

AUGUSTA UNIVERSITY



Annual Financial Report Fiscal Year 2019

Including Independent Auditor's Report



Joseph P. Harrison, M.D. Education Commons

AUGUSTA UNIVERSITY
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Financial Section



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and
Dr. Brooks Keel, President
Augusta University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, aggregate discretely presented component units, and aggregate remaining fund information of Augusta University (University) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Georgia Health Sciences Foundation Inc. and Medical College of Georgia Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the 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 University'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 financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, aggregate discretely presented component units, and aggregate remaining fund information of the University as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, major fund, aggregate discretely presented component units and aggregate remaining fund information of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

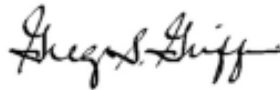
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

December 23, 2019

AUGUSTA UNIVERSITY

Management's Discussion and Analysis

Introduction

Founded in 1828 and located in Augusta, Richmond County, Georgia, Augusta University (University) is a public research university and medical center dedicated to training the next generation of innovators, leaders, and health care providers. Based in Augusta with locations across Georgia, Augusta University is at the forefront of groundbreaking research focused on improving and enriching the human experience. The University is one of the institutions of higher education of the University System of Georgia.

Offering undergraduate programs in the liberal arts and sciences, business and education, as well as a full range of graduate programs and hands-on clinical research opportunities, Augusta University is Georgia's innovation center for education and health care. The combination of nationally ranked business and nursing schools as well as the state's flagship public medical school and only dental school makes Augusta University a destination of choice for students of today and leaders of tomorrow. With locations throughout Augusta and at satellite campuses in Athens, Albany, Rome, and Savannah, the University's ten colleges and schools have a truly statewide impact in Georgia.

Home to the Medical College of Georgia, the nation's 8th-largest and 13th-oldest medical school, the University's Health Sciences Campus is at the forefront of health care innovation. Located in beautiful downtown Augusta and housing the state's largest College of Nursing, the comprehensive College of Allied Health Sciences, The Graduate School, and the state's only dental school, The Dental College of Georgia, the Health Sciences Campus is also home to the state's only public academic medical center.

Built in and around a former United States arsenal, the historic Summerville Campus is home to the University's liberal arts curriculum. In the shade of the ancient trees, professors from the Katherine Reese Pamplin College of Arts, Humanities, and Social Sciences; the nationally-ranked James M. Hull College of Business; the College of Education; and the College of Science and Mathematics prepare students for a lifetime of critical thinking, creativity, and entrepreneurial success.

Nestled along the Savannah River, the Riverfront Campus is located in Augusta's growing cybersecurity corridor and houses the state-owned Hull McKnight Georgia Cyber Center for Innovation and Training, a state-of-the-art cyber center comprised of the University's School of Computer and Cyber Sciences, a cutting-edge cyber range, a 340-seat auditorium, secure briefing space, incubator space for innovation and entrepreneurship, and classrooms; as well as proximity to industry professionals and innovative start-ups.

Opened in 1991, Christenberry Fieldhouse (CFH) houses 11 of the Augusta Jaguars' 13 competition sports. In addition to housing all administrative and support staff for the Augusta University Department of Athletics, CFH also houses the College of Education's Department of Kinesiology. The Forest Hills Campus, on which CFH is located, also houses a full-size golf course, baseball, softball, and soccer fields, and serves as the home of the Jaguars' nationally recognized NCAA Division I golf team.

Our campus libraries, the Robert B. Greenblatt, M.D. Library on the Health Sciences Campus and the Reese Library on the Summerville Campus, provide comprehensive information resources and services in support of the teaching, discovery, and clinical care mission of our student-centered research university and academic medical center.

The University continues to grow as shown by the comparison numbers that follow.

	STUDENT HEADCOUNT	STUDENT FTE
FY 2019	9,072	8,419
FY 2018	8,824	8,153
FY 2017	8,532	7,931

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2019. The emphasis of discussion about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2019 and fiscal year 2018.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2019 and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University.

The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the University for any lawful purpose.

Statement of Net Position for the Years Ended June 30, 2019 and June 30, 2018, Condensed

CONDENSED STATEMENT OF NET POSITION	June 30, 2019	June 30, 2018	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 136,542,641	\$ 132,428,478	\$ 4,114,163	3.11 %
Capital Assets, Net	682,949,901	537,217,308	145,732,593	27.13 %
Other Assets	87,446,680	92,358,103	(4,911,423)	(5.32)%
TOTAL ASSETS	906,939,222	762,003,889	144,935,333	19.02 %
DEFERRED OUTFLOWS	135,543,575	92,008,272	43,535,303	47.32 %
LIABILITIES				
Current Liabilities	100,399,007	102,415,112	(2,016,105)	(1.97)%
Non-Current Liabilities	948,263,794	930,526,767	17,737,027	1.91 %
TOTAL LIABILITIES	1,048,662,801	1,032,941,879	15,720,922	1.52 %
DEFERRED INFLOWS	80,632,368	54,136,573	26,495,795	48.94 %
NET POSITION				
Net Investment in Capital Assets	632,135,277	485,453,028	146,682,249	30.22 %
Restricted, Non-Expendable	2,630,187	2,558,310	71,877	2.81 %
Restricted, Expendable	28,467,274	33,662,268	(5,194,994)	(15.43)%
Unrestricted (Deficit)	(750,045,110)	(754,739,897)	4,694,787	0.62 %
TOTAL NET POSITION	\$ (86,812,372)	\$ (233,066,291)	\$ 146,253,919	62.75 %

Total assets increased \$144,935,333 which was due to an increase in current assets of \$4,114,163, an increase in net capital assets of \$145,732,593, and a decrease in other assets of \$(4,911,423). Accounts receivable increased overall with the largest increase in receivables from component units with an increase of \$30,971,252 or 76.52%. Augusta University Medical Center is required to pay an annual performance-based service fee to support delivery of services described in the Master Affiliation Agreement and provide the many resources needed to continue its operation. The performance-based service fee is based on the percentage of Augusta University Medical Center's net income to operating revenue and for fiscal year 2019 is \$733,894.

Total deferred outflows of resources increased by \$43,535,303 which was primarily due to the University's change in proportionate share of the actuarially determined deferred loss on defined benefit pension plans administered by Teachers Retirement System of Georgia and the Employees' Retirement System of Georgia. The largest increase was due to the change in Other Post Employment Benefits.

Total liabilities increased \$15,720,922 which was due to a decrease in current liabilities of \$(2,016,105) and an increase in non-current liabilities of \$17,737,027. Accounts payable increased significantly, which was attributable to an increased effort to accrue amounts due at the end of the fiscal year. In addition, the increase was attributable to non-personal services, unclaimed property, Banner and third party clearing accounts, and timing of payment of payroll deductions.

Compensated absences increased \$605,934 which was related to a combination of an increase in salaries and an increase in unused vacation leave. The largest increase was to the Net Other Post Employment Benefits Liability which increased \$20,812,954 in fiscal year 2019, an increase of 4.16%.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of \$146,253,919. This change in net position is primarily in the category of Net Investment in Capital Assets and is the result of the Hull McKnight Georgia Cyber Center for Innovation and Training land and buildings transfer from Georgia Technology Authority (GTA) and the addition of the Cancer Research Building, which was substantially completed in fiscal year 2019.

Total deferred inflows of resources increased by \$26,495,795 which was primarily due to the University's change in proportionate share of the actuarially determined deferred gain on defined benefit pension plans administered by Teachers Retirement System of Georgia, Employees' Retirement System of Georgia, and Other Postemployment Benefits in fiscal year 2019 with the most significant increase being the latter.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenue, Expenses, and Changes in Net position for the Years Ended June 30, 2019 and June 30, 2018, Condensed

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2019	June 30, 2018	Increase/ (Decrease)	% Change
Operating Revenue	\$ 682,731,652	\$ 626,050,169	\$ 56,681,483	9.05 %
Operating Expense	943,410,859	885,817,683	57,593,176	6.50 %
Operating Income/Loss	(260,679,207)	(259,767,514)	(911,693)	(0.35)%
Non-Operating Revenue and Expense	253,298,150	256,953,194	(3,655,044)	(1.42)%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(7,381,057)	(2,814,320)	(4,566,737)	(162.27)%
Other Revenues, Expenses, Gains, Losses and Special Items	153,634,976	31,515,205	122,119,771	387.49 %
Change in Net Position	146,253,919	28,700,885	117,553,034	409.58 %
Net Position at Beginning of Year	(233,066,291)	(261,767,176)	28,700,885	(10.96)%
Net Position at End of Year	\$ (86,812,372)	\$ (233,066,291)	\$ 146,253,919	(62.75)%

The Statement of Revenues, Expenses, and Changes in Net Position reflects the increase in net position, which is largely due to the Investment in Capital Assets as noted previously. The total increase in net position was \$146,253,919 which is a 62.75% change. Operating Revenue increased \$56,681,483 or 9.05% in fiscal year 2019 and was mainly the result of state and other grants and contracts increases of \$25,229,005 (10.12%) and \$24,412,962 (12.52%) respectively. In addition, auxiliary enterprises revenues increased overall by \$1,885,474 (9.19%) with the highest increase in the category of parking with an increase of \$1,764,608 or 54.73%.

Some highlights of the information presented on this statement are as follows.

Revenues

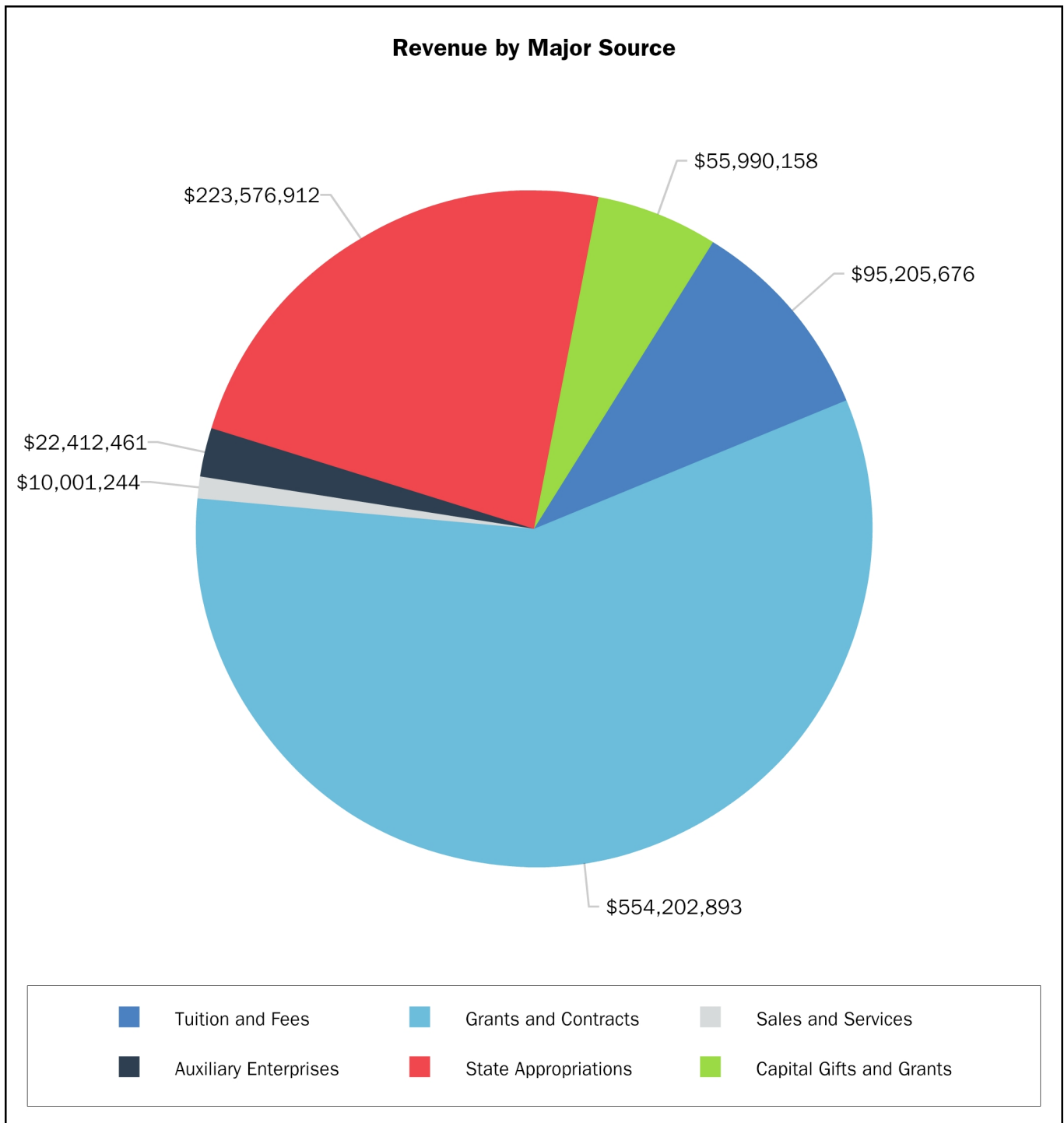
In fiscal year 2019, state appropriations decreased slightly by \$(1,563,663) which was less than a 1 percent decrease. State appropriation revenue included increases such as \$2,000 for University System of Georgia (USG) International Education Grant, \$250,000 for classroom and computer lab technology upgrades, and \$153,634 increased funding for the Georgia Cyber Innovation and Training Center program. State appropriation revenue was decreased by a transfer of \$6,979,931 to the University of Georgia (UGA) to support the Medical School Expansion and the UGA-AU seed grant program. Net tuition and fee revenues increased \$1,348,043 (1.44%), which is a direct result of an overall enrollment increase of 2.8% from Fall 2017 to Fall 2018. The largest increase was in grants and contracts revenue which increased \$53,093,836 or 10.60%. This included the State of Georgia Department of Behavioral Health and Developmental Disabilities contract revenue and increased Department of Juvenile Justice and Georgia Department of Corrections contract revenue. Investments yielded an increase of \$1,600,712 or 81.10% in investment income in fiscal year 2019 from the prior year. In addition, there was an increase in auxiliary enterprises revenue of \$1,885,474 or 9.19% which included residence halls, bookstore, parking, health services, and intercollegiate athletics. This auxiliary enterprise revenue increase was also a result of the increased enrollment.

State Capital Gifts and Grants increased by the addition of the Cancer Research Building project which was substantially completed during the fiscal year and renovations made by the Georgia Technology Authority to the Georgia Cyber Center. In addition, Special Items represents the transfer of property from Georgia Technology Authority of approximately 16.47 acres of land formerly known as the Georgia Golf Hall of Fame located at 1 Eleventh Street in Augusta, Richmond County, Georgia and two buildings known as the Hull McKnight and Shaffer MacCartney Buildings which were erected on the site. The land and buildings are the Georgia Cyber Innovation and Training Center.

