924	3,362,592
Board-designated	5,046,893	-	-	-	-	-	-
Total without donor restrictions	5,967,669	(3,730,746)	6,493	(2,235,537)	3,258,760	2,553,924	3,362,592
With donor restrictions	3,605,234	-	-	-	-	-	-
Total net assets (deficit)	9,572,903	(3,730,746)	6,493	(2,235,537)	3,258,760	2,553,924	3,362,592
Total liabilities and net assets (deficit)	$ 9,654,995	$ 69,258,776	$ 56,686,816	$ 49,103,579	$ 38,935,521	$ 35,813,898	$ 25,013,369

See Note to Supplementary Information.

USG Real Estate Foundation VII, LLC	USG Real Estate Foundation VIII, LLC	USG Real Estate Foundation IX, LLC	USG Real Estate Foundation X, LLC	USG Real Estate Foundation XI, LLC	USG Real Estate Foundation XII, LLC	Eliminations	Total
$ 5,782	$ -	$ 45,027	$ -	$ -	$ -	$ -	$ 2,245,837
-	-	-	-	-	-	220,053	861,132
-	-	-	-	-	-	-	6,382,489
45,461,492	29,732,647	19,737,346	20,517,534	49,512,197	75,829,440	-	492,305,623
7,212,639	2,741,299	126,089	2,361,768	5,438,733	4,858,571	-	46,032,384
$ 52,679,913	$ 32,473,946	$ 19,908,462	$ 22,879,302	$ 54,950,930	$ 80,688,011	$ 220,053	$ 547,827,465
$ -	$ -	$ -	$ -	$ 115,770	$ 100,244	$ 220,053	$ 153,665
46,274,171	29,286,744	18,897,660	20,172,521	50,474,357	77,830,314	-	445,218,432
-	-	-	-	-	-	-	67,472,187
1,040,374	98,395	64,328	69,081	1,017,887	146,952	-	4,203,026
47,314,545	29,385,139	18,961,988	20,241,602	51,608,014	78,077,510	220,053	517,047,310
5,365,368	3,088,807	946,474	2,637,700	3,342,916	2,610,501	-	22,128,028
-	-	-	-	-	-	-	5,046,893
5,365,368	3,088,807	946,474	2,637,700	3,342,916	2,610,501	-	27,174,921
-	-	-	-	-	-	-	3,605,234
5,365,368	3,088,807	946,474	2,637,700	3,342,916	2,610,501	-	30,780,155
$ 52,679,913	$ 32,473,946	$ 19,908,462	$ 22,879,302	$ 54,950,930	$ 80,688,011	$ 220,053	$ 547,827,465

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS	USG Foundation, Inc.	USG Real Estate Foundation I, LLC	USG Real Estate Foundation II, LLC	USG Real Estate Foundation III, LLC	USG Real Estate Foundation IV, LLC	USG Real Estate Foundation V, LLC	USG Real Estate Foundation VI, LLC
Cash and cash equivalents	$ 2,153,248	$ -	$ -	$ -	$ 1,165	$ (15)	$ 7,207
Pledges and grants receivable, net	590,537	-	-	-	-	-	-
Investments	7,072,244	-	-	-	-	-	-
Net investments in direct financing leases	-	68,696,405	55,051,917	47,411,823	34,371,471	32,169,103	23,431,895
Assets limited as to use	-	2,596,121	2,488,738	2,873,348	5,948,797	4,432,496	2,685,948
Total assets	$ 9,816,029	$ 71,292,526	$ 57,540,655	$ 50,285,171	$ 40,321,433	$ 36,601,584	$ 26,125,050
LIABILITIES AND NET ASSETS							
Liabilities							
Construction payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	268,923	-	3,000	6,000	-	-	3,250
Scholarships payable	277,500	-	-	-	-	-	-
Bonds payable, net	-	75,836,217	59,315,483	53,706,796	-	-	23,015,210
USDA notes payable, net	-	-	-	-	36,549,578	33,731,069	-
Accrued interest payable	-	123,360	97,576	78,185	794,626	631,112	79,880
Total liabilities	546,423	75,959,577	59,416,059	53,790,981	37,344,204	34,362,181	23,098,340
Net assets (deficit)							
Without donor restrictions:							
Undesignated	753,677	(4,667,051)	(1,875,404)	(3,505,810)	2,977,229	2,239,403	3,026,710
Board-designated	5,954,074	-	-	-	-	-	-
Total without donor restrictions	6,707,751	(4,667,051)	(1,875,404)	(3,505,810)	2,977,229	2,239,403	3,026,710
With donor restrictions	2,561,855	-	-	-	-	-	-
Total net assets (deficit)	9,269,606	(4,667,051)	(1,875,404)	(3,505,810)	2,977,229	2,239,403	3,026,710
Total liabilities and net assets (deficit)	$ 9,816,029	$ 71,292,526	$ 57,540,655	$ 50,285,171	$ 40,321,433	$ 36,601,584	$ 26,125,050

