



**UGA REAL ESTATE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2018  
and 2017*

*And Report of Independent Auditor*

**UGA REAL ESTATE FOUNDATION, INC.**

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## **Report of Independent Auditor**

To Board of Trustees  
UGA Real Estate Foundation, Inc.  
Athens, Georgia

We have audited the accompanying financial statements of the UGA Real Estate Foundation, Inc. (the “Real Estate Foundation”), a blended component unit of the University of Georgia Research Foundation, Inc., which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Real Estate Foundation’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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity’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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UGA Real Estate Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 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.

A handwritten signature in black ink that reads "Chung Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia  
September 14, 2018

# UGA REAL ESTATE FOUNDATION, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017

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### Introduction

The UGA Real Estate Foundation, Inc. (the "Real Estate Foundation") was incorporated under the laws of the state of Georgia as a nonprofit corporation in 1999 and qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Real Estate Foundation was incorporated for the purpose of managing and improving various real estate assets for the benefit of the University of Georgia (the "University"), governed by the Board of Regents of the University System of Georgia (the "Board of Regents"). The Real Estate Foundation may also provide support to the Board of Regents and colleges and universities of the University System of Georgia. The Real Estate Foundation has created multiple limited liability companies of which it is the sole member. These entities are set up in order to construct, finance, own, and lease real estate projects. Therefore, the Real Estate Foundation and all its limited liability companies are shown using a blended presentation; that is, the activity of the Real Estate Foundation and all its limited liability companies is shown in the same column. See Note 13 for a list of all component units and condensed component unit financial information.

Complete financial statements of each of the blended component units may be obtained at the following address: UGA Real Estate Foundation, Inc., c/o Finance Division, 324 Business Services Building, 456 E. Broad Street, Athens, GA 30602.

The Real Estate Foundation's sole member is the University of Georgia Research Foundation, Inc. (the "Research Foundation").

The Research Foundation was incorporated under the laws of the state of Georgia as a nonprofit corporation in 1978 and qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Research Foundation is organized to fulfill broad scientific, literary, educational, and charitable purposes and operates to enhance the three-pronged mission of the University of teaching, research, and public service. The Research Foundation contributes heavily to the research function of the University by securing research contracts, grants, and awards from individuals, institutions, private organizations, and government agencies for the performance of sponsored research, development, education, or other programs in the various University colleges, schools, departments, and other units.

### Description of the Financial Statements

The Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows are designed to provide information that will assist in understanding the financial condition and performance of the Real Estate Foundation. The Real Estate Foundation's net position is one indicator of the Real Estate Foundation's financial health. Over time, increases or decreases in net position are one indicator of the changes in the Real Estate Foundation's financial condition when considered with other non-financial facts.

The *Statements of Net Position* present financial information on all of the Real Estate Foundation's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The *Statements of Revenues, Expenses, and Changes in Net Position* present the revenues earned and the expenses incurred during the years presented. Activities are reported as either operating or non-operating. The financial reporting model classifies investment earnings and changes in the fair value of investments as non-operating revenues. As a result, the financial statements may show operating losses that are then offset by non-operating revenues from a total financial perspective.

The *Statements of Cash Flows* present information in the form of cash inflows and outflows, summarized by operating, capital and noncapital financing, and investing activities.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

**Financial Highlights**

Condensed financial statements are presented for the year ended June 30, 2018, and two prior years. In the following discussion, Fiscal 2018, Fiscal 2017, and Fiscal 2016 refer to the years ended June 30, 2018, June 30, 2017, and June 30, 2016, respectively.

