UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2020

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the **University System of Georgia Foundation, Inc. and Affiliates** (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University System of Georgia Foundation, Inc. and Affiliates as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 54 - 62 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information

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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 24, 2020

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	**$ 1,603,841**	$ 630,309
Pledges and grants receivable, net	**871,100**	1,140,342
Investments	**5,366,599**	5,461,737
Prepaid expenses	**-**	22,120
Net investments in direct financing leases	**375,459,838**	395,549,306
Assets limited as to use	**34,473,214**	47,982,664
Construction in progress	**18,393,085**	2,097,069
Total assets	**$ 436,167,677**	$ 452,883,547
LIABILITIES AND NET ASSETS		
Liabilities		
Construction payable	**$ 1,725,624**	$ 451,448
Accounts payable	**136,887**	-
Scholarships payable	**76,040**	23,491
Bonds payable, net	**347,059,126**	360,641,146
USDA notes payable, net	**73,001,287**	39,750,836
Bond anticipation notes payable, net	**-**	34,842,235
Accrued interest payable	**3,246,999**	2,868,670
Total liabilities	**425,245,963**	438,577,826
Net assets		
Without donor restrictions:		
Undesignated	**3,950,878**	7,516,617
Board-designated	**4,748,392**	4,964,150
Total without donor restrictions	**8,699,270**	12,480,767
With donor restrictions	**2,222,444**	1,824,954
Total net assets	**10,921,714**	14,305,721
Total liabilities and net assets	**$ 436,167,677**	$ 452,883,547

See Notes to Consolidated Financial Statements.

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER SUPPORT			
Contributions	$ 329,719	$ 1,282,323	$ 1,612,042
Private grants and contracts	-	-	-
Donated services and materials	34,156	-	34,156
Service contract revenue	546,363	-	546,363
Registration fees and other income	30,191	-	30,191
Management fee income	43,496	-	43,496
Investment income, net of investment fees	519,457	11,753	531,210
Net realized and unrealized (losses) gains on investments	(58,083)	(17,113)	(75,196)
Investment income from direct financing leases	16,840,117	-	16,840,117
Rental income	2,827,836	-	2,827,836
Total operating revenues	21,113,252	1,276,963	22,390,215
Net assets released from restrictions:			
Satisfaction of program restrictions	948,678	(948,678)	-
Total operating revenues and other support	22,061,930	328,285	22,390,215
OPERATING EXPENSES			
Program services:			
Scholarships and awards	1,290,259	-	1,290,259
R&D programmatic grants	81,479	-	81,479
USO and BOR support	184,943	-	184,943
Institutional advancement	201,810	-	201,810
Real estate support	14,520,090	-	14,520,090
Total program services	16,278,581	-	16,278,581
Supporting services:			
General and administrative	155,460	-	155,460
Fundraising	428,819	-	428,819
Total supporting services	584,279	-	584,279
Total operating expenses	16,862,860	-	16,862,860
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	5,199,070	328,285	5,527,355
NON-OPERATING ACTIVITIES			
Loss on extinguishment of bond debt	(8,911,362)	-	(8,911,362)
Contribution revenues of repair and replacement funds	-	-	-
Contribution expense of repair and replacement funds	-	-	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(8,911,362)	-	(8,911,362)
CHANGE IN NET ASSETS	(3,712,292)	328,285	(3,384,007)
NET ASSETS, BEGINNING	12,480,767	1,824,954	14,305,721
TRANSFERS	(69,205)	69,205	-
NET ASSETS, ENDING	$ 8,699,270	$ 2,222,444	$ 10,921,714

See Notes to Consolidated Financial Statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
$ 285,839	$ 1,951,310	$ 2,237,149
-	75,000	75,000
15,636	-	15,636
530,449	-	530,449
37	-	37
16,417	-	16,417
347,615	11,344	358,959
137,204	10,825	148,029
17,056,446	-	17,056,446
2,595,943	-	2,595,943
20,985,586	2,048,479	23,034,065
912,447	(912,447)	-
21,898,033	1,136,032	23,034,065
1,514,135	-	1,514,135
17,188	-	17,188
102,753	-	102,753
69,391	-	69,391
15,585,442	-	15,585,442
17,288,909	-	17,288,909
143,632	-	143,632
312,179	-	312,179
455,811	-	455,811
17,744,720	-	17,744,720
4,153,313	1,136,032	5,289,345
(7,389,245)	-	(7,389,245)
1,709,887	-	1,709,887
(498,000)	-	(498,000)
(6,177,358)	-	(6,177,358)
(2,024,045)	1,136,032	(888,013)
14,515,676	678,058	15,193,734
(10,864)	10,864	-
$ 12,480,767	$ 1,824,954	$ 14,305,721

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	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	$ -	$ -	$ -	$ 77,967	$ 121,580	$ 199,547	$ 83,303	$ 161,288	$ 444,138
Professional fees	-	-	1,180	62,990	206,671	270,841	40,403	18,439	329,683
Grants	-	-	-	5,000	-	5,000	-	-	5,000
Scholarships and awards	1,285,705	-	-	30,000	-	1,315,705	-	-	1,315,705
Software subscription	-	75,000	1,571	-	116	76,687	624	3,046	80,357
Meals and refreshments	-	4,533	35,487	9,174	-	49,194	2,245	121,897	173,336
Contributions to other agencies	-	-	7,500	5,000	-	12,500	-	-	12,500
Program advertising	-	-	84,861	-	-	84,861	-	-	84,861
Travel	-	1,946	19,406	5,266	25	26,643	5,237	14,615	46,495
Operating expenses	-	-	10,998	1,742	562,506	575,246	11,280	104,692	691,218
Dues and registration	-	-	825	280	-	1,105	11,794	1,956	14,855
Insurance	-	-	-	-	16,240	16,240	574	-	16,814
Interest expense	-	-	-	-	13,388,936	13,388,936	-	-	13,388,936
Bond fees expense	-	-	-	-	223,460	223,460	-	-	223,460
Management expense	780	-	23,100	3,000	-	26,880	-	-	26,880
Credit card fees	3,774	-	15	1,391	556	5,736	-	2,886	8,622
Total expenses	$ 1,290,259	$ 81,479	$ 184,943	$ 201,810	$ 14,520,090	$ 16,278,581	$ 155,460	$ 428,819	$ 16,862,860