For the years ended June 30, 2019 and June 30, 2018, revenues by source were as follows:

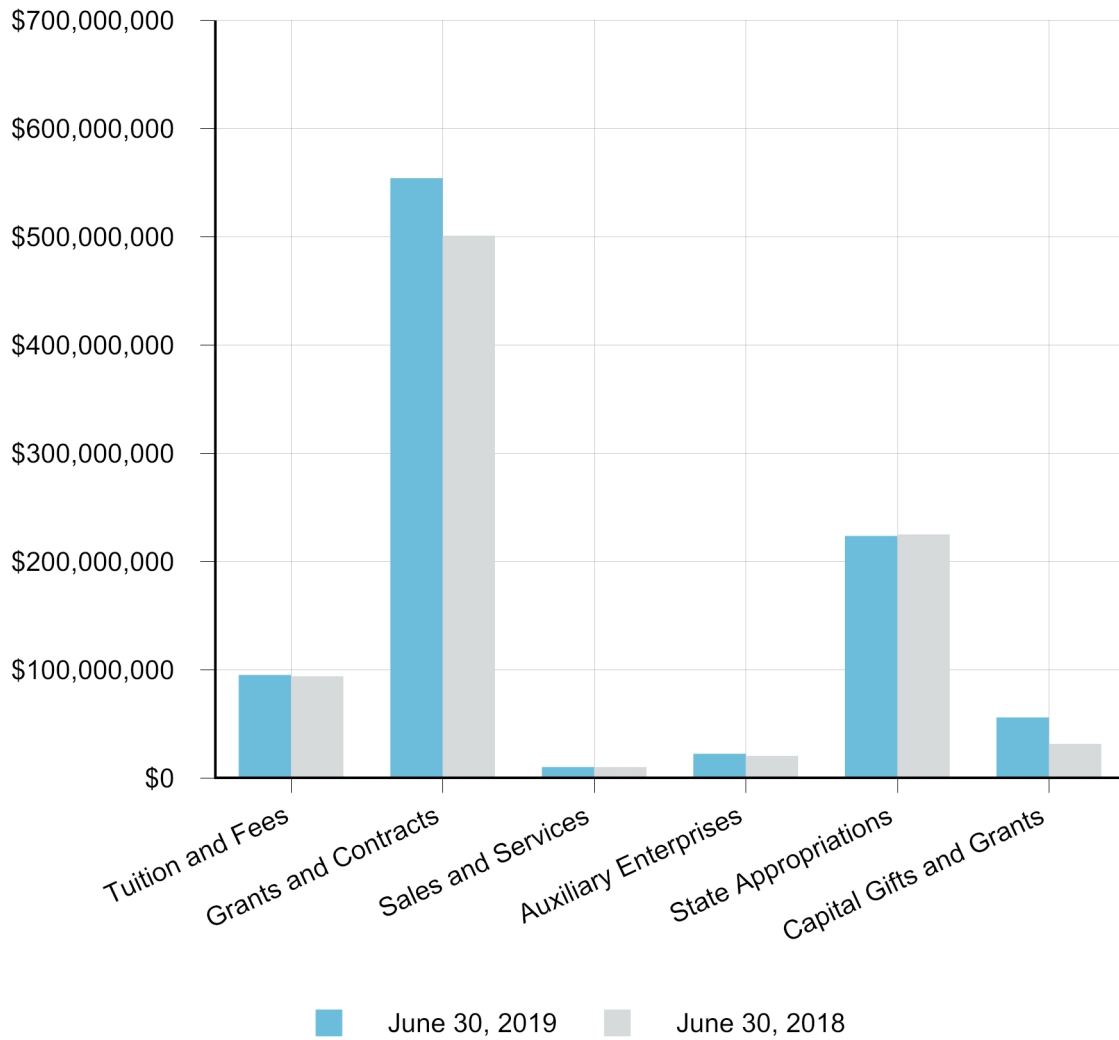
REVENUES BY SOURCE	June 30, 2019	June 30, 2018	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 95,205,676	\$ 93,857,633	\$ 1,348,043	1.44 %
Grants and Contracts	554,202,893	501,109,057	53,093,836	10.60 %
Sales and Services	10,001,244	9,949,193	52,051	0.52 %
Auxiliary Enterprises	22,412,461	20,526,987	1,885,474	9.19 %
Other Operating Revenues	909,378	607,299	302,079	49.74 %
Total Operating Revenues	682,731,652	626,050,169	56,681,483	9.05 %
State Appropriations	223,576,912	225,140,575	(1,563,663)	(0.69)%
Grants and Contracts	16,156,193	20,298,835	(4,142,642)	(20.41)%
Gifts	11,736,828	14,605,305	(2,868,477)	(19.64)%
Investment Income	3,574,502	1,973,790	1,600,712	81.10 %
Other Nonoperating Revenues	173,401	(3,049,805)	3,223,206	105.69 %
Total Nonoperating Revenues	255,217,836	258,968,700	(3,750,864)	(1.45)%
State Capital Gifts and Grants	55,990,158	31,495,205	24,494,953	77.77 %
Other Capital Gifts and Grants	—	20,000	(20,000)	(100.00)%
Total Capital Gifts and Grants	55,990,158	31,515,205	24,474,953	77.66 %
Special Items	97,644,818	—	97,644,818	100.00 %
Total Revenues	\$ 1,091,584,464	\$ 916,534,074	\$ 175,050,390	19.10 %

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



Revenue by major source for the years ended June 30, 2019 and June 30, 2018 is depicted by the following chart:

Revenue by Major Source



Expenses

For the years ended June 30, 2019 and June 30, 2018, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2019	June 30, 2018	Increase/ (Decrease)	% Change
Instruction	\$ 157,081,344	\$ 174,393,558	\$ (17,312,214)	(9.93)%
Research	72,955,489	48,458,032	24,497,457	50.55 %
Public Service	40,062,386	43,977,459	(3,915,073)	(8.90)%
Academic Support	59,015,207	62,392,704	(3,377,497)	(5.41)%
Student Services	8,037,915	7,120,737	917,178	12.88 %
Institutional Support	98,140,677	89,464,363	8,676,314	9.70 %
Plant Operations and Maintenance	45,268,556	42,813,606	2,454,950	5.73 %
Scholarships and Fellowships	7,160,971	7,811,404	(650,433)	(8.33)%
Auxiliary Enterprises	20,917,191	17,714,093	3,203,098	18.08 %
Patient Care	434,771,123	391,671,727	43,099,396	11.00 %
Total Operating Expenses	943,410,859	885,817,683	57,593,176	6.50 %
Interest Expense	1,919,686	2,015,506	(95,820)	(4.75)%
Total Nonoperating Expenses	1,919,686	2,015,506	(95,820)	(4.75)%
Total Expenses	\$ 945,330,545	\$ 887,833,189	\$ 57,497,356	6.48 %

Total operating expenses were \$943,410,859 in fiscal year 2019, an increase of \$57,593,176 (6.50%) when compared with fiscal year 2018. These increases are primarily attributable to the following functional classifications: Research (\$24.5 million); Institutional Support (\$8.7 million); Auxiliary Enterprises (\$3.2 million); and Patient Care (\$43.1 million). The functional classifications with the highest percentage of increase include Research (50.55%), Student Services (12.88%), Institutional Support (9.70%), Auxiliary Enterprises (18.08%), and Patient Care (11.00%).

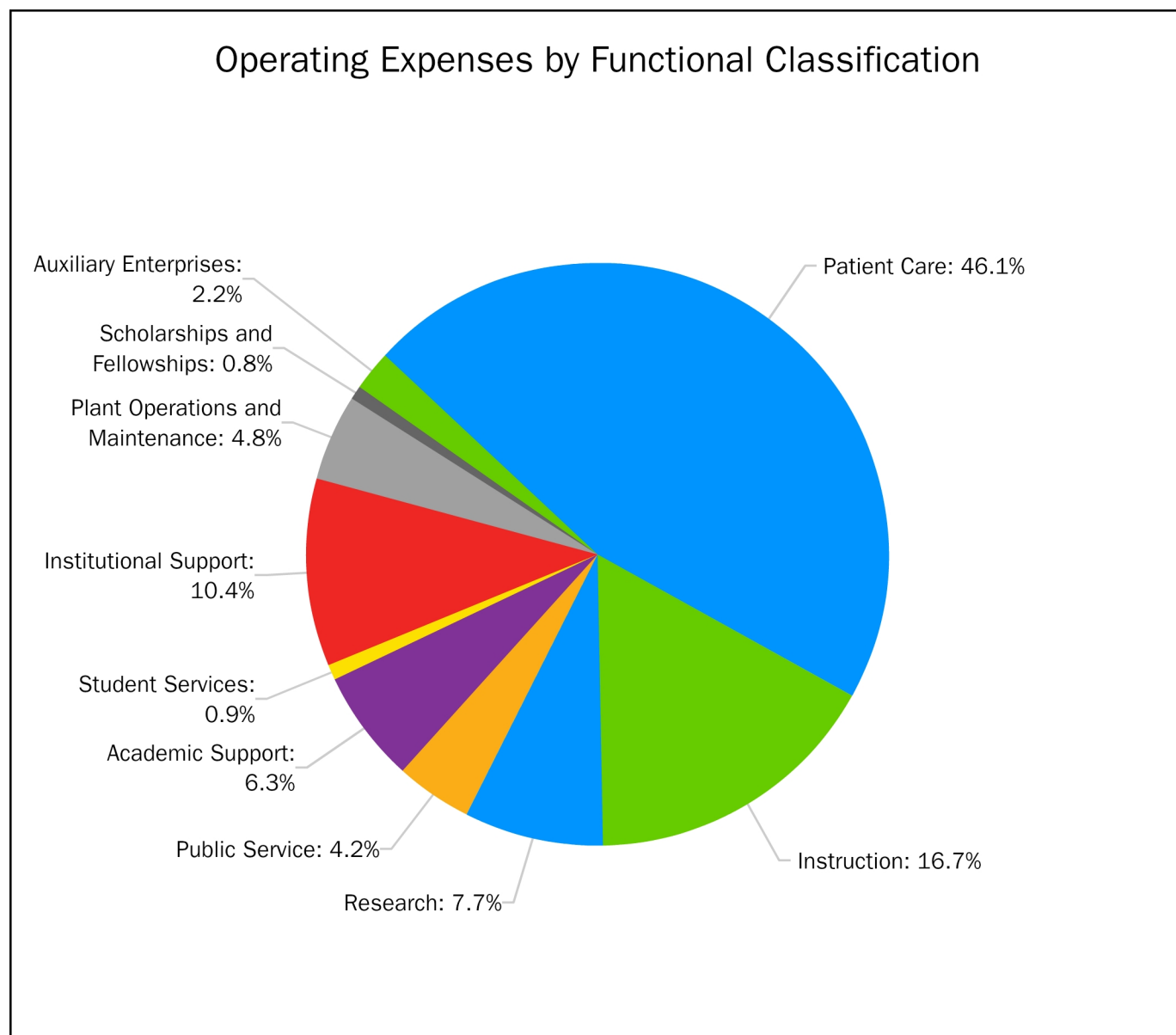
As seen in the chart above, total expenses increased \$57,497,356 (6.48%) in fiscal year 2019 when compared with fiscal year 2018. The increases were substantially attributable to increases in salaries and benefits (\$25.8 million or 4.27%), supplies and other services (\$28.5 million or 12.52%) and depreciation expense (\$3.2 million or 11.35%).

The increases in salaries and benefits are attributable to increases in pension expenses, health and life insurance, and faculty increases and were more significant in the categories of research, institutional support, student services, and patient care being 76.92%, 14.18%, 11.54%, and 8.85% respectively.

There was only a slight increase in utilities in fiscal year 2019 (.5%) related to increases in natural gas, water, and telephone costs, which were 3.58%, 19.02%, and 5.61% respectively. Water usage increased because of the higher than normal heat which necessitated increased watering to maintain the campus grounds. Electricity and fuel oil costs were down 3.59% and 49.73% respectively which helped offset the increases.

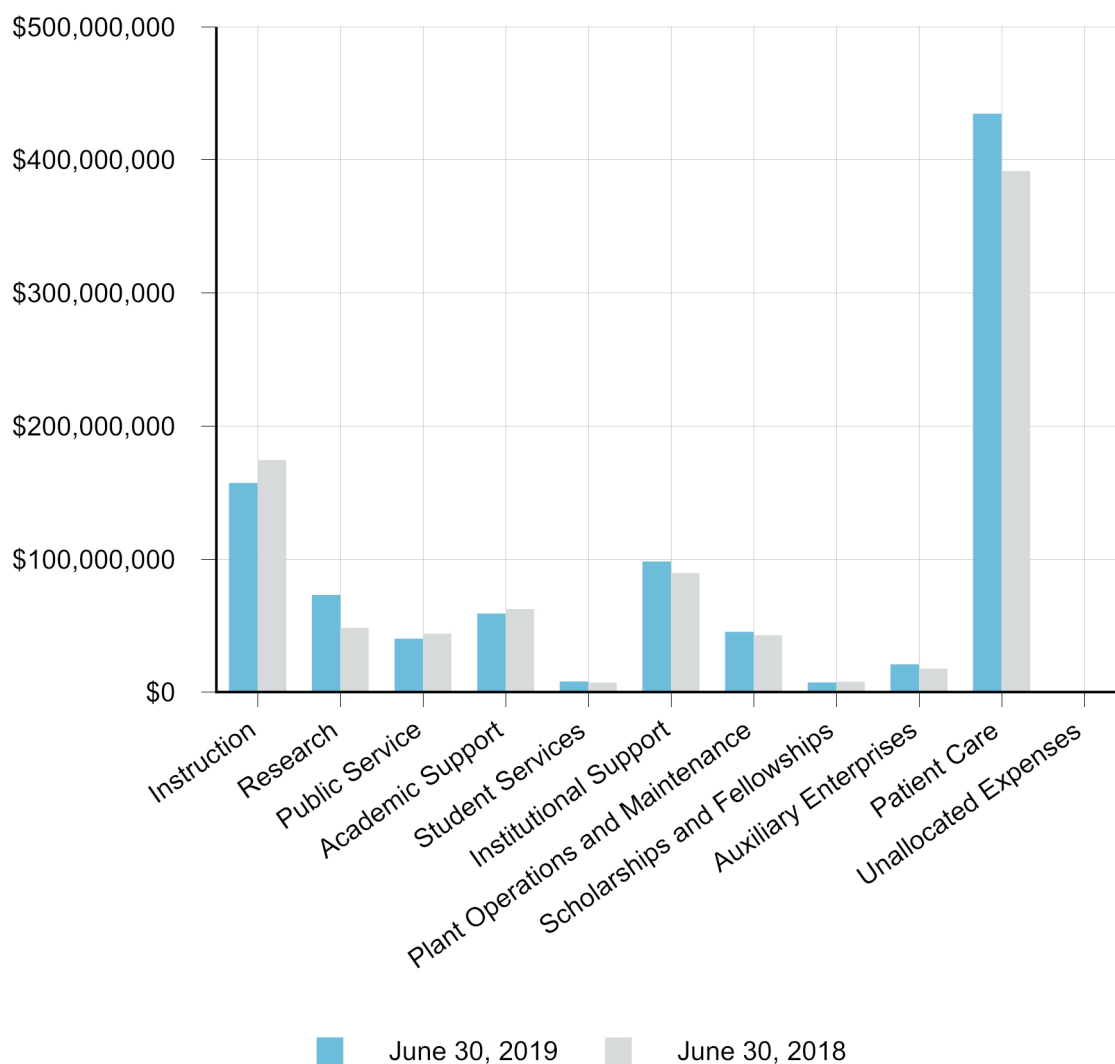
Supplies and other services increased by \$28.5 million (12.52%) in fiscal year 2019. The largest increase was in the category of patient care (\$20.6 million) and was the result of increased costs associated with medical care for the Georgia Department of Corrections and the Department of Juvenile Justice. Significant increases were also seen in the categories of instruction (\$3.2 million), research (\$2.1 million), and auxiliary enterprises (\$3.0 million). These increases were offset to some extent by decreases in other areas with the most significant decrease being in academic support (\$2.2 million).