See Note to Supplementary Information.

USG Real Estate Foundation VII, LLC	USG Real Estate Foundation VIII, LLC	USG Real Estate Foundation IX, LLC	USG Real Estate Foundation X, LLC	USG Real Estate Foundation XI, LLC	USG Real Estate Foundation XII, LLC	Eliminations	Total
$ 14,225	$ 3,348	$ 42,277	$ -	$ -	$ -	$ -	$ 2,221,455
-	-	-	-	-	-	-	590,537
-	-	-	-	-	-	-	7,072,244
47,720,004	31,031,352	20,053,705	21,901,493	51,575,990	79,823,321	-	513,238,479
6,708,275	2,477,618	419,559	2,148,984	5,800,956	4,691,789	-	43,272,629
$ 54,442,504	$ 33,512,318	$ 20,515,541	$ 24,050,477	$ 57,376,946	$ 84,515,110	$ -	$ 566,395,344
$ -	$ -	$ 357,500	$ -	$ -	$ -	$ -	$ 357,500
3,250	3,250	3,250	-	-	-	-	290,923
-	-	-	-	-	-	-	277,500
48,635,989	30,690,702	19,434,823	21,659,951	53,709,490	82,630,005	-	468,634,666
-	-	-	-	-	-	-	70,280,647
1,084,998	102,862	65,374	73,492	1,058,729	300,498	-	4,490,692
49,724,237	30,796,814	19,860,947	21,733,443	54,768,219	82,930,503	-	544,331,928
4,718,267	2,715,504	654,594	2,317,034	2,608,727	1,584,607	-	13,547,487
-	-	-	-	-	-	-	5,954,074
4,718,267	2,715,504	654,594	2,317,034	2,608,727	1,584,607	-	19,501,561
-	-	-	-	-	-	-	2,561,855
4,718,267	2,715,504	654,594	2,317,034	2,608,727	1,584,607	-	22,063,416
$ 54,442,504	$ 33,512,318	$ 20,515,541	$ 24,050,477	$ 57,376,946	$ 84,515,110	$ -	$ 566,395,344