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, 2019

	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	$ -	$ -	$ -	$ 59,051	$ 81,582	$ 140,633	$ 74,019	$ 175,702	$ 390,354
Professional fees	-	-	-	-	152,269	152,269	38,312	15,459	206,040
Sub-awarded contracts	-	8,484	-	-	-	8,484	-	-	8,484
Scholarships	1,514,135	-	-	-	-	1,514,135	-	-	1,514,135
Meals and entertainment	-	7,701	52,289	610	152	60,752	2,075	30,104	92,931
Contributions to other agencies	-	-	6,000	-	-	6,000	-	-	6,000
Bad debt expense	-	-	-	-	403	403	313	1,817	2,533
Travel and conferences	-	803	3,540	5,705	7	10,055	9,029	12,454	31,538
Operating expenses	-	118	9,349	125	541,658	551,250	13,440	70,144	634,834
Dues and registration	-	-	795	3,900	550	5,245	5,273	3,147	13,665
Gifts and awards	-	82	30,780	-	-	30,862	603	3,352	34,817
Insurance	-	-	-	-	16,179	16,179	568	-	16,747
Interest expense	-	-	-	-	14,691,346	14,691,346	-	-	14,691,346
Bond fees expense	-	-	-	-	101,296	101,296	-	-	101,296
Total expenses	$ 1,514,135	$ 17,188	$ 102,753	$ 69,391	$ 15,585,442	$ 17,288,909	$ 143,632	$ 312,179	$ 17,744,720

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (3,384,007)**	$ (888,013)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized losses (gains) on investments	**75,196**	(108,494)
Amortization of debt issuance costs	**527,026**	422,226
Amortization of original issue bond premiums and discounts	**(3,533,187)**	(2,081,766)
Contributions restricted for long-term investments	**(138,454)**	(47,977)
Decrease (increase) in pledges and grants receivable, net	**269,242**	(1,095,066)
Decrease in other receivables	**-**	1,964,907
Decrease (increase) in prepaid expenses	**22,120**	(22,120)
Increase (decrease) in accounts payable	**136,887**	(82,349)
Increase (decrease) in scholarships payable	**52,549**	(24,009)
Increase in accrued interest payable	**378,329**	2,091,624
Net cash (used in) provided by operating activities	**(5,594,299)**	128,963
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal received on net investments in direct financing leases	**69,114,618**	90,588,779
Purchase of net investments in direct financing leases	**(49,025,150)**	(83,332,252)
Proceeds from sale of investments	**230,128**	277,390
Purchases of investments	**(210,186)**	(172,053)
Purchases of construction in progress	**(14,197,940)**	(1,478,492)
Payments of capitalized interest	**(823,900)**	(167,129)
Net cash provided by investing activities	**5,087,570**	5,716,243
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	**138,454**	47,977
Proceeds from bond issuance	**56,436,159**	109,363,843
Bond redemption	**(66,870,000)**	(89,127,384)
Payments on bond anticipation notes payable	**(35,590,000)**	(40,350,000)
Proceeds from the USDA notes payable issuances	**35,590,000**	40,500,000
Payments on the USDA notes payable issuances	**(1,651,590)**	-
Debt issuance costs paid	**(82,212)**	(1,104,536)
Net cash (used in) provided by financing activities	**(12,029,189)**	19,329,900
Net (decrease) increase in cash and cash equivalents	**(12,535,918)**	25,175,106
Cash and cash equivalents at beginning of year	**48,612,973**	23,437,867
Cash and cash equivalents at end of year	**$ 36,077,055**	$ 48,612,973
Cash and cash equivalents	**1,603,841**	630,309
Assets limited as to use	**34,473,214**	47,982,664
Cash and cash equivalents, end of year	**$ 36,077,055**	$ 48,612,973
SUPPLEMENTAL DATA FOR NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest paid (excluding capitalized interest)	**$ 13,010,607**	$ 12,599,722
Purchase of construction in progress from construction payable	**$ 1,725,624**	$ 451,448

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, 2020 and 2019, Board designated net assets totaled $4,748,392 and $4,964,150, 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.

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

Significant accounting policies: (Continued)

Basis of consolidation: (Continued)

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, and USG Real Estate Foundation X, LLC. Intercompany accounts and significant intercompany transactions have been eliminated. There is no activity related to USGREF Manager, LLC for the years ending June 30, 2020 and 2019.

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.

Contribution revenues of repair and replacement funds:

In 2019, the Foundation issued bond debt (through wholly-owned RE X) and used the proceeds to acquire four student housing properties at another institution within the University System of Georgia (see Note 8). The Foundation acquired these student housing properties from a separate not-for-profit organization 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, 2019, the Foundation recognized $1,709,887 in contribution revenues of repair and replacement funds in the accompanying consolidated statement of activities. The acquisition of the USG Real Estate X, LLC student housing properties closed on May 30, 2019, and the associated repair and replacement funds were received in June 2019.

Therefore, as of June 30, 2019, repair and replacement funds for the USG Real Estate X, LLC are included in other receivables in the accompanying consolidated statement of financial position. There were no contribution revenues of repair and replacement funds for the year ending June 30, 2020.

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

Significant accounting policies: (Continued)

Contribution expense of repair and replacement funds:

In July 2018, the Board of Regents informed the Foundation that the Bainbridge College student wellness center project would be acquired by the Board of Regents for the benefit of the Abraham Baldwin Agriculture College. A stipulation of the acquisition was that the repair and replacement (R&R) funds held by the trustee shall be transferred to the Board of Regents at the date of acquisition. For the year ending June 30, 2019, the Foundation recognized $498,000 in contribution expense of repair and replacement funds in the accompanying consolidated statement of activities. There were no contribution expenses of repair and replacement funds for the year ending June 30, 2020.

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 donations:

In-kind donations are reflected as contributions in the accompanying consolidated statements of activities at their estimated values at the date of receipt. In-kind donations 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. In-kind donations totaled $34,156 and $15,636 for the years ended June 30, 2020 and 2019, respectively.

Investments:

Investments consist primarily of pooled funds. Investments are recorded at fair value. Investment expenses incurred totaled $7,167 and $7,981 for the years ended June 30, 2020 and 2019, 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.

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

Significant accounting policies: (Continued)

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, 2020 and 2019, accumulated amortization of the debt issuance costs were $1,013,003 and $1,170,670, respectively.

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.

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

Significant accounting policies: (Continued)

Agency relationship:

From time to time, the Foundation acts as an agent on behalf of various not-for-profit organizations that are affiliated with the University System of Georgia. The Foundation collects cash from these not-for-profit organizations to invest the funds in the Foundation's endowment portfolio, and pay program and other operating costs on their behalf. At both June 30, 2020 and 2019, the Foundation did not hold any cash or other assets for other not-for-profit organizations.

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.

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.

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

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

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.

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.

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

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

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, 2020 and 2019, 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.