**The Condensed Statements of Net Position for Fiscal 2018 and 2017 are shown below:**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 28,726,492	\$ 27,748,782	\$ 977,710
Capital assets	19,298,798	19,413,537	(114,739)
Other noncurrent assets	<u>251,361,936</u>	<u>276,445,419</u>	<u>(25,083,483)</u>
Total assets	<u>299,387,226</u>	<u>323,607,738</u>	<u>(24,220,512)</u>
<b>Deferred Outflows of Resources</b>			
Deferred loss on refundings	<u>15,086,273</u>	<u>16,534,037</u>	<u>(1,447,764)</u>
<b>Liabilities</b>			
Current liabilities	20,384,648	12,386,123	7,998,525
Noncurrent liabilities	<u>246,903,529</u>	<u>283,918,259</u>	<u>(37,014,730)</u>
Total liabilities	<u>267,288,177</u>	<u>296,304,382</u>	<u>(29,016,205)</u>
<b>Net Position</b>			
Net investment in capital assets	10,782,576	10,897,315	(114,739)
Restricted			
Future repairs and replacements of real property	2,427,821	2,063,519	364,302
Unrestricted	<u>33,974,925</u>	<u>30,876,559</u>	<u>3,098,366</u>
Total net position	<u>\$ 47,185,322</u>	<u>\$ 43,837,393</u>	<u>\$ 3,347,929</u>

# UGA REAL ESTATE FOUNDATION, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*JUNE 30, 2018 AND 2017*

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### **Analysis of the Condensed Statements of Net Position**

#### **June 30, 2018 and 2017:**

Current assets increased by \$977,710 from Fiscal 2017 to Fiscal 2018, due primarily to an increase in cash inflows from net project activity, and increases in short-term capital leases receivable in accordance with the capital lease amortization schedules. These increases are offset by reduced cash inflows from the Coverdell Entity following the transfer of its real property to the University in Fiscal 2018, decreased capital lease interest receivable in accordance with the Central Precinct's capital lease agreement, and the O'Malley's Entity's distribution of residual funds to the University and Research Foundation following its dissolution as approved by the Real Estate Foundation's Board of Trustees ("the Board").

Capital assets include land, construction in progress, an easement, and buildings, improvements, and furniture and fixtures, (net of applicable depreciation). The decrease of \$114,739 from Fiscal 2017 to Fiscal 2018 is due primarily to amortization of depreciable capital assets.

Other noncurrent assets primarily include restricted bond proceeds, trustee held funds, investments, and capital leases receivable. The \$25,083,483 decrease from Fiscal 2017 to Fiscal 2018 in noncurrent assets is primarily attributable to the Coverdell Entity's capital lease termination following the transfer of its real property to the University, and principal reduction due in accordance with the capital lease amortization schedules.

Deferred outflows of resources include deferred loss on refundings that result from the advanced refunding of bond series. Deferred outflows of resources decreased by \$1,447,764 from Fiscal 2017 to Fiscal 2018 due to the termination of the Coverdell Entity's deferred loss on refunding following the early debt extinguishment of the 2013 Coverdell Entity Bonds, and by normal deferred loss amortization offset by the loss on refunding of the 2009 PAC Entity Bonds.

Current liabilities increased \$7,998,525 from Fiscal 2017 to Fiscal 2018, due primarily to the timing of the renewal on the revolving credit agreement, and an increase in short-term bond principal in accordance with the bond amortization schedules offset by the reduction of the current portion of bond principal due to the early debt extinguishment of the 2013 Coverdell Entity Bonds.

Noncurrent liabilities decreased by \$37,014,730 from Fiscal 2017 to Fiscal 2018. This decrease is largely due to the extinguishment of the 2013 Coverdell Entity Bonds, transfer of the revolving credit agreement balance to current liabilities, and annual payments of principal on noncurrent debt. This decrease is offset by an increase in the PAC Entity's bond debt plus premiums due to the issuance of the 2017 PAC Entity Bonds.

Net position represents the difference between the Real Estate Foundation's assets, liabilities, and deferred inflows/outflows of resources. Total net position at June 30, 2018 and 2017, was \$47,185,322 and \$43,837,393, respectively, which represents a 7.64% change between the years.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