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	USG Foundation, Inc.	USG Real Estate Foundation I, LLC	USG Real Estate Foundation II, LLC	USG Real Estate Foundation III, LLC	USG Real Estate Foundation IV, LLC	USG Real Estate Foundation V, LLC	USG Real Estate Foundation VI, LLC
OPERATING REVENUES AND OTHER SUPPORT							
Contributions	$ 1,953,215	$ -	$ -	$ -	$ -	$ -	$ -
In-kind contributions	38,232	-	-	-	-	-	-
Service contract revenue	579,637	-	-	-	-	-	-
Registration fees and other income	13,159	-	-	-	-	-	-
Management fee income	806,165	-	-	-	-	-	-
Investment income, net of investment fees	118,667	854	852	882	6,819	3,107	1,330
Net realized and unrealized gains (losses) on investments	(969,602)	-	-	-	(9,752)	1,477	78
Investment income from direct financing leases	-	4,010,815	2,534,580	2,014,701	1,273,321	1,225,463	943,962
Rental income	-	298,376	1,144,945	359,844	175,000	216,541	232,981
Total operating revenues and other support	2,539,473	4,310,045	3,680,377	2,375,427	1,445,388	1,446,588	1,178,351
OPERATING EXPENSES							
Program services:							
Scholarships and awards	754,800	-	-	-	-	-	-
USO and BOR support	487,881	-	-	-	-	-	-
Institutional advancement	239,313	-	-	-	-	-	-
Real estate support	478,053	3,179,109	1,798,480	1,091,099	1,162,707	1,132,067	842,469
Total program services	1,960,047	3,179,109	1,798,480	1,091,099	1,162,707	1,132,067	842,469
Supporting services:							
General and administrative	103,323	-	-	-	-	-	-
Fundraising	400,506	-	-	-	-	-	-
Total supporting services	503,829	-	-	-	-	-	-
Total operating expenses	2,463,876	3,179,109	1,798,480	1,091,099	1,162,707	1,132,067	842,469
CHANGE IN NET ASSETS	75,597	1,130,936	1,881,897	1,284,328	282,681	314,521	335,882
NET ASSETS (DEFICIT), BEGINNING	9,269,606	(4,667,051)	(1,875,404)	(3,505,810)	2,977,229	2,239,403	3,026,710
TRANSFERS	227,700	(194,631)	-	(14,055)	(1,150)	-	-
NET ASSETS (DEFICIT), ENDING	$ 9,572,903	$ (3,730,746)	$ 6,493	$ (2,235,537)	$ 3,258,760	$ 2,553,924	$ 3,362,592

See Note to Supplementary Information.

USG Real Estate Foundation VII, LLC	USG Real Estate Foundation VIII, LLC	USG Real Estate Foundation IX, LLC	USG Real Estate Foundation X, LLC	USG Real Estate Foundation XI, LLC	USG Real Estate Foundation XII, LLC	Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,953,215
-	-	-	-	-	-	-	38,232
-	-	-	-	-	-	-	579,637
-	-	-	-	-	-	-	13,159
-	-	-	-	-	-	787,479	18,686
1,638	1,324	236	1,071	1,021	1,842	-	139,643
76	78	-	-	16	36	-	(977,593)
1,878,484	1,318,654	897,441	684,955	1,640,958	2,178,237	-	20,601,571
371,580	259,686	63,860	220,024	321,698	524,001	-	4,188,536
2,251,778	1,579,742	961,537	906,050	1,963,693	2,704,116	787,479	26,555,086
-	-	-	-	-	-	-	754,800
-	-	-	-	-	-	-	487,881
-	-	-	-	-	-	-	239,313
1,604,677	1,208,184	669,657	575,573	1,219,706	1,678,222	787,479	15,852,524
1,604,677	1,208,184	669,657	575,573	1,219,706	1,678,222	787,479	17,334,518
-	-	-	-	-	-	-	103,323
-	-	-	-	-	-	-	400,506
-	-	-	-	-	-	-	503,829
1,604,677	1,208,184	669,657	575,573	1,219,706	1,678,222	787,479	17,838,347
647,101	371,558	291,880	330,477	743,987	1,025,894	-	8,716,739
4,718,267	2,715,504	654,594	2,317,034	2,608,727	1,584,607	-	22,063,416
-	1,745	-	(9,811)	(9,798)	-	-	-
$ 5,365,368	$ 3,088,807	$ 946,474	$ 2,637,700	$ 3,342,916	$ 2,610,501	$ -	$ 30,780,155