Construction in progress:

At June 30, 2020 and 2019, all of the construction in progress related to the construction of the student housing facilities project on Middle Georgia State University's Macon campus (financed through the bond proceeds of RE IX, see Note 8). Construction in progress is stated at cost plus capitalized interest. At June 30, 2020 and 2019, construction in progress totaled $18,393,085 and $2,097,069, respectively. The Foundation capitalizes the interest expense on certain bond proceeds in accordance with the FASB's capitalization of interest guidance. For the years ended June 30, 2020 and 2019, capitalized interest totaled $991,029 and $167,169, respectively. Depreciation commences upon completion of construction when the assets are placed in service.

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, 2019, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling $10,864, resulting in transfers from net assets without donor restrictions to net assets with donor restrictions.

During the year ended June 30, 2020, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling $69,205, 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 May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

For the year ending June 30, 2020, the Foundation adopted ASU 2014-09 and has adjusted the presentation in these consolidated financial statements accordingly. The adoption of ASU 2014-09 did not have an impact on the timing of revenue recognition.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to ASC Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

For the year ending June 30, 2020, the Foundation adopted ASU 2018-08 and has adjusted the presentation in these consolidated financial statements accordingly. The Foundation recognizes contributions in the accompanying consolidated statements of activities in accordance with ASC Topic 958. The adoption of ASU 2018-08 did not have an impact on the timing of revenue recognition of contributions.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. The Foundation adopted the provisions of this new standard during the year ended June 30, 2020. The update requires that the statement of cash flows explains the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning of year and end of year cash total amounts shown on the statement of cash flows. The accompanying information from the 2019 consolidated financial statements has been adjusted to conform to the 2020 presentation and disclosure requirements of ASU 2016-18. This adjustment did not have an effect on total net assets or the change in net assets for 2019.

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:

	2020	2019
Cash and cash equivalents	**$ 868,771**	$ 468,042
Pledges and grants receivable	**-**	3,635
Endowment spending rate distributions and appropriations	**243,602**	253,183
	$ 1,112,373	$ 724,860

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, 2020 and 2019 board-designated endowment of $4,748,392 and $4,964,150, 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, 2020 and 2019, the Foundation's uninsured cash balances totaled $1,130,204 and $425,441, 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, 2020 and 2019, consisted of the following:

	2020	2019
Pledges and grants without donor restrictions	**$ -**	$ 3,635
Pledges and grants with donor restrictions	**874,470**	1,165,100
Total pledges and grants receivable	**874,470**	1,168,735
Less discount on multi-year pledges	**(3,370)**	(28,393)
Total pledges and grants receivable, net	**$ 871,100**	$ 1,140,342
Amount Due in:		
Less than one year	**$ 537,510**	$ 152,069
One to five years	**336,960**	1,016,666
Total pledges and grants receivable	**$ 874,470**	$ 1,168,735

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% and 2% as of June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, pledges and grants receivable were considered fully collectible.

NOTE 5. INVESTMENTS

As of June 30, 2020 and 2019, investments consist of pool diversified funds in the amount of $5,366,599 and $5,461,737, 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, 2020.

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, 2020:

	Level 1	**Level 2**	**Level 3**	**Total**
Pooled funds:				
Domestic equities	**$ -**	**$ 2,758,432**	**$ -**	**$ 2,758,432**
International equities	**-**	**767,424**	**-**	**767,424**
Fixed income	**-**	**933,788**	**-**	**933,788**
Non-traditional funds	**-**	**756,690**	**-**	**756,690**
Money market funds	**-**	**150,265**	**-**	**150,265**
Total pooled funds	**-**	**5,366,599**	**-**	**5,366,599**
Total investments at fair value	**$ -**	**$ 5,366,599**	**$ -**	**$ 5,366,599**

NOTE 5. INVESTMENTS (Continued)

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, 2019:

	Level 1	Level 2	Level 3	Total
Pooled funds:				
Domestic equities	$ -	$ 2,676,250	$ -	$ 2,676,250
International equities	-	944,881	-	944,881
Fixed income	-	955,804	-	955,804
Non-traditional funds	-	802,875	-	802,875
Money market funds	-	81,927	-	81,927
Total pooled funds	-	5,461,737	-	5,461,737
Total investments at fair value	$ -	$ 5,461,737	$ -	$ 5,461,737

NOTE 6. INVESTMENT IN DIRECT FINANCING LEASES

The Foundation has entered into twenty-four 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 2018 notes payable (see Note 9) 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, 2020 and 2019:

	2020	2019
Total minimum lease payments to be received	**$ 555,829,059**	$ 604,068,058
Less unearned income	**180,369,221**	208,518,752
Net investment	**$ 375,459,838**	$ 395,549,306

NOTE 6. INVESTMENT IN DIRECT FINANCING LEASES (Continued)

Net minimum lease payments to be received as of June 30, 2020, over the life of the leases are as follows:

June 30,	Minimum Lease Payments	Less Unearned Interest	Net Minimum Lease Payments
2021	$ 30,159,821	$ 16,485,443	**$ 13,674,378**
2022	30,443,762	15,884,935	**14,558,827**
2023	30,512,310	15,251,580	**15,260,730**
2024	30,523,962	14,621,273	**15,902,689**
2025	30,530,313	13,888,579	**16,641,734**
2026 – 2030	152,910,370	57,830,595	**95,079,775**
2031 – 2035	146,537,086	35,367,001	**111,170,085**
2036 – 2039	99,427,896	10,904,913	**88,522,983**
2041	4,783,539	134,902	**4,648,637**
Total	$ 555,829,059	$ 180,369,221	**$ 375,459,838**

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.

NOTE 7. ASSETS LIMITED AS TO USE (Continued)

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, 2020 and 2019, 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, 2020 and 2019, is as follows:

	2020	2019
Debt Service Funds	**$ -**	$ 2,211,036
R&R Funds	**18,420,223**	16,754,814
Surplus Funds	**157,561**	1,632,867
Operating Funds	**5,129,916**	4,398,164
Bond Funds	**1,823,289**	1,413,930
Construction Funds	**3,400,170**	17,417,500
Capitalized Interest Funds	**429,448**	1,339,881
Reserve Funds	**5,112,607**	2,814,472
	$ 34,473,214	$ 47,982,664

NOTE 8. BONDS PAYABLE

Series 2009A USG Real Estate Foundation II, LLC Bonds Payable

In July 2009, the Georgia Higher Education Facilities Authority issued revenue bonds and loaned the proceeds to USG Real Estate Foundation II, LLC in the amount of $100,850,000. The Series 2009A 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 II, 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 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).

The Series 2009A 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 3.00% to 5.50%.