**The Condensed Statements of Net Position for Fiscal 2017 and 2016 are shown below:**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 27,748,782	\$ 25,681,042	\$ 2,067,740
Capital assets	19,413,537	19,519,439	(105,902)
Other noncurrent assets	<u>276,445,419</u>	<u>284,319,589</u>	<u>(7,874,170)</u>
Total assets	<u>323,607,738</u>	<u>329,520,070</u>	<u>(5,912,332)</u>
<b>Deferred Outflows of Resources</b>			
Deferred loss on refundings	<u>16,534,037</u>	<u>12,908,125</u>	<u>3,625,912</u>
<b>Liabilities</b>			
Current liabilities	12,386,123	12,248,899	137,224
Noncurrent liabilities	<u>283,918,259</u>	<u>288,660,411</u>	<u>(4,742,152)</u>
Total liabilities	<u>296,304,382</u>	<u>300,909,310</u>	<u>(4,604,928)</u>
<b>Net Position</b>			
Net investment in capital assets	10,897,315	11,003,217	(105,902)
Restricted			
Future repairs and replacements of real property	2,063,519	1,717,920	345,599
Unrestricted	<u>30,876,559</u>	<u>28,797,748</u>	<u>2,078,811</u>
Total net position	<u>\$ 43,837,393</u>	<u>\$ 41,518,885</u>	<u>\$ 2,318,508</u>

**Analysis of the Condensed Statements of Net Position**

**June 30, 2017 and 2016:**

Current assets increased by \$2,067,740 from Fiscal 2016 to Fiscal 2017, due primarily to an increase in cash inflows from net project activity, and increases in short-term capital leases receivable in accordance with the capital lease amortization schedules. These increases are offset by reduced cash inflows from refinancing related lease restructures that were effective in Fiscal 2017.

Capital assets include land, construction in progress, an easement, and buildings, improvements, and furniture and fixtures, (net of applicable depreciation). The decrease of \$105,902 from Fiscal 2016 to Fiscal 2017 is due primarily to amortization of depreciable capital assets.

Other noncurrent assets primarily include restricted bond proceeds, trustee held funds, investments, and capital leases receivable. The \$7,874,170 decrease from Fiscal 2016 to Fiscal 2017 in noncurrent assets is primarily attributable to the principal reduction due in accordance with the capital lease amortization schedules.

Deferred outflows of resources include deferred loss on refundings that result from the advanced refunding of bond series. Deferred outflows of resources increased \$3,625,912 from Fiscal 2016 to Fiscal 2017 due to the loss on refundings of the 2009 EC Housing Phase II Entity Bonds and 2009 Fraternity Row Entity Bonds offset by normal deferred loss amortization.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

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**Analysis of the Condensed Statements of Net Position**

**June 30, 2017 and 2016 (continued):**

Current liabilities increased \$137,224 from Fiscal 2016 to Fiscal 2017, due primarily to an increase in short-term bond principal in accordance with the bond amortization schedules.

Noncurrent liabilities decreased by \$4,742,152 from Fiscal 2016 to Fiscal 2017. This decrease is largely due to the annual payments of principal on noncurrent debt. This decrease is offset by an increase in the EC Housing Phase II Entity's bond debt plus premiums due to the issuance of the 2017 EC Housing Phase II Entity Bonds and an increase in the Fraternity Row Entity's bond debt due to the issuance of the 2017 Fraternity Row Entity Bonds.

Net position represents the difference between the Real Estate Foundation's assets, liabilities, and deferred inflows/outflows of resources. Total net position at June 30, 2017 and 2016, was \$43,837,393 and \$41,518,885, respectively, which represents a 5.58% change between the years.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

**The Condensed Statements of Revenues, Expenses, and Changes in Net Position for Fiscal 2018 and 2017 are shown below:**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Operating Revenues</b>			
Rental income	\$ 4,134,158	\$ 3,626,623	\$ 507,535
Capital lease interest income	12,968,697	14,616,362	(1,647,665)
Total operating revenues	<u>17,102,855</u>	<u>18,242,985</u>	<u>(1,140,130)</u>
<b>Operating Expenses</b>			
General and administrative expenses	466,193	481,831	(15,638)
Project expenses	3,224,172	3,386,626	(162,454)
Total operating expenses	<u>3,690,365</u>	<u>3,868,457</u>	<u>(178,092)</u>
Operating income	13,412,490	14,374,528	(962,038)
Non-operating revenues (expenses)	(9,432,517)	(12,056,020)	2,623,503
Special item	(632,044)	-	(632,044)
<b>Increase in Net Position</b>	<b>3,347,929</b>	<b>2,318,508</b>	<b>1,029,421</b>
Net position - beginning of year	<u>43,837,393</u>	<u>41,518,885</u>	<u>2,318,508</u>
Net position - end of year	<u>\$ 47,185,322</u>	<u>\$ 43,837,393</u>	<u>\$ 3,347,929</u>

**Analysis of the Condensed Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2018 and 2017:**

Operating revenues consist primarily of interest earned on capital leases and rental income. Non-operating revenues and expenses include investment income, interest expense (net), net change in the fair market value of investments, and other non-operating income and expenses. Special items are significant transactions that are either unusual in nature or infrequent in occurrence.