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	USG Foundation, Inc.	USG Real Estate Foundation I, LLC	USG Real Estate Foundation II, LLC	USG Real Estate Foundation III, LLC	USG Real Estate Foundation IV, LLC	USG Real Estate Foundation V, LLC	USG Real Estate Foundation VI, LLC
OPERATING REVENUES AND OTHER SUPPORT							
Contributions	$ 1,234,573	$ -	$ -	$ -	$ -	$ -	$ -
Service contract revenue	612,754	-	-	-	-	-	-
Registration fees and other income	41,744	-	-	-	-	-	-
Management fee income	703,364	-	-	-	-	-	-
Investment income, net of investment fees	87,168	-	585	507	45,473	589	294
Net realized and unrealized gains (losses) on investments	1,521,706	-	-	-	(41,534)	(696)	-
Investment income from direct financing leases	-	4,122,630	2,625,043	2,077,471	1,331,014	1,267,257	996,480
Rental income	-	292,048	334,898	349,363	90,000	209,244	226,194
Total operating revenues and other support	4,201,309	4,414,678	2,960,526	2,427,341	1,424,953	1,476,394	1,222,968
OPERATING EXPENSES							
Program services:							
Scholarships and awards	886,584	-	-	-	-	-	-
R&D programmatic grants	5,968	-	-	-	-	-	-
USO and BOR support	546,336	-	-	-	-	-	-
Institutional advancement	353,684	-	-	-	-	-	-
Real estate support	394,690	3,137,639	2,543,560	1,080,615	1,191,268	1,212,258	859,900
Total program services	2,187,262	3,137,639	2,543,560	1,080,615	1,191,268	1,212,258	859,900
Supporting services:							
General and administrative	109,443	-	-	-	-	-	-
Fundraising	350,789	-	-	-	-	-	-
Total supporting services	460,232	-	-	-	-	-	-
Total operating expenses	2,647,494	3,137,639	2,543,560	1,080,615	1,191,268	1,212,258	859,900
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,553,815	1,277,039	416,966	1,346,726	233,685	264,136	363,068
NON-OPERATING ACTIVITIES							
Loss on extinguishment of bond debt	-	-	-	-	-	-	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	1,553,815	1,277,039	416,966	1,346,726	233,685	264,136	363,068
NET ASSETS (DEFICIT), BEGINNING	7,669,973	(5,944,090)	(2,292,370)	(4,852,536)	2,743,394	1,975,267	2,663,642
TRANSFERS	45,818	-	-	-	150	-	-
NET ASSETS (DEFICIT), ENDING	$ 9,269,606	$ (4,667,051)	$ (1,875,404)	$ (3,505,810)	$ 2,977,229	$ 2,239,403	$ 3,026,710

See Note to Supplementary Information.

USG Real Estate Foundation VII, LLC	USG Real Estate Foundation VIII, LLC	USG Real Estate Foundation IX, LLC	USG Real Estate Foundation X, LLC	USG Real Estate Foundation XI, LLC	USG Real Estate Foundation XII, LLC	Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,234,573
-	-	-	-	-	-	-	612,754
-	-	-	-	-	-	-	41,744
-	-	-	-	-	-	686,255	17,109
429	276	100	138	128	3	-	135,690
-	-	-	-	5	-	-	1,479,481
1,966,593	1,372,727	783,049	726,226	1,044,182	-	-	18,312,672
360,757	252,122	62,000	213,615	315,389	-	-	2,705,630
2,327,779	1,625,125	845,149	939,979	1,359,704	3	686,255	24,539,653
-	-	-	-	-	-	-	886,584
-	-	-	-	-	-	-	5,968
-	-	-	-	-	-	-	546,336
-	-	-	-	-	-	-	353,684
1,667,261	1,273,103	682,561	622,174	847,128	109,242	686,255	14,935,144
1,667,261	1,273,103	682,561	622,174	847,128	109,242	686,255	16,727,716
-	-	-	-	-	-	-	109,443
-	-	-	-	-	-	-	350,789
-	-	-	-	-	-	-	460,232
1,667,261	1,273,103	682,561	622,174	847,128	109,242	686,255	17,187,948
660,518	352,022	162,588	317,805	512,576	(109,239)	-	7,351,705
-	-	-	-	2,096,151	1,693,846	-	3,789,997
-	-	-	-	2,096,151	1,693,846	-	3,789,997
660,518	352,022	162,588	317,805	2,608,727	1,584,607	-	11,141,702
4,093,214	2,373,985	492,006	1,999,229	-	-	-	10,921,714
(35,465)	(10,503)	-	-	-	-	-	-
$ 4,718,267	$ 2,715,504	$ 654,594	$ 2,317,034	$ 2,608,727	$ 1,584,607	$ -	$ 22,063,416

NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS

For the years ended June 30, 2022 and 2021, the Foundation has presented the investments in affiliates at cost on the consolidating financial statements.