NOTE 8. BONDS PAYABLE (Continued)

The original bond principal of $100,850,000 was allocated to projects at the various institutions as follows:

Institution		Amount
Bainbridge State College	$	21,265,000
Columbus State University		34,095,000
Kennesaw State University (formerly known as Southern Polytechnic State University)		45,490,000
	$	100,850,000

In July 2018, the Board of Regents informed the Foundation that as of July 12, 2018, the Bainbridge State College student wellness center, would be sold to the Board of Regents for the benefit of Abraham Baldwin Agriculture College, which met the legal requirements for a partial defeasance. The monies collected would be used to service the outstanding bonds payable liability of $18,805,000. As of July 12, 2018, 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 statement of financial position as of June 30, 2019. The partial defeasance resulted in a loss of extinguishment of bond debt of $23,909 for the year ending June 30, 2019.

In March 2019, the Georgia Higher Education Facilities Authority issued refunding revenue bonds and loaned the proceeds to the USG Real Estate Foundation II, LLC. The Series 2019 bonds were issued to refund the remaining Series 2009A USG Real Estate Foundation II, LLC bonds payable. The refund met the legal requirements for defeasance of the bond liability. As of March 27, 2019, 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 statements of financial position as of June 30, 2020 and 2019. The defeasance resulted in a loss on extinguishment of bond debt of $7,365,336 for the year ending June 30, 2019.

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.

NOTE 8. BONDS PAYABLE (Continued)

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020. The defeasance resulted in a loss on extinguishment of bond debt of $8,911,362 for the year ending June 30, 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
2021	$ 2,495,000	$ 3,297,025	$ 5,792,025
2022	2,710,000	3,172,275	5,882,275
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 – 2030	17,935,000	11,708,456	29,643,456
2031 – 2035	22,050,000	7,599,944	29,649,944
2036 – 2040	23,735,000	2,767,669	26,502,669
	$ 78,050,000	$ 37,214,444	$ 115,264,444

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
2021	$ 1,115,000	$ 1,047,400	$ 2,162,400
2022	1,200,000	991,650	2,191,650
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 – 2030	8,080,000	2,921,500	11,001,500
2031 – 2035	5,115,000	1,436,450	6,551,450
2036 – 2038	3,615,000	318,250	3,933,250
	$ 23,120,000	$ 9,316,700	$ 32,436,700

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
2020	$ 1,610,000	$ 2,222,369	$ 3,832,369
2021	1,795,000	2,137,244	3,932,244
2022	1,960,000	2,043,369	4,003,369
2023	2,055,000	1,942,994	3,997,994
2025	2,160,000	1,837,619	3,997,619
2026 – 2030	12,535,000	7,411,719	19,946,719
2031 – 2035	15,640,000	4,274,897	19,914,897
2036 – 2038	9,425,000	810,625	10,235,625
	$ 47,180,000	$ 22,680,836	$ 69,860,836

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 & 2018B bonds will mature on June 1, 2037, 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
2021	$ 1,205,000	$ 1,351,326	$ 2,556,326
2022	1,260,000	1,298,558	2,558,558
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 – 2030	8,235,000	4,550,970	12,785,970
2031 – 2035	10,180,000	2,602,189	12,782,189
2036 – 2037	6,420,000	563,075	6,983,075
	$ 31,425,000	$ 13,913,582	$ 45,338,582

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

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
2021	$ 1,880,000	$ 2,603,050	$ 4,483,050
2022	1,975,000	2,509,050	4,484,050
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 – 2030	13,250,000	9,159,500	22,409,500
2031 – 2035	16,695,000	5,703,100	22,398,100
2036 – 2039	16,275,000	1,659,800	17,934,800
	$ 56,600,000	$ 28,549,650	$ 85,149,650

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
2021	$ 310,000	$ 823,950	$ 1,133,950
2022	325,000	811,550	1,136,550
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 – 2030	2,085,000	3,584,250	5,669,250
2031 – 2035	2,640,000	3,025,350	5,665,350
2036 – 2040	3,180,000	2,491,800	5,671,800
2041 – 2045	3,860,000	1,809,700	5,669,700
2046 – 2050	4,885,000	795,638	5,680,638
	$ 18,335,000	$ 15,697,088	$ 34,032,088

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).

NOTE 8. BONDS PAYABLE (Continued)

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).

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
2021	$ 975,000	$ 961,050	$ 1,936,050
2022	1,095,000	912,300	2,007,300
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 – 2030	7,370,000	2,680,250	10,050,250
2031 – 2034	7,270,000	759,200	8,029,200
	$ 20,335,000	$ 7,709,950	$ 28,044,950

Refunding Series 2020A USG Real Estate Foundation III, LLC Bonds Payable

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).

NOTE 8. BONDS PAYABLE (Continued)

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%.

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
2021	$ 1,355,000	$ 2,078,250	$ 3,433,250
2022	1,425,000	2,010,500	3,435,500
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 – 2030	9,580,000	7,604,000	17,184,000
2031 – 2035	12,215,000	4,958,000	17,173,000
2036 – 2040	15,035,000	2,131,550	17,166,550
2041	3,305,000	132,200	3,437,200
	$ 47,640,000	$ 24,503,500	$ 72,143,500

NOTE 8. BONDS PAYABLE (Continued)

Summary:

A summary of the components of bonds payable at June 30, 2020 and 2019 is as follows:

	2020	2019
Series 2010A USG Real Estate Foundation III, LLC	**$ -**	$ 58,955,000
Refunding Series 2015 USG Real Estate Foundation I, LLC	**78,050,000**	80,225,000
Refunding Series 2018 USG Real Estate Foundation VI, LLC	**23,120,000**	24,150,000
Refunding Series 2018 USG Real Estate Foundation VII, LLC	**47,180,000**	48,505,000
Refunding Series 2018A & 2018B USG Real Estate Foundation VIII, LLC	**31,425,000**	32,585,000
Refunding Series 2019 USG Real Estate Foundation II, LLC	**56,600,000**	58,395,000
Series 2019 USG Real Estate Foundation IX, LLC	**18,335,000**	18,335,000
Refunding Series 2019 USG Real Estate Foundation X, LLC	**20,335,000**	21,190,000
Refunding Series 2020A USG Real Estate Foundation III, LLC	**47,640,000**	-
Unamortized original issue premium, net	**28,177,890**	22,679,524
Unamortized bond issuance costs, net	**(3,803,764)**	(4,378,378)
	$ 347,059,126	$ 360,641,146

Bond interest expense incurred totaled $14,449,258 and $13,033,250, for the years ended June 30, 2020 and 2019, respectively.