The following chart depicts the fiscal year 2019 operating expenses by functional classification.



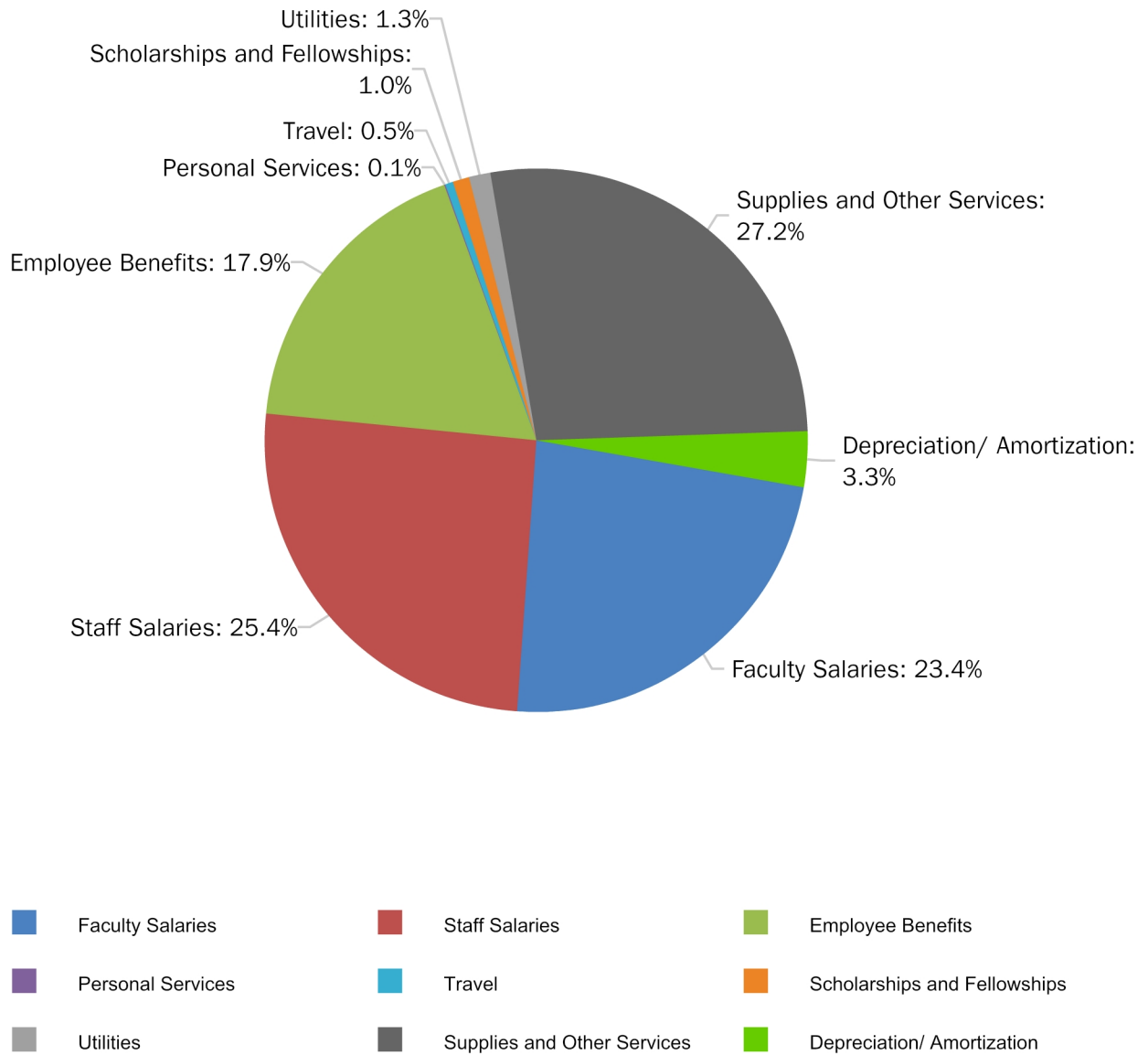
Operating expenses by functional classification for the years ended June 30, 2019 and June 30, 2018 is depicted by the following chart:

Operating Expenses by Functional Classification

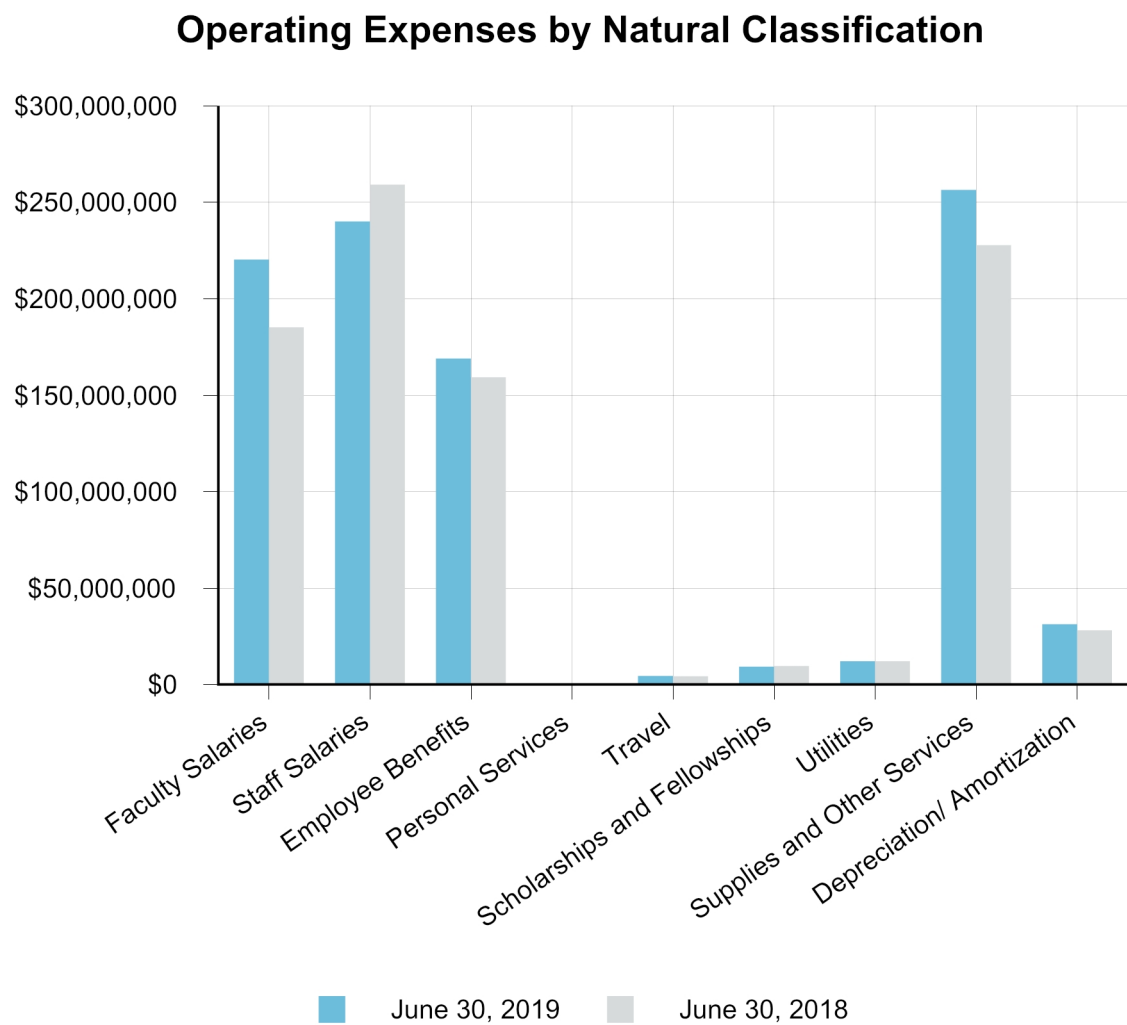


The following chart depicts the fiscal year 2019 operating expenses by natural classification.

Operating Expenses by Natural Classification



Operating expenses by natural classification for the years ended June 30, 2019 and June 30, 2018 is depicted by the following chart:



Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds, and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2019 and June 30, 2018, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2019	June 30, 2018
Cash Provided (Used) by:		
Operating Activities	\$ (261,429,273)	\$ (205,775,400)
Non-Capital Financing Activities	256,850,320	251,512,759
Capital and Related Financing Activities	(16,489,632)	(14,573,800)
Investing Activities	8,254,551	(3,111,463)
Net Change in Cash	(12,814,034)	28,052,096
Cash and Cash Equivalents, Beginning of Year	41,110,996	13,058,900
Cash and Cash Equivalents, End of Year	\$ 28,296,962	\$ 41,110,996

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2019 and June 30, 2018 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2019	June 30, 2018	Increase (Decrease)	% Change
Land	\$ 28,515,529	23,214,737	\$ 5,300,792	22.83 %
Capitalized Collections	87,006	87,006	—	— %
Construction Work-in-Progress	10,200,461	12,823,779	(2,623,318)	(20.46)%
Infrastructure	8,197,930	5,180,379	3,017,551	58.25 %
Building and Building Improvements	584,336,541	447,338,615	136,997,926	30.63 %
Facilities and Other Improvements	14,065,293	15,363,745	(1,298,452)	(8.45)%
Equipment	32,075,398	27,290,148	4,785,250	17.53 %
Library Collections	5,471,743	5,918,899	(447,156)	(7.55)%
Capital Assets, net of accumulated depreciation	\$ 682,949,901	\$ 537,217,308	\$ 145,732,593	27.13 %

University managed capital projects for building and building improvements and infrastructure in fiscal year 2019 totaled \$7,426,510, including the Ceramics Studio Renovation, Laney Walker Transportation Enhancement, and Augusta University Signage for various areas of the campus. In addition, building and building improvements, equipment, and research and development infrastructure totaling \$61,405,583 were funded by Georgia State Financing and Investment Commission (GSFIC) and included \$9,503,938 prepaid by the University to complete the Cancer Research Center building.

In the Georgia State Financing and Investment Commission funded total was the Cancer Research Center, a GSFIC-managed project which was substantially completed and transferred to the University during the fiscal year at a cost of \$59,503,938 which included the University prepaid of \$9,503,398. Also included in the GSFIC funded total were additional expenditures of \$222,810 for the Roosevelt Warm Springs Health Facility Improvements project which was substantially completed and added in the prior fiscal year.

Other on-going projects funded by GSFIC included capital expenditures of \$1,575,104 in fiscal year 2019. Projected funding by GSFIC for fiscal year 2020 will be approximately the same as in previous years.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

Augusta University had Long-Term Liabilities of \$90,903,184 of which \$27,925,612 was reflected as current liability at June 30, 2019. Long-Term Liabilities included capital leases and compensated absences.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets, and a report of operating expenses by function.

Economic Outlook

Augusta University continued to manage resources prudently in fiscal year 2019 and remains committed to student affordability and strategic allocation of resources to our core mission of teaching, discovery, clinical care, and service. For the third consecutive fiscal year, the University saw a modest increase in enrollment of 2.8% from Fall 2017 to Fall 2018. Enrollment trends continue to suggest that a modest increase will be recognized during fiscal year 2020 which will result in additional tuition revenue. We anticipate both operating and non-operating revenues and expenses to remain relatively consistent as compared to previous years with no significant fluctuations.

While the University is impacted by general economic conditions, management believes the University will continue its high level of excellence in service to students, sponsors, the State of Georgia, and other constituents. The University's financial position and internal planning processes provide the University some protection against funding reductions and adverse economic conditions.

Dr. Brooks A. Keel, Ph.D., President
Augusta University

Yvonne Turner, Executive Vice President
Augusta University



Financial Statements (GAAP Basis)

AUGUSTA UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Augusta University	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 10,283,065	\$ 93,452,201
Cash and Cash Equivalents (Externally Restricted)	18,013,897	4,700,217
Short-term Investments	—	46,811,848
Short-term Investments (Externally Restricted)	—	25,098,417
Accounts Receivable, net		
Federal Financial Assistance	8,618,200	4,304,155
Affiliated Organizations	555,024	—
Component Units	71,447,158	—
Primary Government	—	5,764,776
Pledges and Contributions	—	2,646,359
Other	20,593,566	159,409,056
Due From Other Funds	—	249,362
Investment in Capital Leases - Primary Government	—	2,419,236
Inventories	775,475	20,646,799
Prepaid Items	6,256,256	19,697,155
Total Current Assets	136,542,641	385,199,581
Non-Current Assets		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	197,730	—
Pledges and Contributions	—	1,262,886
Other	—	20,229,434
Investments	71,902,696	154,098,598
Notes Receivable, net	2,042,024	—
Investment in Capital Leases - Primary Government	—	44,075,789
Other Assets	—	5,851,939
Non-current Cash (Externally Restricted)	—	69,973
Investments (Externally Restricted)	13,304,230	258,991,850
Capital Assets, net	682,949,901	268,562,093
Total Non-Current Assets	770,396,581	753,142,562
TOTAL ASSETS	906,939,222	1,138,342,143
DEFERRED OUTFLOWS OF RESOURCES		
	\$ 135,543,575	\$ —

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Augusta University	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 26,019,078	\$ 76,364,939
Salaries Payable	3,046,835	9,325,924
Benefits Payable	3,546,003	—
Contracts Payable	1,083,921	—
Retainage Payable	370,668	—
Due to Affiliated Organizations	724,721	—
Due to Component Units	5,764,776	—
Due to Primary Government	—	71,447,158
Due to Other Funds	—	248,609
Advances (Including Tuition and Fees)	30,469,087	258,166
Deposits Held for Other Organizations	1,448,306	—
Other Liabilities	—	9,568,125
Lease Purchase Obligations - External	2,831,321	6,327,586
Lease Purchase Obligations - Component Units	2,419,236	—
Revenue Bonds and Notes Payable	—	6,190,000
Liabilities Under Split Interest Agreements	—	90,485
Compensated Absences	22,675,055	20,521,811
Total Current Liabilities	100,399,007	200,342,803
Non-Current Liabilities		
Other Liabilities	—	17,505,364
Notes and Loans Payable	—	9,472,672
Lease Purchase Obligations - External	1,773,196	19,372,866
Lease Purchase Obligations - Component Units	44,075,789	—
Revenue Bonds and Notes Payable	—	230,143,533
Liabilities Under Split Interest Agreements	—	978,611
Interest Rate Swap	—	20,085,401
Compensated Absences	17,128,587	—
Net Other Post-employment Benefits Liability	520,940,139	6,758,623
Net Pension Liability	364,346,083	—
Total Non-Current Liabilities	948,263,794	304,317,070
TOTAL LIABILITIES	1,048,662,801	504,659,873
DEFERRED INFLOWS OF RESOURCES	80,632,368	—
NET POSITION		
Net Investment in Capital Assets	632,135,277	60,835,611
Restricted for:		
Nonexpendable	2,630,187	155,276,188
Expendable	28,467,274	141,702,497
Unrestricted Surplus/(Deficit)	(750,045,110)	275,867,974
TOTAL NET POSITION	\$ (86,812,372)	\$ 633,682,270

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Augusta University	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 95,205,676	\$ —
Grants and Contracts		
Federal	60,338,262	49,708,822
State	274,480,464	—
Other	219,384,167	11,893,574
Sales and Services	10,001,244	61,851,503
Rents and Royalties	680,793	2,111,917
Patient Services		804,178,864
Auxiliary Enterprises		
Residence Halls	3,917,708	—
Bookstore	1,587,382	—
Food Services	1,641,240	—
Parking/Transportation	4,989,041	—
Health Services	2,895,387	—
Intercollegiate Athletics	3,222,086	—
Other Organizations	4,159,617	—
Gifts and Contributions	—	12,582,884
Endowment Income	—	8,155,792
Other Operating Revenues	228,585	442,972
Total Operating Revenues	682,731,652	950,926,328
OPERATING EXPENSES		
Faculty Salaries	220,307,975	2,803,199
Staff Salaries	240,076,828	293,417,288
Employee Benefits	168,969,651	77,374,319
Other Personal Services	584,001	157,839,808
Travel	4,469,868	1,871,852
Scholarships and Fellowships	9,279,106	4,905,619
Utilities	12,057,972	4,439,882
Supplies and Other Services	256,365,202	430,077,274
Depreciation	31,300,256	37,170,920
Total Operating Expenses	943,410,859	1,009,900,161
Operating Income (Loss)	\$ (260,679,207)	\$ (58,973,833)

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Augusta University	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 223,576,912	\$ 31,992,211
Grants and Contracts		
Federal	11,922,299	2,955,709
State	—	3,430,939
Other	4,233,894	—
Gifts	11,736,828	—
Investment Income	3,574,502	10,579,207
Interest Expense	(1,919,686)	(10,409,888)
Other Nonoperating Revenues (Expenses)	173,401	(9,675,030)
Net Nonoperating Revenues	253,298,150	28,873,148
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7,381,057)	(30,100,685)
Capital Grants and Gifts		
State	55,990,158	—
Other	—	998,143
Additions to Permanent and Term Endowments	—	3,343,572
Special Item	97,644,818	—
Total Other Revenues, Expenses, Gains or Losses	153,634,976	4,341,715
Change in Net Position	146,253,919	(25,758,970)
Net Position, Beginning of Year	(233,066,291)	659,441,240
Net Position, End of Year	\$ (86,812,372)	\$ 633,682,270

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2019

	Augusta University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 124,750,744
Grants and Contracts (Exchange)	508,801,326
Payments to Suppliers	(426,064,330)
Payments to Employees	(459,869,281)
Payments for Scholarships and Fellowships	(9,279,106)
Loans Issued to Students	(447,069)
Collection of Loans from Students	678,443
Net Cash Used by Operating Activities	(261,429,273)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	223,576,912
Agency Funds Transactions - Receipts	151,912,238
Agency Funds Transactions - Disbursements	(152,436,172)
Gifts and Grants Received for Other Than Capital Purposes	33,797,342
Net Cash Flows Provided by Non-Capital Financing Activities	256,850,320
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	2,590,498
Proceeds from Sale of Capital Assets	1,328,898
Purchases of Capital Assets	(13,360,540)
Principal Paid on Capital Debt and Leases	(5,246,911)
Interest Paid on Capital Debt and Leases	(1,801,577)
Net Cash Used by Capital and Related Financing Activities	(16,489,632)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,527,413
Investment Income	3,966,778
Purchase of Investments	(1,239,640)
Net Cash Provided by Investing Activities	8,254,551
Net Decrease in Cash and Cash Equivalents	(12,814,034)
Cash and Cash Equivalents, Beginning of Year	41,110,996
Cash and Cash Equivalents, End of Year	\$ 28,296,962

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2019

	<u>Augusta University</u>
RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (260,679,207)
Adjustments to Reconcile Net Operating Loss to	
Net Cash Used by Operating Activities	
Depreciation	31,300,256
Change in Assets and Liabilities:	
Receivables, net	(34,361,585)
Inventories	(51,733)
Prepaid Items	1,267,842
Notes Receivable, Net	231,374
Accounts Payable	16,129,457
Salaries Payable	(90,412)
Benefits Payable	(3,135,519)
Contracts Payable	(591,735)
Advances (Including Tuition and Fees)	(14,817,998)
Compensated Absences	605,934
Due to Affiliated Organizations	(895,460)
Net Pension Liability	(113,933)
Other Post-Employment Benefit Liability	20,812,954
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	27,377,806
Deferred Outflows of Resources	(44,417,314)
	<u></u>
Net Cash Used by Operating Activities	<u>\$ (261,429,273)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND	
RELATED FINANCING TRANSACTIONS	
Non-Capital Financing Activities Accounts Receivable, Net of Allowances	\$ 733,894
Gift of Capital Assets	\$ 53,399,660
Gain (Loss) on Disposal of Capital Assets	\$ 555,191
Accrual of Capital Asset Related Payables	\$ 1,439,642
Capital Assets Acquired Through Prepaid Capital	\$ 9,503,938
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ 4,125,376
Early Extinguishment of Capital Debt	\$ 3,251
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	\$ 118,109
Special Item - Capital Asset Transfer	\$ 97,644,818
Unrealized Gain (Loss) on Investments	\$ 392,276

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Early Retirement Plan - Augusta University
ASSETS	
Cash and Cash Equivalents	\$ 3,475,805
Investments	
Mutual Bond Funds	19,801,055
Equity Mutual Funds - Domestic	47,890,518
Equity Securities - Domestic	34,208,489
Total Assets	105,375,867
NET POSITION	
Held in Trust for:	
Pension Benefits	\$ 105,375,867

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Early Retirement Plan - Augusta University
ADDITIONS	
Contributions	
Employer	\$ 13,084,672
Investment Income	
Dividends and Interest	2,215,229
Net Appreciation in Investments	
Reported at Fair Value	5,317,848
Less: Investment Expense	(164,247)
Total Additions	20,453,502
DEDUCTIONS	
Benefits	14,099,754
Change in Net Position Held in Trust for	
Pension Benefits	6,353,748
Net Position, Beginning of Year	99,022,119
Net Position, End of Year	\$ 105,375,867

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Elimination/ Consolidation Entries	Total
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 82,451,606	\$ 4,315,878	\$ 5,443,768	\$ 169,538	\$ 1,071,411	\$ —	\$ 93,452,201
Cash and Cash Equivalents (Externally Restricted)	1,121,058	3,489,218	—	—	89,941		4,700,217
Short-term Investments	42,765,506	1,525,924	—	2,520,418	—		46,811,848
Short-term Investments (Externally Restricted)	15,172,846	—	—	9,925,571	—		25,098,417
Accounts Receivable, net							
Federal Financial Assistance		—	4,304,155	—	—		4,304,155
Primary Government	5,706,173	—	—	892	57,711		5,764,776
Pledges and Contributions		155,965	—	1,972,673	517,721		2,646,359
Other	159,350,401	58,655	—	—	—		159,409,056
Due From Other Funds	124,496	—	—	124,866	—		249,362
Investment in Capital Leases - Primary Government	1,226,662	2,075,695	—	—	—	(883,121)	2,419,236
Inventories	20,646,799	—	—	—	—		20,646,799
Prepaid Items	19,556,715	1,767	—	138,673	—		19,697,155
Total Current Assets	<u>348,122,262</u>	<u>11,623,102</u>	<u>9,747,923</u>	<u>14,852,631</u>	<u>1,736,784</u>	<u>(883,121)</u>	<u>385,199,581</u>
Non-Current Assets							
Accounts Receivable, net							
Pledges and Contributions		96,513	—	138,873	1,027,500		1,262,886
Other	20,212,846	—	—	—	16,588		20,229,434
Investments	112,917,934	1,086,453	4,474,350	—	35,619,861		154,098,598
Investment in Capital Leases - Primary Government	21,292,862	29,510,311	—	—	—	(6,727,384)	44,075,789
Other Assets	5,416,198	194,775	—	—	240,966		5,851,939
Non-current Cash (Externally Restricted)		—	69,973	—	—		69,973
Investments (Externally Restricted)	3,895,086	28,842,938	—	5,177,714	221,076,112		258,991,850
Capital Assets, net	251,547,353	—	—	2,295,000	14,719,740		268,562,093
Total Non-Current Assets	<u>415,282,279</u>	<u>59,730,990</u>	<u>4,544,323</u>	<u>7,611,587</u>	<u>272,700,767</u>	<u>(6,727,384)</u>	<u>753,142,562</u>
TOTAL ASSETS	<u>\$ 763,404,541</u>	<u>\$ 71,354,092</u>	<u>\$ 14,292,246</u>	<u>\$ 22,464,218</u>	<u>\$ 274,437,551</u>	<u>\$ (7,610,505)</u>	<u>\$ 1,138,342,14</u>

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The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Elimination/ Consolidation Entries	Total
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 75,690,993	\$ 433,805	\$ 155,642	\$ 49,253	\$ 35,246	\$ —	\$ 76,364,939
Salaries Payable	9,325,924	—	—	—	—	—	9,325,924
Due to Primary Government	66,784,070	303,793	4,249,535	29,448	80,312	—	71,447,158
Due to Other Funds	124,866	—	—	123,743	—	—	248,609
Advances (Including Tuition and Fees)	—	950,497	—	190,790	—	(883,121)	258,166
Other Liabilities	9,528,152	—	18,979	—	20,994	—	9,568,125
Lease Purchase Obligations - External	6,327,586	—	—	—	—	—	6,327,586
Revenue Bonds and Notes Payable	5,165,000	1,025,000	—	—	—	—	6,190,000
Liabilities Under Split Interest Agreements	—	—	—	90,485	—	—	90,485
Compensated Absences	20,521,811	—	—	—	—	—	20,521,811
Total Current Liabilities	193,468,402	2,713,095	4,424,156	483,719	136,552	(883,121)	200,342,803
Non-Current Liabilities							
Advances (Including Tuition and Fees)	—	6,727,384	—	—	—	(6,727,384)	—
Other Liabilities	17,505,364	—	—	—	—	—	17,505,364
Notes and Loans Payable	—	—	—	—	9,472,672	—	9,472,672
Lease Purchase Obligations - External	19,372,866	—	—	—	—	—	19,372,866
Revenue Bonds and Notes Payable	208,119,966	22,023,567	—	—	—	—	230,143,533
Liabilities Under Split Interest Agreements	—	—	—	159,921	818,690	—	978,611
Interest Rate Swap	20,085,401	—	—	—	—	—	20,085,401
Net Other Post Employment Benefits Liability	6,758,623	—	—	—	—	—	6,758,623
Total Non-Current Liabilities	271,842,220	28,750,951	—	159,921	10,291,362	(6,727,384)	304,317,070
TOTAL LIABILITIES	465,310,622	31,464,046	4,424,156	643,640	10,427,914	(7,610,505)	504,659,873
NET POSITION							
Net Investment in Capital Assets	53,293,543	—	—	2,295,000	5,247,068	—	60,835,611
Restricted for:							
Nonexpendable	—	19,652,615	—	2,751,102	132,872,471	—	155,276,188
Expendable	20,072,515	16,754,168	69,973	13,964,220	90,841,621	—	141,702,497
Unrestricted	224,727,861	3,483,263	9,798,117	2,810,256	35,048,477	—	275,867,974
TOTAL NET POSITION	\$298,093,919	\$ 39,890,046	\$ 9,868,090	\$ 21,820,578	\$264,009,637	\$ —	\$633,682,270

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2019

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Elimination/ Consolidation Entries	Total
OPERATING REVENUES							
Grants and Contracts							
Federal	\$ 667,250	\$ —	\$ 49,041,572	\$ —	\$ —		\$ 49,708,822
Other		26,536	11,293,495	573,543	—		11,893,574
Sales and Services	60,763,027	685,198	—	403,278	—		61,851,503
Rents and Royalties	1,003,935	172,516	904,575	12,300	18,591		2,111,917
Patient Services	804,178,864						804,178,864
Gifts and Contributions		2,463,215	—	9,085,214	1,034,455		12,582,884
Endowment Income		1,748,811	—	145,955	6,261,026		8,155,792
Other Operating Revenues		—	—	—	442,972		442,972
Total Operating Revenues	866,613,076	5,096,276	61,239,642	10,220,290	7,757,044	—	950,926,328
OPERATING EXPENSES							
Faculty Salaries		184,583	—	—	2,618,616		2,803,199
Staff Salaries	291,359,223	986,491	—	—	1,071,574		293,417,288
Employee Benefits	76,950,571	329,444	—	—	94,304		77,374,319
Other Personal Services	156,834,367	129,890	—	875,551	—		157,839,808
Travel	1,341,565	183,877	—	162,825	183,585		1,871,852
Scholarships and Fellowships	1,096,824	582,643	—	1,025,198	2,200,954		4,905,619
Utilities	4,389,973	—	—	—	49,909		4,439,882
Supplies and Other Services	356,966,988	1,236,657	60,204,418	7,941,531	3,727,680		430,077,274
Depreciation	37,115,718	—	—	—	55,202		37,170,920
Total Operating Expenses	926,055,229	3,633,585	60,204,418	10,005,105	10,001,824	—	1,009,900,164
Operating Income (Loss)	\$ (59,442,153)	\$ 1,462,691	\$ 1,035,224	\$ 215,185	\$ (2,244,780)	\$ —	\$ (58,973,833)

The notes to the financial statements are an integral part of this statement.