The fair value of the bonds at June 30, 2020 and 2019, were $370,219,852 and $382,777,968, respectively.

NOTE 9. NOTES PAYABLE

USG Real Estate Foundation IV, LLC Bond Anticipation Note Payable

In October 2016, the USG Real Estate Foundation IV, LLC purchased the Fort Value State University WildCat Commons Phase I (a student housing dormitory) from the Fort Value State University Foundation Property, LLC (a single member LLC that was wholly owned by FVSU Foundation) for $40,350,000 by issuing a two year interest-only bond anticipation note ("BAN") payable. At maturity, the BAN payable was refinanced with a 30 year low-interest fixed rate U.S. Department of Agriculture (USDA) loan. 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.

The terms of the BAN payable require the USG Real Estate Foundation IV, 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).

NOTE 9. NOTES PAYABLE (Continued)

The BAN payable matured on October 1, 2018, bears interest at a fixed rate of 1.2%, and is payable semiannually on October 1st and April 1st. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture.

At maturity, the BAN payable was fully refinanced with five, individual 19-year low-interest fixed rate USDA notes. At the time of refinancing, there was no sale of real estate or changes made to the applicable rental agreement.

USG Real Estate Foundation V, LLC Bond Anticipation Note Payable

In November 2017, the USG Real Estate Foundation V, LLC purchased the four real estate properties from various South Georgia State College (SGSC) LLC entities (all single member LLCs that was wholly owned by SGSC Foundation) for $35,590,000 by issuing a two year interest-only BAN payable. At maturity, the BAN payable was refinanced with a 22-year low-interest fixed rate USDA loan. 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.

The terms of the BAN payable require the 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 BAN payable matured on December 1, 2019, bears interest at a fixed rate of 1.65%, and is payable semiannually on June 1st and December 1st. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. As of June 30, 2020, the BAN payable had an outstanding balance of $35,590,000. At maturity, the BAN payable of $35,590,000 was fully refinanced with four, individual 22-year low-interest fixed rate USDA notes. At the time of refinancing, there was no sale of real estate or changes made to the applicable rental agreement.

USG Real Estate Foundation IV, LLC USDA Notes Payable

In September 2018, the BAN payable was fully refinanced 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 BAN payable was fully refinanced 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 IV, LLC by the Board of Regents pursuant to a ground lease for minimal rent.

NOTE 9. NOTES PAYABLE (Continued)

At June 30, 2020 and 2019, the USDA notes payable consists of the following:

	2020	2019
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 $580,380 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 8,153,370**	$ 8,500,000
USDA Note #2 for $8,000,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $546,240 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 7,673,760**	$ 8,000,000
USDA Note #3 for $9,500,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $648,660 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 9,112,590**	$ 9,500,000
USDA Note #4 for $9,000,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $614,520 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 8,632,980**	$ 9,000,000
USDA Note #5 for $5,500,000 - (September 2018) Note payable collateralized by real estate. Annual principal and interest payments of $375,540 at 2.75%, with all outstanding principal and interest due at maturity. Matures in September 2037.	**$ 5,275,710**	$ 5,500,000
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 $596,125 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 9,500,000**	$ -

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 $571,025 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 9,100,000**	$ -
USDA Note #3 for $8,400,000 - (November 2019) Note payable collateralized by real estate. Annual principal and interest payments of $527,100 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 8,400,000**	$ -
USDA Note #4 for $8,590,000 - (November 2019) Note payable collateralized by real estate. Annual principal and interest payments of $539,023 at 3.00%, with all outstanding principal and interest due at maturity. Matures in November 2041.	**$ 8,590,000**	$ -
	$ 74,438,410	$ 40,500,000

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, 2020, the scheduled principal repayments of the nine outstanding USDA notes payable are as follows:

Redemption Date	Principal	Interest	Total
2021	$ 2,862,582	$ 2,159,654	$ 5,022,236
2022	2,944,216	2,094,899	5,039,115
2023	3,028,184	2,028,317	5,056,501
2024	3,114,550	1,959,858	5,074,408
2025	3,203,385	1,889,468	5,092,853
2026 – 2030	17,440,872	8,320,020	25,760,892
2031 – 2035	20,075,004	6,237,445	26,312,449
2036 – 2040	17,499,000	3,920,208	21,419,208
2041 – 2042	4,270,617	1,177,226	5,447,843
	$ 74,438,410	$ 29,787,095	$ 104,225,505

Summary:

A summary of the components of the notes payable at June 30, 2020 and 2019, is as follows:

	2020	2019
USG Real Estate Foundation V, LLC BAN payable	**$ -**	$ 35,590,000
USG Real Estate Foundation IV, LLC USDA notes payable	**38,848,410**	40,500,000
USG Real Estate Foundation V, LLC USDA notes payable	**35,590,000**	-
Unamortized debt issuance costs, net	**(1,437,123)**	(1,496,929)
	$ 73,001,287	$ 74,593,071

Interest expense on the notes payable incurred totaled $1,945,839 and $1,658,094, for the years ended June 30, 2020 and 2019, respectively.

NOTE 10. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
R&D Programmatic Grants	**$ 6,155**	$ 89,275
Scholarship and awards	**60,311**	83,363
USO and BOR Support	**1,323,549**	1,180,341
Institutional advancement	**222,000**	-
Total subject to expenditure for specified purpose:	**1,612,015**	1,352,979
Perpetual in nature:		
Scholarship and awards	**610,429**	471,975
Total perpetual in nature:	**610,429**	471,975
Total net assets with donor restrictions:	**$ 2,222,444**	$ 1,824,954

Net assets with donor restrictions consist of the following as of June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Cash	**$ 735,070**	$ 162,267
Pledges and grants receivable	**871,100**	1,165,100
Investments	**5,845**	25,612
Total subject to expenditure for specified purpose:	**1,612,015**	1,352,979
Endowments (perpetual in nature and purpose restrictions):		
Investments	**610,429**	471,975
Total endowments:	**610,429**	471,975
Total net assets with donor restrictions:	**$ 2,222,444**	$ 1,824,954

NOTE 11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2020 and 2019, by incurring expenses satisfying the restricted purpose specified by donors as follows:

Purpose restrictions accomplished:

	2020	2019
R&D programmatic grants	**$ 81,479**	$ 9,539
Scholarship and awards	**681,459**	883,930
USO and BOR Support	**182,740**	18,978
Institutional advancement	**3,000**	-
	$ 948,678	$ 912,447

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, 2020, the Foundation had one fund with original gift value of $98,525, fair value of $94,185, and deficiency of $4,340. At June 30, 2019 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, 2020 and 2019, is as follows:

	Quasi-Endowment *(Without Donor Restriction)*	Endowment *(With Donor Restriction)*	Total
June 30, 2020			
Board-designated endowment funds	**$ 4,748,392**	**$ -**	**$ 4,748,392**
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	**-**	**610,429**	**610,429**
Accumulated investment gains	**-**	**7,778**	**7,778**
Endowment net assets, end of year	**$ 4,748,392**	**$ 618,207**	**$ 5,366,599**
June 30, 2019			
Board-designated endowment funds	$ 4,964,150	$ -	$ 4,964,150
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	471,975	471,975
Accumulated investment gains	-	25,612	25,612
Endowment net assets, end of year	$ 4,964,150	$ 497,587	$ 5,461,737

NOTE 12. ENDOWMENT (Continued)

The Changes in Endowment Net Assets for the year ended June 30, 2020, are:

	Quasi-Endowment *(Without Donor Restriction)*	Endowment *(With Donor Restriction)*	Total
Endowment net assets, beginning of year	**$ 4,964,150**	**$ 497,587**	**$ 5,461,737**
Investment return:			
Investment income, net of investment fees	**103,475**	**11,752**	**115,227**
Realized and unrealized net (losses)	**(97,003)**	**(17,113)**	**(114,116)**
Total investment return (loss)	**6,472**	**(5,361)**	**1,111**
Contributions	**2,592**	**138,454**	**141,046**
Appropriation of endowment assets for expenditure	**(224,822)**	**(12,473)**	**(237,295)**
Endowment net assets, end of year	**$ 4,748,392**	**$ 618,207**	**$ 5,366,599**

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

	Quasi-Endowment *(Without Donor Restriction)*	Endowment *(With Donor Restriction)*	Total
Endowment net assets, beginning of year	$ 5,015,309	$ 443,271	$ 5,458,580
Investment return:			
Investment income, net of investment fees	109,052	10,148	119,200
Realized and unrealized net gains	97,150	11,345	108,495
Total investment return	206,202	21,493	227,695
Contributions	-	47,977	47,977
Change in donor intent	-	35,756	35,756
Appropriation of endowment assets for expenditure	(257,361)	(50,910)	(308,271)
Endowment net assets, end of year	$ 4,964,150	$ 497,587	$ 5,461,737

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.

NOTE 13. RELATED PARTY TRANSACTIONS (Continued)

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 $495,636 and $413,170 during the years ended June 30, 2020 and 2019, 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. EFFECTS OF COVID-19 CORONAVIRUS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the change in net assets. Other financial impacts could occur though the extent of potential impact is unknown at this time.

NOTE 16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through September 24, 2020, 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, 2020

Federal Grantor/Program Title/Project Name	Federal Grant CFDA 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	$ 8,500,000
Loan #2	10.766	8,000,000
Loan #3	10.766	9,500,000
Loan #4	10.766	9,000,000
Loan #5	10.766	5,500,000
		40,500,000
USG Real Estate V, LLC		
Loan #1	10.766	9,500,000
Loan #2	10.766	9,100,000
Loan #3	10.766	8,400,000
Loan #4	10.766	8,590,000
		35,590,000
Total U.S. Department of Agriculture	10.766	76,090,000
Total expenditures of federal awards		$ 76,090,000

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, 2020

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, 2020. 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. University System of Georgia Foundation, Inc. and Affiliates had the following balance outstanding on the notes payable at June 30, 2020.

Cluster/Program Title Outstanding	Federal CFDA Number	Amount
USG Real Estate Foundation IV, LLC USDA notes payable	10.766	$ 38,848,410
USG Real Estate Foundation V, LLC USDA notes payable	10.766	35,590,000
		$ 74,438,410

MAULDIN & JENKINS
CPAs & ADVISORS

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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 24, 2020

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

We have audited the University System of Georgia Foundation, Inc. and Affiliates' compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University System of Georgia Foundation, Inc. and affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University System of Georgia Foundation, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University System of Georgia Foundation, Inc. and Affiliates' compliance.

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Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control Over Compliance

Management of The University System of Georgia Foundation, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University System of Georgia Foundation, Inc. and affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University System of Georgia Foundation, Inc. and affiliates' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 24, 2020

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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	$ 750,000	
	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, 2020

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	$ 1,452,360	$ -	$ -	$ -	$ 1,055	$ -	$ 38,831
Pledges and grants receivable, net	871,100	-	-	-	-	-	-
Management fee receivable - intercompany	162,400	-	-	-	-	-	-
Investments	5,366,599	-	-	-	-	-	-
Net investments in direct financing leases	-	70,547,688	56,976,540	48,860,761	35,896,091	33,246,252	24,672,208
Assets limited as to use	-	2,277,073	2,825,571	2,503,610	5,835,586	4,214,637	2,498,156
Construction in progress	-	-	-	-	-	-	-
Total assets	$ 7,852,459	$ 72,824,761	$ 59,802,111	$ 51,364,371	$ 41,732,732	$ 37,460,889	$ 27,209,195
LIABILITIES AND NET ASSETS							
Liabilities							
Construction payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Management fee payable - intercompany	-	-	-	-	-	-	60,900
Accounts payable	106,446	-	-	-	-	-	9,330
Scholarships payable	76,040	-	-	-	-	-	-
Bonds payable, net	-	78,640,635	61,987,796	56,136,090	-	-	24,392,333
USDA notes payable, net	-	-	-	-	38,174,954	34,826,333	-
Accrued interest payable	-	128,216	106,685	80,817	814,384	659,289	82,990
Total liabilities	182,486	78,768,851	62,094,481	56,216,907	38,989,338	35,485,622	24,545,553
Net assets (deficit)							
Without donor restrictions:							
Undesignated	699,137	(5,944,090)	(2,292,370)	(4,852,536)	2,743,394	1,975,267	2,663,642
Board-designated	4,748,392	-	-	-	-	-	-
Total without donor restrictions	5,447,529	(5,944,090)	(2,292,370)	(4,852,536)	2,743,394	1,975,267	2,663,642
With donor restrictions	2,222,444	-	-	-	-	-	-
Total net assets (deficit)	7,669,973	(5,944,090)	(2,292,370)	(4,852,536)	2,743,394	1,975,267	2,663,642
Total liabilities and net assets	$ 7,852,459	$ 72,824,761	$ 59,802,111	$ 51,364,371	$ 41,732,732	$ 37,460,889	$ 27,209,195