AUGUSTA UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2019

	AU Health Systems, Inc.	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Georgia Health Sciences Foundation, Inc.	Medical College of Georgia Foundation, Inc.	Elimination/ Consolidation Entries	Total
NONOPERATING REVENUES (EXPENSES)							
State Appropriations	\$ 31,992,211	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,992,211
Grants and Contracts							
Federal	2,955,709	—	—	—	—		2,955,709
State	3,430,939	—	—	—	—		3,430,939
Investment Income	3,077,450	1,078,760	308,973	395,465	5,718,559		10,579,207
Interest Expense	(9,556,881)	(853,007)	—	—	—		(10,409,888)
Other Nonoperating Revenues (Expenses)	(9,673,002)	—	(2,028)	—	—		(9,675,030)
Net Nonoperating Revenues	22,226,426	225,753	306,945	395,465	5,718,559	—	28,873,148
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(37,215,727)	1,688,444	1,342,169	610,650	3,473,779	—	(30,100,685)
Capital Grants and Gifts							
Other	998,143	—	—	—	—		998,143
Additions to Permanent and Term Endowments		293,262	—	167,785	2,882,525		3,343,572
Total Other Revenues, Expenses, Gains or Losses	998,143	293,262	—	167,785	2,882,525	—	4,341,715
Change in Net Position	(36,217,584)	1,981,706	1,342,169	778,435	6,356,304	—	(25,758,970)
Net Position, Beginning of Year	334,311,503	37,908,340	8,525,921	21,042,143	257,653,333		659,441,240
Net Position, End of Year	<u>\$298,093,919</u>	<u>\$ 39,890,046</u>	<u>\$ 9,868,090</u>	<u>\$ 21,820,578</u>	<u>\$264,009,637</u>	<u>\$ —</u>	<u>\$633,682,270</u>

The notes to the financial statements are an integral part of this statement.



Notes to the Financial Statements

AUGUSTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The Augusta University (University) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the University is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control, and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term, and members may be reappointed to subsequent terms by a sitting governor.

The University does not have the right to sue/be sued without recourse to the State. The University's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the University is not legally separate from the State. Accordingly, the University is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/comprehensive-annual-financial-reports.

Discretely Presented Component Units

The below organizations are legally separate, tax-exempt component units of the State. Although the State (primary government) is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between the primary government and the below organizations is such that exclusion from these departmental financial statements would render them misleading. The below organizations met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. Each of the below organization's fiscal year ends on June 30 each year. Separately issued financial statements are available from the following addresses.

- Augusta University Foundation, Inc. 1120 15th Street, FI-1049, Augusta, GA, 30912
- Augusta University Research Institute, Inc. 1120 15th Street, AA 311, Richmond, Augusta, GA, 30912
- AU Health Systems, Inc. 1120 15th Street. FY139, Augusta, GA 30912

- Georgia Health Sciences Foundation, Inc., 1120 15th Street, Augusta, Georgia 30912
- Medical College of Georgia Foundation, Inc., 545 15th Street, Augusta, GA 30901

See Component Unit Note for additional information related to discretely presented component units.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows.

The University's business-type activities and fiduciary fund financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

The University reports the following Fiduciary Fund:

Pension Trust Fund -- Accounts for the activities of the Early Retirement Plan.

New Accounting Pronouncements

For fiscal year 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The adoption of this Statement does not have a significant impact on the University's financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Board of Regents Diversified Fund is included as investments. Investments restricted as to use by a third party are reported as externally restricted.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale inventories are valued at cost using the first-in, first-out basis.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the University, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit, and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The \$197,730 balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the University acting as an agent or fiduciary, for another entity. Deposits held for others include scholarships, fellowships, study abroad deposits, and other funds held for various governments, companies, clubs, or individuals.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position,

and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefits (OPEB)

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. Information about the Early Retirement Plan is based on the information provided by the plan actuary. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - non-expendable net position includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating

to the educational and general operations of the University, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

As a political subdivision of the State of Georgia which has been delegated the right to exercise part of the sovereign power of the State, the University is not subject to federal income tax.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses, and Changes in Net Position classifies fiscal year activity as operating and nonoperating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state, and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees, and other student charges reported on the Statement of Revenues, Expenses, and Changes in Net Position are net of discounts and allowances of \$19,907,739.

Special Item Transfer

The Georgia Technology Authority transferred property of approximately 16.47 acres of land located at 1 Eleventh Street, Augusta, Richmond County, Georgia and the two buildings known as the Hull McKnight and Schaffer MacCartney Buildings which were erected on the site as well as equipment in those buildings to Augusta University. The land, buildings, and equipment had a reported gross book value of \$98,428,910 and accumulated depreciation of \$784,092 for a net book value of \$97,644,818. The net effect of the transfer of assets of \$97,644,817 is noted as a Special Item transfer on the Statement of Revenues, Expenses, and Changes in Net Position.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2019 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	\$	13,758,870
Cash and Cash Equivalents (Externally Restricted)		18,013,897
Investments		101,900,062
Non Current - Investments		71,902,696
Noncurrent Investments (Externally Restricted)		13,304,230
	\$	<u>218,879,755</u>

Cash on hand, deposits and investments as of June 30, 2019 consist of the following:

Cash on Hand	\$	44,803
Deposits with Financial Institutions		23,805,716
Investments		195,029,236
	\$	<u>218,879,755</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.
6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The University participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2019, the bank balances of the University's deposits totaled \$26,266,949. Of these deposits, none were exposed to custodial credit risk.

B. Investments

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy, and applicable federal and state laws.

GASB Statement No. 72, *Fair Value Measurements and Application* requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.

The following table summarizes the valuation of the University's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2019.

	Fair Value	Fair Value Hierarchy	
		Level 1	Level 2
Investment type:			
Debt Securities			
U.S. Treasuries	\$ 4,020,302	\$ 4,020,302	\$ —
U.S. Agencies			
Explicitly Guaranteed	21,988,214	—	21,988,214
Implicitly Guaranteed	34,133,384	5,235,388	28,897,996
Corporate Debt	18,512,296	—	18,512,296
Money Market Mutual Funds	2,667,860	2,667,860	—
Mutual Bond Funds	19,801,055	19,801,055	—
Other Investments			
Equity Mutual Funds - Domestic	47,890,518	47,890,518	—
Equity Securities - Domestic	34,208,489	34,208,489	—
	183,222,118	\$ 113,823,612	\$ 69,398,506
Investment Pools			
Board of Regents			
Diversified Fund	11,807,118		
Total Investments	\$ 195,029,236		

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The University's endowment funds are invested in the Diversified Fund which is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income, and global fixed income.

The equity allocation shall range between 50% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 25% and 50%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Diversified Fund at June 30, 2019 was \$11,807,118, of which 30% is invested in debt securities. The Effective Duration of the Fund is 5.12 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk attempts to match investments with expected cash requirements. The University recognizes that short-term loss of principal may be necessary in order to achieve long-term safety and growth of principal; and that in order to maximize income from debt instruments, market values may be exposed to short-term volatility.

The University's investments as of June 30, 2019 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
U.S. Treasuries	\$ 4,020,302	\$ 18,999	\$ 4,001,303	\$ —	\$ —	\$ —
U.S. Agencies						
Explicitly Guaranteed	21,988,214	19,904,270	757,712	1,326,232	—	—
Implicitly Guaranteed	34,133,384	20,188,308	4,030,159	9,914,917	—	—
Corporate Debt	18,512,296	1,250,090	6,343,525	10,918,681	—	—
Money Market Mutual Funds	2,667,860	2,667,860	—	—	—	—
Mutual Bond Funds	19,801,055	—	—	3,926,285	3,933,439	11,941,331
	101,123,111	<u>\$ 44,029,527</u>	<u>\$ 15,132,699</u>	<u>\$ 26,086,115</u>	<u>\$ 3,933,439</u>	<u>\$ 11,941,331</u>
Other Investments						
Equity Mutual Funds - Domestic	47,890,518					
Equity Securities - Domestic	34,208,489					
Investment Pools						
Board of Regents						
Diversified Fund	<u>11,807,118</u>					
Total Investments	<u>\$ 195,029,236</u>					

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University's policy for managing custodial credit risk is all securities transactions are settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve. The University chooses to bank with one of the State's primary banks with operations in Augusta.

At June 30, 2019, \$101,123,111 of the University's applicable investments were uninsured and held by the investment's counterparty's trust department or agent, in the University's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing credit quality risk is to establish minimal quality ratings.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	A	Unrated
Related Debt Investments				
U. S. Agency Securities	\$ 34,133,384	\$ 34,133,384	\$ —	\$ —
Corporate Debt	18,512,296	1,250,090	17,262,206	—
Money Market Mutual Funds	2,667,860	987,787	—	1,680,073
Mutual Bond Funds	19,801,055	—	—	19,801,055
	<u>\$ 75,114,595</u>	<u>\$ 36,371,261</u>	<u>\$ 17,262,206</u>	<u>\$ 21,481,128</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy requires diversification of investments to reduce overall portfolio risk while maintaining market rates of return.

At June 30, 2019, approximately 9.36%, 8.81%, 16.23%, and 10.69% of the University's investments were investments in Government National Mortgage Association, Federal National Mortgage Association Pool, Vanguard Institutional Index Fund, and VanGuard Total Stock Market Exchange-traded Fund (ETF) respectively.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2019:

	Business Type Activities
Student Tuition and Fees	\$ 950,463
Auxiliary Enterprises and Other Operating Activities	511,361
Federal Financial Assistance	8,618,200
Georgia State Financing and Investment Commission	511,527
Due from Affiliated Organizations	555,024
Due from Component Units	71,447,158
Due From Other USG Institutions	208,730
Other	19,253,780
	<hr/> 102,056,243
Less: Allowance for Doubtful Accounts	644,565
	<hr/>
Net Accounts Receivable	<u>\$ 101,411,678</u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2019:

Consumable Supplies	\$ 32,975
Merchandise for Resale	742,500
	<hr/>
Total	<u>\$ 775,475</u>

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2019. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2019, the allowance for uncollectible loans was \$407,096.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2019 are shown below:

	Balance July 1, 2018	Special Item Transfer	Additions	Reductions	Balance June 30, 2019
Capital Assets, Not Being Depreciated:					
Land	\$ 23,214,737	\$ 5,300,792	\$ —	\$ —	\$ 28,515,529
Capitalized Collections	87,006	—	—	—	87,006
Construction Work-in-Progress	12,823,779	—	5,597,547	8,220,865	10,200,461
Total Capital Assets Not Being Depreciated	36,125,522	5,300,792	5,597,547	8,220,865	38,802,996
Capital Assets, Being Depreciated/Amortized:					
Infrastructure	8,079,598	—	3,395,970	—	11,475,568
Building and Building Improvements	748,977,606	92,114,567	66,574,242	1,572,001	906,094,414
Facilities and Other Improvements	23,920,982	—	—	—	23,920,982
Equipment	123,275,254	1,013,551	11,878,201	5,443,168	130,723,838
Library Collections	29,314,053	—	718,128	234,622	29,797,559
Total Capital Assets Being Depreciated/Amortized	933,567,493	93,128,118	82,566,541	7,249,791	1,102,012,361
Less: Accumulated Depreciation/Amortization					
Infrastructure	2,899,219	—	378,419	—	3,277,638
Building and Building Improvements	301,638,991	704,970	20,352,044	938,132	321,757,873
Facilities and Other Improvements	8,557,237	—	1,298,452	—	9,855,689
Equipment	95,985,106	79,122	8,106,057	5,521,845	98,648,440
Library Collections	23,395,154	—	1,165,284	234,622	24,325,816
Total Accumulated Depreciation/Amortization	432,475,707	784,092	31,300,256	6,694,599	457,865,456
Total Capital Assets, Being Depreciated/Amortized, Net	501,091,786	92,344,026	51,266,285	555,192	644,146,905
Capital Assets, net	\$ 537,217,308	\$ 97,644,818	\$ 56,863,832	\$ 8,776,057	\$ 682,949,901

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC.

For the year ended June 30, 2019, GSFIC transferred capital additions from GSFIC managed projects valued at \$59,503,938 to the University which included \$9,503,938 prepaid by the University. In addition, at June 30, 2019, GSFIC had construction in progress of approximately \$3,203,067 for incomplete GSFIC managed projects for the University.

A comparison of depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2019	\$ 31,300,256
2018	\$ 28,110,779
2017	\$ 28,011,451

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2019:

	Current Liabilities
Prepaid Tuition and Fees	\$ 2,294,333
Research	26,787,742
Other - Advances	1,387,012
Totals	<u>\$ 30,469,087</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Leases					
Lease Purchase Obligations	\$ 52,221,077	\$ 4,125,376	\$ 5,246,911	\$ 51,099,542	\$ 5,250,557
Other Liabilities					
Compensated Absences	39,197,708	29,284,860	28,678,926	39,803,642	22,675,055
Total Long-Term Obligations	<u>\$ 91,418,785</u>	<u>\$ 33,410,236</u>	<u>\$ 33,925,837</u>	<u>\$ 90,903,184</u>	<u>\$ 27,925,612</u>

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2019, consisted of the following:

Deferred Outflows of Resources

Deferred Outflows on Debt Refunding	\$ 2,477,861
Deferred Outflows on Defined Benefit Pension Plans (See Note 14)	77,925,969
Deferred Outflows on OPEB Plan (See Note 17)	55,139,745
Total Deferred Outflows of Resources	<u>\$ 135,543,575</u>

Deferred Inflows of Resources

Deferred Inflows on Debt Refunding	\$ 753,301
Deferred Inflows on Defined Benefit Pension Plans (See Note 14)	15,710,288
Deferred Inflows on OPEB Plan (See Note 17)	64,168,779
Total Deferred Inflows of Resources	<u>\$ 80,632,368</u>

Deferred Outflows/Inflows on Debt Refunding

In October 2014, the MCG-PPG Cancer Research Center, LLC, refunded the bonds associated with this lease and passed the perceived economic advantages of this refunding to the University by reducing the interest rate to 4.15% and the lease term maturity to June, 2034. The future minimum lease payments did not change as a result of this refunding. The University recognized a Deferred Outflow on Debt Refunding in the amount of \$2,647,632. The unamortized Deferred Outflows on Debt Refunding at year end related to this transaction is \$2,206,360.

In October 2014, the Augusta University Foundation refunded the bonds associated with the student activities center and passed the perceived advantages of this refunding to the University by reducing the effective interest rate to 3.72% with a maturity date of December, 2033. The future minimum lease payments did not change as a result of the refunding. The University recognized a Deferred Outflows on Debt Refunding of \$325,802. The unamortized Deferred Outflows on Debt Refunding at year end related to this transaction is \$271,501.

In November 2012, the Augusta University Foundation refunded the bond associated with the student housing complex lease at 4.26% for the same term with the same maturity date of January, 2035. The University recognized a Deferred Gain on Debt Refunding of \$894,546. The unamortized Deferred Inflows on Debt Refunding at year end related to this transaction is \$753,301.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2019 is as follows:

Net Investment in Capital Assets	\$ 632,135,277
Restricted for	
Nonexpendable	
Permanent Endowment	2,630,187
Expendable	
Sponsored and Other Organized Activities	12,840,744
Federal Loans	5,415,821
Institutional Loans	1,033,778
Quasi-Endowments	9,176,931
Sub-Total	28,467,274
Unrestricted	
Auxiliary Enterprises Operations	4,253,740
Auxiliary Enterprises Renewals and Replacement Reserve	4,156,347
Reserve for Encumbrances	22,563,603
Reserve for Inventory	81,416
Capital Liability Reserve Fund	197,730
Other Unrestricted	(781,297,946)
Sub-Total	(750,045,110)
Total Net Position	\$ (86,812,372)

Other unrestricted net position is reduced by \$529,969,173 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to OPEB plan. Other unrestricted net position is also reduced by \$302,130,402 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources related to benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation and student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Net Investments in Capital Assets	\$ 485,453,028	\$ 183,619,043	\$ 36,936,794	\$ 632,135,277
Restricted Net Position	36,220,578	626,349,244	631,472,361	31,097,461
Unrestricted Net Position	(754,739,897)	465,061,819	460,367,032	(750,045,110)
Total Net Position	<u>\$ (233,066,291)</u>	<u>\$ 1,275,030,106</u>	<u>\$ 1,128,776,187</u>	<u>\$ (86,812,372)</u>

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$68,100 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

For the current year, the University did not incur investment losses that exceeded the related endowment's available accumulated income and net appreciation.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2019. In addition to these encumbrances, the University had other significant unearned outstanding construction or renovation contracts in the amount of \$514,602 executed as of June 30, 2019. This amount is not reflected in the accompanying basic financial statements.

Note 13 Leases

Lease Obligations

The University is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest cash payments related to capital leases for fiscal year 2019 were \$5,243,660 and \$1,801,576, respectively. In addition, a principal adjustment of \$3,251 was made for leases ending early, bringing the total principal reduction to \$5,246,911. Interest rates range from 2.437% - 10.10%.

The University has \$46,495,025 in outstanding lease obligations due to component units. Component units have \$46,495,025 in investment in capital lease receivables due from the University.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2019:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2019	Outstanding Balance per Lease Schedules at June 30, 2019
	(+)	(-)	(=)	
Leased Equipment	\$ 11,164,122	\$ 5,953,808	\$ 5,210,314	\$ 4,604,517
Leased Buildings and Building Improvements	59,576,418	23,870,958	35,705,460	46,495,025
Total Assets Held Under Capital Lease	<u>\$ 70,740,540</u>	<u>\$ 29,824,766</u>	<u>\$ 40,915,774</u>	<u>\$ 51,099,542</u>

The following schedule lists the pertinent information for each of the University's capital leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
Cancer Research Center (CRC)	MCG-PPG, CRC LLC	\$ 27,704,398	30 years	01/2006	06/2034	\$ 22,519,524 (1)
University Housing	ASU Foundation	20,246,137	30 years	09/2005	01/2035	15,640,160 (1)
Student Center	ASU Foundation	11,782,962	29 years	03/2006	12/2033	8,335,341 (1)
Telephone System	Key Govt Finance, Inc.	4,972,657	4 years	09/2015	09/2019	1,044,686
Communications/Wireless Refresh	Key Govt Finance, Inc.	2,615,637	3 years	04/2018	04/2021	1,424,810
Unified Communications	Key Govt Finance, Inc.	1,195,266	5 years	07/2018	07/2022	947,225
Multiple Individual Copier Leases	Pollock	1,930,753	5 years	08/2014	08/2024	1,187,796
Total Leases		<u>\$ 70,447,810</u>				<u>\$ 51,099,542</u>

(1) These capital leases are related party transactions.

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Operating Leases

The University is obligated under various operating leases for the use of equipment. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal 2019 was \$4,899, none of which is due to related parties.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2020	\$ 6,945,032	\$ 4,687
2021	4,860,211	4,686
2022	4,559,199	
2023	4,333,042	
2024	3,987,938	
2025 through 2029	19,766,160	
2030 through 2034	19,251,719	
2035 through 2039	787,482	
Total Minimum Lease Payments	64,490,783	\$ 9,373
Less: Interest	10,765,556	
Less: Executory Costs	2,625,685	
Principal Outstanding	<u>\$ 51,099,542</u>	

Operating Lease Revenue

The University leases certain facilities for use by others for terms varying from 1 to 10 years. The leases are accounted for as operating leases; revenue for services provided and for use of facilities are recorded when earned.

Total revenues from rental of facilities were \$599,591 for the fiscal year ended June 30, 2019. Minimum future revenues and rentals to be received under operating leases as of June 30, 2019, are as follows:

	Real Property Operating Leases
Year Ending June 30:	
2020	\$ 811,055
2021	833,682
2022	852,140
2023	871,284
2024	495,023
2025 through 2029	1,146,664
Total Minimum Lease Revenues	<u>\$ 5,009,848</u>

Note 14. Retirement Plans

The significant retirement plans that the University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan description

All teachers of the University as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the

TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2019. The University's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of the annual University payroll. The University's contributions to TRS totaled \$43,584,273 for the year ended June 30, 2019.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.66% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12%

adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled \$781,583 for the year ended June 30, 2019. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2018. At June 30, 2018, the University's TRS proportion was 1.712017% which was an increase of 0.035500% from its proportion measured as of June 30, 2017. At June 30, 2018, the University's ERS proportion was 0.129632%, which was a increase of 0.054962% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$33,083,582 for TRS and \$2,221,617 for ERS. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,037,950	\$ 654,966	\$ 165,749	\$ —
Changes of assumptions	4,795,291	—	251,074	—
Net difference between projected and actual earnings on pension plan investments	—	8,688,914	—	122,811
Changes in proportion and differences between contributions and proportionate share of contributions	5,526,861	3,744,024	1,783,188	—
Contributions subsequent to the measurement date	43,584,273	—	781,583	—
Total	<u>\$ 74,944,375</u>	<u>\$ 13,087,904</u>	<u>\$ 2,981,594</u>	<u>\$ 122,811</u>

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2020	\$ 16,117,158	\$ 1,674,214
2021	\$ 8,096,775	\$ 662,011
2022	\$ (7,461,014)	\$ (204,152)
2023	\$ 1,095,902	\$ (54,873)
2024	\$ 423,377	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25% - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large equities	39.80%	37.20%	9.00 %
Domestic mid equities	3.70%	3.40%	12.00 %
Domestic small equities	1.50%	1.40%	13.50 %
International developed market equities	19.40%	17.80%	8.00 %
International emerging market equities	5.60%	5.20%	12.00 %
Alternatives	—%	5.00%	10.50 %
Total	100.00%	100.00%	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.50% and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 530,477,541	\$ 317,787,027	\$ 142,519,218

Employees' Retirement System:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	\$ 7,580,025	\$ 5,329,214	\$ 3,411,466

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at trs.ga.com/publications and ers.ga.gov/financials, respectively.

B. Early Retirement Pension Plan

Plan Description

Augusta University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Findley, Inc., formerly Findley Davies/Bryan, Pendleton, Swats, and McAlister (BPS&M). The plan was derived by Augusta University as a means of workforce reduction and was approved by the Board of Regents of the University System of Georgia (BOR) effective January 1, 2000.

The plan was designed to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the Teachers Retirement System of Georgia (TRS) for early retirement.

The plan would allow for all participants to retire as if they were vested and aged 60 or had attained 30 years of creditable service. Any member who opted into the Optional Retirement Plan aged 55 with 10 years of service by June 30, 2000 was also eligible to participate in the plan.

The plan is closed to new entrants. There were no active plan participants. As of January 1, 2019, plan participants consisted of the following:

Inactive Plan Participants:

Retirees and Beneficiaries Currently Receiving Benefits	610
Terminated Employees Entitled to Deferred Benefits	0
Disabled Employees Entitled to Deferred Benefits	0
	<hr/>
Total	610
	<hr/>

Benefits Provided

TRS provides a benefit equal to 2.0% of the participant's average annual compensation during the two consecutive years of creditable service which produce the highest such average, multiplied by the number of years of creditable service, limited to 40 years. If the participant has less than 30 years of creditable service and has not attained age 60 at the time of retirement, the benefit will be reduced by the lesser of 1/12 of 7% for each month that retirement precedes age 60 or 7% for each year or fraction of a year by which the participant has less than 30 years of creditable service at the time of retirement. In addition, a one-time 3% increase is applied to the first \$37,500 of the participant's benefit at retirement.

The ERP provides the additional benefits that would have been payable under TRS based on the following adjustments:

- Age of the participant was increased five years
- Participant's creditable service was increased five years
- Participant's annual rate of earnings as of August 1, 1999 was projected five years into the future with 3% increases each year

ERP benefits will be increased 3% a year as a cost-of-living adjustment (COLA): 1.5% on each January 1 and July 1. The ERP provided COLA's for both the ERP and TRS benefits until actual eligibility for a COLA through TRS occurred. Since that time, the ERP has provided COLA's only on the portion of the benefit paid by the ERP, and TRS has provided COLA's under the terms of the TRS plan.

The ERP does not issue a standalone report.

Funding Policy

The fund sources that provided for an employee's salary, as of December 31, 1999, would be responsible for funding the annuity to provide for retiree benefits. There is no additional cost to the employee/retiree, USG, or State of Georgia for this plan. Contributions are made by Augusta University based on the actuarial valuation of the plan. For fiscal year 2019, affiliated organizations contributed \$5,886,802 to the plan on-behalf of the University.

Since this plan was not pre-funded, Augusta University's approach is to collect and deposit as much into the ERP fund in the earlier years as is possible, thereby, realizing a greater return on investment. Effective January 1, 2016, the

period to amortize the unfunded accrued liability was extended 2 years. With this change, the plan should be fully funded by June 30, 2025. The funding policy is reasonable and in compliance with minimum funding requirements set forth in Code Section 47-20-10 of the Public Retirement Systems Standards Law.

Investments

Augusta University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility of the institution to the citizens of Georgia and which conforms to the USG investment policy. All investments are consistent with USG policy and applicable Federal and state laws.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. The Augusta University's Investment Policy and Guidelines for managing concentration of credit risk requires that stocks and debt issues be diversified. Augusta University also relies upon the concentration of credit risk policy of the individual investment vehicles related to plan assets. More than 5% of the Pension Plan's Investments are in Western Asset Core Plus Bond Fund, VanGuard Institutional Index Fund, and Vanguard Total Stock Market Exchange-traded Fund (ETF). These investments are 7.58%, 30.27%, and 19.93% respectively of the Plan's total investments.

For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.53%.

Net Pension Liability (NPL)

The components of the net pension liability at June 30, 2019 were as follows:

Total Pension Liability	\$ 146,605,709
Plan Fiduciary Net Position	<u>(105,375,867)</u>
Net Pension Liability	<u><u>\$ 41,229,842</u></u>

Plan Fiduciary Net Position as a percentage of total pension liability is 71.88%.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019 with the results rolled forward to the June 30, 2019 measurement date using the following actuarial assumptions, applied to all periods included in the measurement: (a) rate of return of 7.50% per annum, compounded annually (b) inflation of 3 percent, and (c) cost of living increases of 3 percent per annum.

There were no changes in actuarial methods from the prior year report. The only change in actuarial assumptions from the prior year report is the mortality rates. To better recognize current and future mortality improvements, assumptions were updated to the most recent Mortality Improvement Scale published by the Society of Actuaries MP-2018 rather than the previously used MP-2017. The effect was a decrease in liabilities and annual pension expense.

The projection of cash flows used to determine the discount rate of 7.5% per annum, compounded annually assumes that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	77.91%	6.50%
International Equity	—%	7.25%
Fixed Income	18.79%	1.25%
Real Estate	—%	5.75%
Cash	3.30%	0.50%

*Rates shown are net of inflation

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 52,750,293	\$ 41,229,842	\$ 31,136,244

Schedule of Changes in Net Pension Liability

For the year ended June 30, 2019, the University recognized net pension liability of \$41,229,842 calculated as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2018	\$ 148,863,688	\$ 99,022,119	\$ 49,841,569
Interest	10,636,036	—	10,636,036
Experience losses (gains)	1,581,985	—	1,581,985
Changes of assumptions	(376,246)	—	(376,246)
Contributions - Employer	—	13,084,672	(13,084,672)
Net investment income	—	7,368,830	(7,368,830)
Benefit payments	(14,099,754)	(14,099,754)	—
Net Change	(2,257,979)	6,353,748	(8,611,727)
Balance, June 30, 2019	\$ 146,605,709	\$ 105,375,867	\$ 41,229,842

Affiliated organizations contributed \$5,886,802 to the plan on behalf of the University.

Schedule of Changes in Pension Expense

For the year ended June 30, 2019, the University recognized pension expense of \$4,405,138 from the following sources:

	Pension Expense
Interest	\$ 10,636,036
Projected investment income	(7,388,593)
Recognition of experience (gain)/loss	1,581,985
Recognition of changes in assumptions	(376,246)
Investment losses (gains)	(48,044)
Pension Expense June 30, 2019	<u>\$ 4,405,138</u>

Deferred Outflows/Inflows of Resources

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Pension Outflows of Resources	Deferred Pension Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 2,499,573

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ (564,651)
2021	\$ (1,430,853)
2022	\$ (508,020)
2023	\$ 3,951

C. Defined Contribution Plan

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An “eligible university system employee” is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2019, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$14,078,113 (9.24%) and \$9,141,591 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The University's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity, and certain other risks.