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	Eliminations	Total
$ 72,502	$ 38,016	$ 1,077	$ -	$ -	$ 1,603,841
-	-	-	-	-	871,100
-	-	-	-	162,400	-
-	-	-	-	-	5,366,599
49,814,234	32,273,133	-	23,172,931	-	375,459,838
6,247,137	2,273,064	3,847,400	1,950,980	-	34,473,214
-	-	18,393,085	-	-	18,393,085
$ 56,133,873	$ 34,584,213	$ 22,241,562	$ 25,123,911	$ 162,400	$ 436,167,677
$ -	$ -	$ 1,725,624	$ -	$ -	$ 1,725,624
60,900	40,600	-	-	162,400	-
12,638	8,473	-	-	-	136,887
-	-	-	-	-	76,040
50,842,097	32,054,083	19,957,559	23,048,533	-	347,059,126
-	-	-	-	-	73,001,287
1,125,024	107,072	66,373	76,149	-	3,246,999
52,040,659	32,210,228	21,749,556	23,124,682	162,400	425,245,963
4,093,214	2,373,985	492,006	1,999,229	-	3,950,878
-	-	-	-	-	4,748,392
4,093,214	2,373,985	492,006	1,999,229	-	8,699,270
-	-	-	-	-	2,222,444
4,093,214	2,373,985	492,006	1,999,229	-	10,921,714
$ 56,133,873	$ 34,584,213	$ 22,241,562	$ 25,123,911	$ 162,400	$ 436,167,677

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

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	$ 630,309	$ -	$ -	$ -	$ -	$ -	$ -
Pledges and grants receivable, net	1,140,342	-	-	-	-	-	-
Management fee receivable - intercompany	160,000	-	-	-	-	-	-
Investments	5,461,737	-	-	-	-	-	-
Prepaid expenses	22,120	-	-	-	-	-	-
Net investments in direct financing leases	-	72,074,980	58,812,241	57,649,666	37,363,127	34,278,472	25,826,254
Assets limited as to use	-	2,044,361	2,505,197	4,317,749	5,735,388	2,319,283	2,312,124
Construction in progress	-	-	-	-	-	-	-
Total assets	$ 7,414,508	$ 74,119,341	$ 61,317,438	$ 61,967,415	$ 43,098,515	$ 36,597,755	$ 28,138,378
LIABILITIES AND NET ASSETS							
Liabilities							
Construction payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Management fee payable - intercompany	-	-	-	-	-	-	60,000
Scholarships payable	23,491	-	-	-	-	-	-
Bonds payable, net	-	81,177,527	64,647,197	58,445,625	-	-	25,706,068
USDA notes payable, net	-	-	-	-	39,750,836	-	-
Bond anticipation notes payable, net	-	-	-	-	-	34,842,235	-
Accrued interest payable	-	132,447	111,015	109,195	866,589	48,197	87,071
Total liabilities	23,491	81,309,974	64,758,212	58,554,820	40,617,425	34,890,432	25,853,139
Net assets (deficit)							
Without donor restrictions:							
Undesignated	601,913	(7,190,633)	(3,440,774)	3,412,595	2,481,090	1,707,323	2,285,239
Board-designated	4,964,150	-	-	-	-	-	-
Total without donor restrictions	5,566,063	(7,190,633)	(3,440,774)	3,412,595	2,481,090	1,707,323	2,285,239
With donor restrictions	1,824,954	-	-	-	-	-	-
Total net assets (deficit)	7,391,017	(7,190,633)	(3,440,774)	3,412,595	2,481,090	1,707,323	2,285,239
Total liabilities and net assets	$ 7,414,508	$ 74,119,341	$ 61,317,438	$ 61,967,415	$ 43,098,515	$ 36,597,755	$ 28,138,378

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	Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 630,309
-	-	-	-	-	1,140,342
-	-	-	-	160,000	-
-	-	-	-	-	5,461,737
-	-	-	-	-	22,120
51,719,074	33,463,775	-	24,361,717	-	395,549,306
5,691,550	2,559,838	18,775,957	1,721,217	-	47,982,664
-	-	2,097,069	-	-	2,097,069
$ 57,410,624	$ 36,023,613	$ 20,873,026	$ 26,082,934	$ 160,000	$ 452,883,547
$ -	$ -	$ 451,448	$ -	$ -	$ 451,448
60,000	40,000	-	-	160,000	-
-	-	-	-	-	23,491
52,789,183	33,382,585	20,165,133	24,327,828	-	360,641,146
-	-	-	-	-	39,750,836
-	-	-	-	-	34,842,235
1,151,413	111,045	167,129	84,569	-	2,868,670
54,000,596	33,533,630	20,783,710	24,412,397	160,000	438,577,826
3,410,028	2,489,983	89,316	1,670,537	-	7,516,617
-	-	-	-	-	4,964,150
3,410,028	2,489,983	89,316	1,670,537	-	12,480,767
-	-	-	-	-	1,824,954
3,410,028	2,489,983	89,316	1,670,537	-	14,305,721
$ 57,410,624	$ 36,023,613	$ 20,873,026	$ 26,082,934	$ 160,000	$ 452,883,547

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	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	$ 1,612,042	$ -	$ -	$ -	$ -	$ -	$ -
Donated services and materials	34,156	-	-	-	-	-	-
Service contract revenue	546,363	-	-	-	-	-	-
Registration fees and other income	30,191	-	-	-	-	-	-
Management fee income	562,516	-	-	-	-	-	-
Investment income, net of investment fees	108,556	-	33,107	735	42,479	19,084	30,409
Net realized and unrealized (losses) gains on investments	(114,116)	-	-	-	38,920	-	-
Investment income from direct financing leases	-	4,228,746	2,718,717	1,933,487	1,386,524	1,310,896	1,048,334
Rental income	-	280,720	325,143	1,199,946	-	-	219,606
Total operating revenues and other support	2,779,708	4,509,466	3,076,967	3,134,168	1,467,923	1,329,980	1,298,349
OPERATING EXPENSES							
Program services:							
Scholarships and awards	1,290,259	-	-	-	-	-	-
R&D programmatic grants	81,479	-	-	-	-	-	-
USO and BOR support	184,943	-	-	-	-	-	-
Institutional advancement	201,810	-	-	-	-	-	-
Real estate support	362,117	3,190,914	1,925,446	2,451,452	1,206,689	1,060,486	893,998
Total program services	2,120,608	3,190,914	1,925,446	2,451,452	1,206,689	1,060,486	893,998
Supporting services:							
General and administrative	155,460	-	-	-	-	-	-
Fundraising	428,819	-	-	-	-	-	-
Total supporting services	584,279	-	-	-	-	-	-
Total operating expenses	2,704,887	3,190,914	1,925,446	2,451,452	1,206,689	1,060,486	893,998
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	74,821	1,318,552	1,151,521	682,716	261,234	269,494	404,351
NON-OPERATING ACTIVITIES							
Loss on extinguishment of bond debt	-	-	-	(8,911,362)	-	-	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	-	-	-	(8,911,362)	-	-	-
CHANGE IN NET ASSETS	74,821	1,318,552	1,151,521	(8,228,646)	261,234	269,494	404,351
NET ASSETS (DEFICIT), BEGINNING	7,391,017	(7,190,633)	(3,440,774)	3,412,595	2,481,090	1,707,323	2,285,239
TRANSFERS	204,135	(72,009)	(3,117)	(36,485)	1,070	(1,550)	(25,948)
NET ASSETS (DEFICIT), ENDING	$ 7,669,973	$ (5,944,090)	$ (2,292,370)	$ (4,852,536)	$ 2,743,394	$ 1,975,267	$ 2,663,642

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	Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 1,612,042
-	-	-	-	-	34,156
-	-	-	-	-	546,363
-	-	-	-	-	30,191
-	-	-	-	519,020	43,496
45,329	34,110	195,043	22,358	-	531,210
-	-	-	-	-	(75,196)
2,050,602	1,428,395	-	734,416	-	16,840,117
350,250	244,778	-	207,393	-	2,827,836
2,446,181	1,707,283	195,043	964,167	519,020	22,390,215
-	-	-	-	-	1,290,259
-	-	-	-	-	81,479
-	-	-	-	-	184,943
-	-	-	-	-	201,810
1,730,131	1,789,840	(207,438)	635,475	519,020	14,520,090
1,730,131	1,789,840	(207,438)	635,475	519,020	16,278,581
-	-	-	-	-	155,460
-	-	-	-	-	428,819
-	-	-	-	-	584,279
1,730,131	1,789,840	(207,438)	635,475	519,020	16,862,860
716,050	(82,557)	402,481	328,692	-	5,527,355
-	-	-	-	-	(8,911,362)
-	-	-	-	-	(8,911,362)
716,050	(82,557)	402,481	328,692	-	(3,384,007)
3,410,028	2,489,983	89,316	1,670,537	-	14,305,721
(32,864)	(33,441)	209	-	-	-
$ 4,093,214	$ 2,373,985	$ 492,006	$ 1,999,229	$ -	$ 10,921,714

UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC.
AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	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	$ 2,237,149	$ -	$ -	$ -	$ -	$ -	$ -
Private grants and contracts	75,000	-	-	-	-	-	-
Donated services and materials	15,636	-	-	-	-	-	-
Service contract revenue	530,449	-	-	-	-	-	-
Registration fees and other income	37	-	-	-	-	-	-
Management fee income	476,492	-	-	-	-	-	-
Investment income, net of investment fees	119,301	-	8,206	-	32,189	22,402	34,063
Net realized and unrealized gains on investments	108,494	-	-	-	39,535	-	-
Investment income from direct financing leases	-	4,284,603	2,468,728	3,068,943	1,436,052	1,331,936	967,736
Rental income	-	275,283	1,243,922	285,832	-	-	213,210
Total operating revenues and other support	3,562,558	4,559,886	3,720,856	3,354,775	1,507,776	1,354,338	1,215,009
OPERATING EXPENSES							
Program services:							
Scholarships and awards	1,514,135	-	-	-	-	-	-
R&D programmatic grants	17,188	-	-	-	-	-	-
USO and BOR support	102,753	-	-	-	-	-	-
Institutional advancement	69,391	-	-	-	-	-	-
Real estate support	256,780	3,298,000	3,393,949	2,925,203	1,442,111	669,683	895,727
Total program services	1,960,247	3,298,000	3,393,949	2,925,203	1,442,111	669,683	895,727
Supporting services:							
General and administrative	143,632	-	-	-	-	-	-
Fundraising	312,179	-	-	-	-	-	-
Total supporting services	455,811	-	-	-	-	-	-
Total operating expenses	2,416,058	3,298,000	3,393,949	2,925,203	1,442,111	669,683	895,727
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,146,500	1,261,886	326,907	429,572	65,665	684,655	319,282
NON-OPERATING ACTIVITIES							
Loss on extinguishment of bond debt	-	-	(7,389,245)	-	-	-	-
Contribution revenues of repair and replacement funds	-	-	-	-	-	-	-
Contribution expense of repair and replacement funds	(498,000)	-	-	-	-	-	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(498,000)	-	(7,389,245)	-	-	-	-
CHANGE IN NET ASSETS	648,500	1,261,886	(7,062,338)	429,572	65,665	684,655	319,282
NET ASSETS (DEFICIT), BEGINNING	6,244,975	(8,452,519)	4,122,823	2,983,023	2,415,908	1,022,668	1,964,907
TRANSFERS	497,542	-	(501,259)	-	(483)	-	1,050
NET ASSETS (DEFICIT), ENDING	$ 7,391,017	$ (7,190,633)	$ (3,440,774)	$ 3,412,595	$ 2,481,090	$ 1,707,323	$ 2,285,239

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	Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 2,237,149
-	-	-	-	-	75,000
-	-	-	-	-	15,636
-	-	-	-	-	530,449
-	-	-	-	-	37
-	-	-	-	460,075	16,417
51,896	44,067	46,835	-	-	358,959
-	-	-	-	-	148,029
2,140,463	1,357,985	-	-	-	17,056,446
340,048	237,648	-	-	-	2,595,943
2,532,407	1,639,700	46,835	-	460,075	23,034,065
-	-	-	-	-	1,514,135
-	-	-	-	-	17,188
-	-	-	-	-	102,753
-	-	-	-	-	69,391
1,888,587	1,277,282	(41,431)	39,626	460,075	15,585,442
1,888,587	1,277,282	(41,431)	39,626	460,075	17,288,909
-	-	-	-	-	143,632
-	-	-	-	-	312,179
-	-	-	-	-	455,811
1,888,587	1,277,282	(41,431)	39,626	460,075	17,744,720
643,820	362,418	88,266	(39,626)	-	5,289,345
-	-	-	-	-	(7,389,245)
(2,290)	2,014	-	1,710,163	-	1,709,887
-	-	-	-	-	(498,000)
(2,290)	2,014	-	1,710,163	-	(6,177,358)
641,530	364,432	88,266	1,670,537	-	(888,013)
2,767,448	2,124,501	-	-	-	15,193,734
1,050	1,050	1,050	-	-	-
$ 3,410,028	$ 2,489,983	$ 89,316	$ 1,670,537	$ -	$ 14,305,721

NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS

For the years ended June 30, 2020 and 2019, the Foundation has presented the investments in affiliates at cost on the consolidating financial statements.