The University is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 16 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the University expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the University, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant

to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The University's membership in the Plan consisted of the following at June 30, 2019:

Active Employees	5,255
Retirees or Beneficiaries Receiving Benefits	2,191
Retirees Receiving Life Insurance Only	590
Total	8,036

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2019 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2019, the University contributed \$18,702,320 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2018. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the University's proportion was 11.81069%, which was a decrease of (0.041435)% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized OPEB expense of \$39,983,915. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,326,271	\$ —
Changes of assumptions	—	58,480,733
Net difference between projected and actual earnings on OPEB plan investments	111,154	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	5,688,046
Contributions subsequent to the measurement date	18,702,320	—
Total	<u>\$ 55,139,745</u>	<u>\$ 64,168,779</u>

The University's contributions subsequent to the measurement date of \$18,702,320 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$	(6,523,145)
2021	\$	(6,523,145)
2022	\$	(6,523,145)
2023	\$	(6,252,226)
2024	\$	(1,055,078)
Thereafter	\$	(854,615)

Actuarial assumptions

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of May 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2018 3.87% from Bond Buyer Index Interest Rate as of 6/30/2017 3.58% from Bond Buyer Index Long-term Rate of Return 4.50% General Inflation 2.50% Salary Growth 4.00%
Mortality Rates	Healthy: RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia. The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The discount rate was updated from 3.58% to 3.87% as of June 30, 2018. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	1.10%	70%
Equity Allocation	3.98%	30%

Discount rate

The Plan's projected fiduciary net position at the end of 2022 is \$0, based on the valuation completed for the fiscal year ending June 30, 2018. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2022. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.87% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate (3.87%):

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Proportionate Share of the Net OPEB Liability	\$ 621,513,966	\$ 520,940,139	\$ 442,282,026

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 439,285,026	\$ 520,940,139	\$ 628,375,776
Pre-Medicare Eligible	6.1% decreasing to 3.5%	7.1% decreasing to 4.5%	8.1% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2019 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 63,966,219	\$ 18,484,316	\$ 35,969,609	\$ 82,526	\$ 1,585,912
Research	23,183,145	16,288,963	10,594,328	4,049	937,832
Public Service	6,435,561	16,425,090	7,035,195	12,518	523,645
Academic Support	15,174,404	23,409,254	14,862,663	38,779	294,857
Student Services	769,759	3,453,727	1,537,656	38,504	133,992
Institutional Support	11,062,676	24,353,529	33,695,629	385,748	373,820
Plant Operations and Maintenance	130,000	12,053,903	5,274,535	—	44,788
Scholarships and Fellowships	—	13,674	—	—	—
Auxiliary Enterprises	141,401	4,254,680	1,962,854	13,396	96,553
Patient Care	99,444,810	121,339,692	58,037,182	8,481	478,469
Total Operating Expenses	\$ 220,307,975	\$ 240,076,828	\$ 168,969,651	\$ 584,001	\$ 4,469,868

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 1,128,595	\$ 1,016,472	\$ 23,185,801	\$ 11,661,894	\$ 157,081,344
Research	4,320	74,822	21,365,576	502,454	72,955,489
Public Service	—	83,647	9,390,985	155,745	40,062,386
Academic Support	49,988	166,576	2,652,960	2,365,726	59,015,207
Student Services	2,488	55,177	2,036,513	10,099	8,037,915
Institutional Support	—	362,471	19,969,403	7,937,401	98,140,677
Plant Operations and Maintenance	—	9,684,033	11,472,977	6,608,320	45,268,556
Scholarships and Fellowships	7,147,297	—	—	—	7,160,971
Auxiliary Enterprises	946,418	475,539	10,971,947	2,054,403	20,917,191
Patient Care	—	139,235	155,319,040	4,214	434,771,123
Total Operating Expenses	\$ 9,279,106	\$ 12,057,972	\$ 256,365,202	\$ 31,300,256	\$ 943,410,859

Note 19 Subsequent Event

Augusta University has evaluated subsequent events through the date on which the financial statements were available to be issued, and there were no significant subsequent events.

Note 20 Component Units

Augusta University Foundation, Inc.

The Augusta University Foundation, Inc. (AUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The AUF acts primarily as a fund-raising organization to supplement the resources that are available to Augusta University in support of its programs. During the year ended June 30, 2019, the AUF distributed approximately \$919,165 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Augusta University Research Institute, Inc.

Augusta University Research Institute, Inc. (AURI) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. The AURI serves to enhance the research mission of Augusta University by securing sponsored research funding and by providing funding of special research initiatives. During the year ended June 30, 2019, the AURI distributed approximately \$59,743,984 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

AU Health System, Inc.

AU Health System, Inc. (the Health System), located in Augusta, Georgia, was incorporated under the laws of the State of Georgia as a nonprofit corporation on June 1, 2010. The Health System is a legally separate, tax-exempt organization, which was established to promote the health science education missions and other tax-exempt functions and purposes of the Augusta University (the University), AU Medical Associates (AUMA), AU Medical Center, Inc. (AUMC), Roosevelt Warm Springs Rehabilitation & Specialty Hospitals, Inc. (RWSH), and other cooperating organizations and entities within the University.

Georgia Health Sciences Foundation, Inc.

The Georgia Health Sciences Foundation, Inc. (GHSF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The GHSF acts primarily as a fund-raising organization to supplement the resources that are available to Augusta University in support of its programs. During the year ended June 30, 2019, the GHSF distributed approximately \$3,506,734 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Medical College of Georgia Foundation, Inc.

Medical College of Georgia Foundation, Inc. (the Foundation) is a nonprofit corporation incorporated under the laws of the State of Georgia in 1954. The Foundation serves the needs and interests of the Medical College of Georgia, the Augusta University Health Sciences campus, and the Augusta University Health System. The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

Medical College of Georgia Foundation, Inc. receives and administers funds for the support of the Medical College of Georgia, the Augusta University Health Sciences campus, and the Augusta University Health System, and manages investments and distributed funds in accordance with donor instructions and board of director's intentions for gifts. The Foundation provides support for faculty chairs, research, scholarships, and other institutional programs. During the year ended June 30, 2019, the Foundation paid approximately \$5,467,534 to Augusta University and its affiliates in support of students and University programs. The Foundation paid approximately \$306,445 to non-affiliated organizations on behalf of Augusta University.

Elimination and Consolidation Adjustments

Augusta University Foundation, Inc. grossed up Investment in Capital Leases for unearned interest to be received on capital leases. An elimination entry was necessary to remove this activity from Current Investments in Capital Leases and Current Advances in the amount of \$883,121 and Noncurrent Investment in Capital Leases and Noncurrent Advances in the amount of \$6,727,384 in order to be in accordance with generally accepted accounting principles.

Combined component unit's investments are comprised of the following amounts at June 30, 2019:

	<u>Fair Value</u>
Investment type	
Debt Securities	
U.S. Treasuries	\$ 31,333,683
U.S. Agencies	
Explicitly Guaranteed	669,993
Implicitly Guaranteed	9,724,844
Corporate Debt	90,857,386
Money Market Mutual Funds	6,550,709
Municipal Obligations	2,648,718
Mutual Bond Funds	529,940
Repurchase Agreements	654,000
Other Investments	
Equity Mutual Funds - Domestic	5,064,865
Equity Mutual Funds - International	7,617,675
Equity Securities - Domestic	259,447,998
Equity Securities - International	13,363,608
Real Estate Held for Investment Purposes	19,770,931
Other	<u>13,442,672</u>
	461,677,022
Investment Pools	
Board of Regents	—
Short-Term Fund	15,532,376
Balanced Income Fund	4,563,708
Total Return Fund	409,381
Diversified Fund for Foundations	<u>4,378,689</u>
Total Investments	<u><u>\$ 486,561,176</u></u>

Of the investments disclosed above, \$1,560,463 of the Board of Regents Short-Term investment pool held by Augusta University Research Institute, Inc. is reported as cash and cash equivalents on the Statement of Net Position.

Component unit's noncurrent cash and cash equivalents are restricted assets limited as to use.

Combined component unit's endowments are comprised of the following amounts at June 30, 2019:

	Unrestricted Endowment	Donor Restricted Endowments	Total
Beginning	\$ 33,801,817	\$ 235,224,201	\$ 269,026,018
Contributions	—	3,386,932	3,386,932
Net realized and unrealized gains	633,049	12,179,263	12,812,312
Appropriation of endowment assets for expenditure	(1,841,651)	(9,882,286)	(11,723,937)
Transfers to comply with donor intent	—	387,775	387,775
Other	65,199	823,373	888,572
Ending	<u>\$ 32,658,414</u>	<u>\$ 242,119,258</u>	<u>\$ 274,777,672</u>

Combined amounts due to component units related to direct financing lease activity as of June 30, 2019 is as follows:

		Total
Year Ending June 30:	Year:	
2020	1	\$ 3,953,260
2021	2	3,951,870
2022	3	3,952,459
2023	4	3,954,083
2024	5	3,952,651
2025 through 2029	6-10	19,766,160
2030 through 2034	11-15	19,251,720
2035 through 2039	16-20	787,481
Total Minimum Lease Payments to be Received		<u>59,569,684</u>
Less: Unearned Income		<u>(13,074,659)</u>
Net Investment in Direct Financing Lease Receivable		<u>\$ 46,495,025</u>

Combined component unit's capital assets are comprised of the following amounts at June 30, 2019:

Capital Assets not being Depreciated:	
Land and Land Improvements	\$ 34,584,556
Construction Work-in-Progress	22,948,843
Software Development-in-Progress	5,788,163
Total Capital Assets not being Depreciated	<u>63,321,562</u>
Capital Assets, Being Depreciated/Amortized:	
Buildings and Building Improvements	37,976,701
Facilities and Other Improvements	188,555,635
Equipment	278,522,752
Software	30,672,437
Total Capital Assets being Depreciated/Amortized	<u>535,727,525</u>
Less Total Accumulated Depreciation/Amortization	<u>330,486,994</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>205,240,531</u>
Capital Assets, Net	<u><u>\$ 268,562,093</u></u>

Combined component unit's long-term liabilities are comprised of the following amounts at June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Compensated Absences	\$ 19,392,373	\$ 6,115,000	\$ 4,985,562	\$ 20,521,811	\$ 20,521,811
Lease Purchase Obligation (Capital Lease)	23,246,342	11,672,982	9,218,872	25,700,452	6,327,586
Liabilities under Split Interest Agreement	1,147,348	—	78,252	1,069,096	90,485
Notes and Loans Payable	68,850,000	4,472,672	63,850,000	9,472,672	—
Interest Rate Swap	14,818,596	5,266,805	—	20,085,401	—
Other Post Employment Benefits Obligation	6,165,679	1,450,057	857,113	6,758,623	—
Revenue/Mortgage Bonds Payable	153,750,000	80,945,000	3,905,000	230,790,000	6,190,000
Bond - Premium	3,230,504	3,576,091	452,602	6,353,993	—
Unamortized Issuance and Other Bond Related Costs	(853,621)	—	(43,161)	(810,460)	—
Total Long Term Liabilities	<u>\$ 289,747,221</u>	<u>\$ 113,498,607</u>	<u>\$ 83,304,240</u>	<u>\$ 319,941,588</u>	<u>\$ 33,129,882</u>

Combined component unit's capital lease obligations are comprised of the following amounts at June 30, 2019:

Year ending June 30:

2020	1	\$ 7,706,337
2021	2	6,318,843
2022	3	5,454,288
2023	4	4,183,286
2024	5	2,824,875
2025 through 2029	6-10	3,206,555
Total minimum lease payments		<u>29,694,184</u>
Less: Interest		<u>3,993,732</u>
Principal Outstanding		<u>\$ 25,700,452</u>

Combined component unit's notes and loans are comprised of the following amounts at June 30, 2019:

		Principal	Interest	Total
Year ending June 30:				
2020	1	\$ —	\$ 449,952	\$ 449,952
2021	2	—	449,952	449,952
2021	3	9,472,672	112,488	9,585,160
		<u>9,472,672</u>	<u>1,012,392</u>	<u>10,485,064</u>
Note Premium		—	—	—
Note (Discount)		—	—	—
Total		<u>\$ 9,472,672</u>	<u>\$ 1,012,392</u>	<u>\$ 10,485,064</u>

Combined component unit's bonds payable are comprised of the following amounts at June 30, 2019:

		Principal	Interest	Total
Year ending June 30:				
2020	1	\$ 6,190,000	\$ 10,169,634	\$ 16,359,634
2021	2	6,405,000	9,882,428	16,287,428
2022	3	6,650,000	9,575,167	16,225,167
2023	4	6,900,000	9,246,131	16,146,131
2024	5	7,810,000	8,889,815	16,699,815
2025 through 2029	6-10	51,905,000	37,625,907	89,530,907
2030 through 2034	11-15	66,745,000	23,695,788	90,440,788
2035 through 2039	16-20	67,185,000	8,180,207	75,365,207
2040 through 2044	21-25	11,000,000	220,000	11,220,000
		<u>230,790,000</u>	<u>117,485,077</u>	<u>348,275,077</u>
Bond Premium		6,353,993	—	6,353,993
Unamortized Issuance and Other Bond Related Costs		(810,460)	—	(810,460)
Total		<u>\$ 236,333,533</u>	<u>\$ 117,485,077</u>	<u>\$ 353,818,610</u>



Required Supplementary Information

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Early Retirement Plan	6/30/2019	\$ 11,521,141	\$ 13,084,672	\$ (1,563,531)	N/A	N/A
	6/30/2018	\$ 11,767,714	\$ 13,084,672	\$ (1,316,958)	N/A	N/A
	6/30/2017	\$ 12,107,903	\$ 13,084,672	\$ (976,769)	N/A	N/A
	6/30/2016	\$ 12,760,669	\$ 13,084,672	\$ (324,003)	N/A	N/A
	6/30/2015	\$ 12,996,582	\$ 13,084,672	\$ (88,090)	N/A	N/A
	6/30/2014	\$ 13,045,051	\$ 13,084,672	\$ (39,621)	N/A	N/A
	6/30/2013	\$ 13,055,907	\$ 13,225,850	\$ (169,943)	N/A	N/A
	6/30/2012	\$ 12,861,601	\$ 13,225,850	\$ (364,249)	N/A	N/A
	6/30/2011	\$ 12,973,559	\$ 13,225,850	\$ (252,291)	N/A	N/A
	6/30/2010	\$ 13,050,409	\$ 13,225,850	\$ (175,441)	N/A	N/A
Employees' Retirement System	6/30/2019	\$ 781,583	\$ 781,583	\$ —	\$ 3,160,791	24.73%
	6/30/2018	\$ 816,038	\$ 816,038	\$ —	\$ 3,296,810	24.75%
	6/30/2017	\$ 457,473	\$ 457,473	\$ —	\$ 1,845,641	24.79%
	6/30/2016	\$ 178,786	\$ 178,786	\$ —	\$ 723,246	24.72%
	6/30/2015	\$ 143,532	\$ 143,532	\$ —	\$ 653,608	21.96%
	6/30/2014	\$ 104,806	\$ 104,806	\$ —	\$ 567,746	18.46%
	6/30/2013	\$ 89,395	\$ 89,395	\$ —	\$ 599,617	14.91%
	6/30/2012	\$ 65,638	\$ 65,638	\$ —	\$ 564,385	11.63%
	6/30/2011	\$ 87,040	\$ 87,040	\$ —	\$ 836,119	10.41%
	6/30/2010	\$ 94,168	\$ 94,168	\$ —	\$ 904,592	10.41%
Teachers Retirement System	6/30/2019	\$ 43,584,273	\$ 43,584,273	\$ —	\$ 208,586,496	20.90%
	6/30/2018	\$ 34,287,410	\$ 34,287,410	\$ —	\$ 203,978,259	16.81%
	6/30/2017	\$ 27,473,760	\$ 27,473,760	\$ —	\$ 192,528,053	14.27%
	6/30/2016	\$ 26,234,649	\$ 26,234,649	\$ —	\$ 183,847,072	14.27%
	6/30/2015	\$ 23,837,005	\$ 23,837,005	\$ —	\$ 181,274,041	13.15%
	6/30/2014	\$ 21,780,531	\$ 21,780,531	\$ —	\$ 177,368,194	12.28%
	6/30/2013	\$ 19,623,178	\$ 19,623,178	\$ —	\$ 171,985,813	11.41%
	6/30/2012	\$ 18,166,483	\$ 18,166,483	\$ —	\$ 176,716,761	10.28%
	6/30/2011	\$ 17,965,990	\$ 17,965,990	\$ —	\$ 174,766,440	10.28%
	6/30/2010	\$ 17,059,127	\$ 17,059,127	\$ —	\$ 175,145,041	9.74%

AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FIVE FISCAL YEARS*

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2019	0.129632%	\$ 5,329,214	\$ 3,296,810	161.65%	76.68%
	6/30/2018	0.074670%	\$ 3,032,599	\$ 1,845,641	164.31%	76.33%
	6/30/2017	0.031106%	\$ 1,471,444	\$ 723,246	203.45%	72.34%
	6/30/2016	0.025072%	\$ 1,102,710	\$ 653,608	168.71%	76.20%
	6/30/2015	0.025214%	\$ 945,681	\$ 567,746	166.57%	77.99%
Teachers Retirement System	6/30/2019	1.712017%	\$ 317,787,027	\$ 203,978,259	155.79%	80.27%
	6/30/2018	1.676517%	\$ 311,585,848	\$ 192,528,053	161.84%	79.33%
	6/30/2017	1.675586%	\$ 345,692,075	\$ 183,847,072	188.03%	76.06%
	6/30/2016	1.716662%	\$ 261,344,743	\$ 181,274,041	144.17%	81.44%
	6/30/2015	1.738329%	\$ 219,614,941	\$ 177,368,194	123.82%	84.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' AND NONEMPLOYERS' NET PENSION LIABILITY
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST SIX FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
Total Pension Liability	\$ 146,605,709	\$148,863,688	\$ 149,152,995	\$151,817,059	\$143,780,226	\$ 145,384,819
Plan Fiduciary Net Position	(105,375,867)	(99,022,119)	(90,408,065)	(80,322,348)	(79,125,737)	(76,193,610)
Net Pension Liability	<u>\$ 41,229,842</u>	<u>\$ 49,841,569</u>	<u>\$ 58,744,930</u>	<u>\$ 71,494,711</u>	<u>\$ 64,654,489</u>	<u>\$ 69,191,209</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.88%	66.52%	60.61%	52.91%	55.03%	52.41%
Covered Payroll	—%	—%	—%	—%	—%	—%
Employers' and Nonemployers' Net Pension Liability as a Percentage of	N/A	N/A	N/A	N/A	N/A	N/A

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST SIX FISCAL YEARS***

	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>						
Interest	\$ 10,636,036	\$ 10,669,543	\$ 10,875,630	\$ 10,278,138	\$ 10,405,981	\$ 10,607,438
Differences Between Expected and Actual Experience	1,581,985	664,493	77,619	1,349,554	1,266,248	(127,876)
Changes of Assumptions	(376,246)	2,161,493	—	9,885,919	—	—
Benefit Payments/Refunds	(14,099,754)	(13,784,836)	(13,617,313)	(13,476,778)	(13,276,822)	(13,054,512)
Net Change in Total Pension Liability	(2,257,979)	(289,307)	(2,664,064)	8,036,833	(1,604,593)	(2,574,950)
Total Pension Liability - Beginning	148,863,688	149,152,995	151,817,059	143,780,226	145,384,819	147,959,769
Total Pension Liability - Ending (a)	<u>\$ 146,605,709</u>	<u>\$ 148,863,688</u>	<u>\$ 149,152,995</u>	<u>\$ 151,817,059</u>	<u>\$ 143,780,226</u>	<u>\$ 145,384,819</u>
<u>Plan Fiduciary Net Position</u>						
Contributions - Employer	\$ 13,084,672	\$ 13,084,672	\$ 13,084,672	\$ 13,084,672	\$ 13,084,672	\$ 13,084,672
Net Investment Income	7,368,830	9,314,218	10,618,358	1,588,717	3,124,277	11,727,751
Benefit Payments/Refunds	(14,099,754)	(13,784,836)	(13,617,313)	(13,476,778)	(13,276,822)	(13,054,512)
Net Change in Plan Fiduciary Net Position	6,353,748	8,614,054	10,085,717	1,196,611	2,932,127	11,757,911
Plan Fiduciary Net Position - Beginning	99,022,119	90,408,065	80,322,348	79,125,737	76,193,610	64,435,699
Plan Fiduciary Net Position - Ending (b)	<u>\$ 105,375,867</u>	<u>\$ 99,022,119</u>	<u>\$ 90,408,065</u>	<u>\$ 80,322,348</u>	<u>\$ 79,125,737</u>	<u>\$ 76,193,610</u>
Net Pension Liability Ending (a - b)	<u>\$ 41,229,842</u>	<u>\$ 49,841,569</u>	<u>\$ 58,744,930</u>	<u>\$ 71,494,711</u>	<u>\$ 64,654,489</u>	<u>\$ 69,191,209</u>

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST SIX FISCAL YEARS***

	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	7.53%	10.42%	13.39%	2.02%	4.13%	18.35%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Changes of assumptions

Early Retirement Plan:

The expectation of retired life mortality was changed effective June 30, 2019 to the MP-2018 Mortality Improvement Scale rather than the MP-2017 to better recognize current and future mortality improvements.

Employees' Retirement System:

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

Teachers Retirement System:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST THREE YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2019	\$ 18,702,320	\$ 18,702,320	\$ —	\$ 415,848,815	4.50%
6/30/2018	\$ 18,710,488	\$ 18,710,488	\$ —	\$ 400,360,594	4.67%
6/30/2017	\$ 11,802,809	\$ 11,802,809	\$ —	\$ 378,955,612	3.11%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST TWO YEARS*

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
6/30/2019	11.81%	\$ 520,940,139	\$ 400,360,594	130.12%	1.69%
6/30/2018	11.85%	\$ 500,127,185	\$ 378,955,612	131.98%	0.19%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**AUGUSTA UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The discount rate was updated from 3.58% to 3.87% as of June 30, 2018. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.



Supplementary Information

AUGUSTA UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2019
(UNAUDITED)

ASSETS

Cash and Cash Equivalents	\$	3,588,188.58
Investments		74,739,876.99
Accounts Receivable		
Federal Financial Assistance		5,721,990.43
Other		93,785,835.18
Margin Allocation		733,894.00
Prepaid Expenditures		3,260,194.33
Inventories		32,974.29
Other Assets		11,000.00
		<hr/>
Total Assets	\$	181,873,953.80
		<hr/>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	2,981,117.69
Encumbrance Payable		21,767,265.89
Accounts Payable		1,583,876.30
Unearned Revenue		40,903,053.56
Other Liabilities		5,710,964.52
		<hr/>
Total Liabilities		72,946,277.96
		<hr/>

Fund Balances

Reserved		
Department Sales and Services		6,770,998.86
Indirect Cost Recoveries		43,143,756.75
Technology Fees		405,405.16
Restricted/Sponsored Funds		52,641,945.65
Uncollectible Accounts Receivable		469,421.55
Inventories		81,415.56
Tuition Carry - Forward		2,617,893.09
Carry-Over "Per Governor's Office of Planning and Budget"		1,955,257.23
Unreserved		
Surplus		841,581.99
		<hr/>
Total Fund Balances		108,927,675.84
		<hr/>
Total Liabilities and Fund Balances	\$	181,873,953.80
		<hr/>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

AUGUSTA UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Georgia Cyber Innovation and Training Center					
State Appropriation					
State General Funds	\$ 4,407,753.00	\$ 4,561,387.00	\$ 4,561,387.00	\$ 4,561,387.00	\$ —
Other Funds	—	—	1,050,843.00	—	—
Total Georgia Cyber Innovation and Training Center	4,407,753.00	4,561,387.00	5,612,230.00	4,561,387.00	—
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	15,461,138.00	15,461,138.00	14,461,138.00	14,461,138.00	—
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	—	—	1,737,762.00	—	1,737,762.15
Total Public Service / Special Funding Initiatives	15,461,138.00	15,461,138.00	16,198,900.00	14,461,138.00	1,737,762.15
Teaching					
State Appropriation					
State General Funds	209,378,976.00	210,793,343.00	204,806,106.00	204,806,106.00	—
Other Funds	724,762,785.00	724,762,785.00	800,371,649.00	689,194,726.11	102,666,541.31
Total Teaching	934,141,761.00	935,556,128.00	1,005,177,755.00	894,000,832.11	102,666,541.31
Total Operating Activity	\$ 954,010,652.00	\$ 955,578,653.00	\$ 1,026,988,885.00	\$ 913,023,357.11	\$ 104,404,303.46

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

AUGUSTA UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Funds Available Compared to Budget		Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Georgia Cyber Innovation and Training Center					
State Appropriation					
State General Funds	\$ 4,561,387.00	\$ —	\$ 4,026,346.41	\$ 535,040.59	\$ 535,040.59
Other Funds	—	(1,050,843.00)	—	1,050,843.00	—
Total Georgia Cyber Innovation and Training Center	4,561,387.00	(1,050,843.00)	4,026,346.41	1,585,883.59	535,040.59
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	14,461,138.00	—	14,324,950.77	136,187.23	136,187.23
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	1,737,762.15	0.15	1,065,195.07	672,567.08	672,567.08
Total Public Service / Special Funding Initiatives	16,198,900.15	0.15	15,390,145.84	808,754.16	808,754.31
Teaching					
State Appropriation					
State General Funds	204,806,106.00	—	204,802,529.59	3,576.41	3,576.41
Other Funds	791,861,267.42	(8,510,381.58)	685,022,113.40	115,349,535.60	106,839,154.02
Total Teaching	996,667,373.42	(8,510,381.58)	889,824,642.99	115,353,112.01	106,842,730.43
Total Operating Activity	\$ 1,017,427,660.57	\$ (9,561,224.43)	\$ 909,241,135.24	\$ 117,747,749.76	\$ 108,186,525.33

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

AUGUSTA UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2018 Surplus	Prior Year Adjustments	Other Adjustments
Georgia Cyber Innovation and Training Center					
State Appropriation					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Other Funds	—	—	—	—	—
Total Georgia Cyber Innovation and Training Center	—	—	—	—	—
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	3,861.72	—	(3,861.72)	16,720.16	—
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	1,754,609.48	(1,737,762.15)	(16,847.33)	—	—
Total Public Service / Special Funding Initiatives	1,758,471.20	(1,737,762.15)	(20,709.05)	16,720.16	—
Teaching					
State Appropriation					
State General Funds	51,445.00	—	(51,445.00)	173,185.24	(3,576.44)
Other Funds	102,727,391.06	(102,666,541.31)	(60,849.75)	99,164.46	23,535.48
Total Teaching	102,778,836.06	(102,666,541.31)	(112,294.75)	272,349.70	19,959.04
Total Operating Activity	104,537,307.26	(104,404,303.46)	(133,003.80)	289,069.86	19,959.04
Prior Year Reserves					
Not Available for Expenditure					
Inventories	129,717.10	—	—	—	(48,301.54)
Uncollectible Accounts Receivable	441,079.05	—	—	—	28,342.50
Budget Unit Totals	\$ 105,108,103.41	\$ (104,404,303.46)	\$ (133,003.80)	\$ 289,069.86	\$ —

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**AUGUSTA UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Early Return of Fiscal Year 2019 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Georgia Cyber Innovation and Training Center						
State Appropriation						
State General Funds	\$ —	\$ 535,040.59	\$ 535,040.59	\$ —	\$ 535,040.59	\$ 535,040.59
Other Funds	—	—	—	—	—	—
Total Georgia Cyber Innovation and Training Center	—	535,040.59	535,040.59	—	535,040.59	535,040.59
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	(2,595.92)	136,187.23	150,311.47	—	150,311.47	150,311.47
State Funds - Prior Year Carry-Over						
State General Funds - Prior Year	—	672,567.08	672,567.08	672,657.08	—	672,657.08
Total Public Service / Special Funding Initiatives	(2,595.92)	808,754.31	822,878.55	672,657.08	150,311.47	822,968.55
Teaching						
State Appropriation						
State General Funds	(82,399.52)	3,576.41	90,785.69	—	90,785.69	90,785.69
Other Funds	(33,720.06)	106,839,154.02	106,928,133.90	106,862,689.66	65,444.24	106,928,133.90
Total Teaching	(116,119.58)	106,842,730.43	107,018,919.59	106,862,689.66	156,229.93	107,018,919.59
Total Operating Activity	(118,715.50)	108,186,525.33	108,376,838.73	107,535,256.74	841,581.99	108,376,838.73
Prior Year Reserves						
Not Available for Expenditure						
Inventories	—	—	81,415.56	81,415.56	—	81,415.56
Uncollectible Accounts Receivable	—	—	469,421.55	469,421.55	—	469,421.55
Budget Unit Totals	\$ (118,715.50)	\$ 108,186,525.33	\$ 108,927,675.84	\$ 108,086,093.85	\$ 841,581.99	\$ 108,927,675.84
		Departmental Sales and Services		\$ 6,770,998.86	\$ —	\$ 6,770,998.86
		Indirect Cost Recovery		43,143,756.75	—	43,143,756.75
		Technology Fees		405,405.16	—	405,405.16
		Restricted/Sponsored Funds		52,641,945.65	—	52,641,945.65
		Carry-Over "Per Governor's Office of Planning and Budget"		1,955,257.23	—	1,955,257.23
		Tuition Carry-Forward		2,617,893.09	—	2,617,893.09
		Uncollectible Accounts Receivable		469,421.55	—	469,421.55
		Inventories		81,415.56	—	81,415.56
		Surplus		—	841,581.99	841,581.99
				\$ 108,086,093.85	\$ 841,581.99	\$ 108,927,675.84

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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