Operating revenues decreased by \$1,140,130 from Fiscal 2017 to Fiscal 2018, primarily due to reduced revenues in Fiscal 2018 following the termination of the Coverdell Entity lease after it transferred its real property to the University. Other reduced revenues include refinancing related lease restructures for the EC Housing Phase II Entity, Fraternity Row Entity and PAC Entity, and reduced income attributed to annual amortization of lease interest income on the capital leases.

Operating expenses decreased by \$178,092 from Fiscal 2017 to Fiscal 2018, due primarily to a decrease in repair and replacement expenditures during Fiscal 2018 for the Central Precinct Entity, Cortona Foundation, Fraternity Row Entity, and EC Housing Entity offset by an increase in repair and replacement expenditures for the PAC Entity.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

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**Analysis of the Condensed Statements of Revenues, Expenses, and Changes in Net Position**

**Years ended June 30, 2018 and 2017 (continued):**

Non-operating expenses net of non-operating revenues decreased by \$2,623,503 from Fiscal 2017 to Fiscal 2018, primarily due to the Coverdell Entity's gain on the disposition of assets and liabilities in Fiscal 2018, reduced interest expense related to annual bond amortization, and reduced cost of issuance expense on the Fiscal 2017 advanced refunding of the 2009 EC Housing Phase II Entity Bonds and the 2009 Fraternity Row Entity Bonds. These reductions are offset by the increase in cost of issuance expense on the advanced refunding of the 2009 PAC Entity Bonds in Fiscal 2018.

A special item resulted from the O'Malley's Entity's distribution of residual funds to the University and Research Foundation following its dissolution as approved by the Board.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

**The Condensed Statements of Revenues, Expenses, and Changes in Net Position for Fiscal 2017 and 2016 are shown below:**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Operating Revenues</b>			
Rental income	\$ 3,626,623	\$ 3,838,529	\$ (211,906)
Capital lease interest income	14,616,362	17,050,125	(2,433,763)
Total operating revenues	<u>18,242,985</u>	<u>20,888,654</u>	<u>(2,645,669)</u>
<b>Operating Expenses</b>			
General and administrative expenses	481,831	759,797	(277,966)
Project expenses	3,386,626	3,657,679	(271,053)
Total operating expenses	<u>3,868,457</u>	<u>4,417,476</u>	<u>(549,019)</u>
Operating income	14,374,528	16,471,178	(2,096,650)
Non-operating revenues (expenses)	<u>(12,056,020)</u>	<u>(14,252,236)</u>	<u>2,196,216</u>
<b>Increase in Net Position</b>	<b>2,318,508</b>	<b>2,218,942</b>	<b>99,566</b>
Net position - beginning of year	<u>41,518,885</u>	<u>39,299,943</u>	<u>2,218,942</u>
Net position - end of year	<u>\$ 43,837,393</u>	<u>\$ 41,518,885</u>	<u>\$ 2,318,508</u>

**Analysis of the Condensed Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2017 and 2016:**

Operating revenues consist primarily of interest earned on capital leases and rental income. Non-operating revenues and expenses include investment income, interest expense (net), net change in the fair market value of investments, and other non-operating income and expenses.

Operating revenues decreased by \$2,645,669 from Fiscal 2016 to Fiscal 2017, primarily due to reduced revenues in Fiscal 2017 following the refinancing related lease restructures for the CCRC Entity, Central Precinct Entity, EC Housing Phase II Entity, and Fraternity Row Entity. Other reduced revenues include the abatement of the Gwinnett Intellicenter's rent per the terms of its lease restructuring, and reduced income attributed to annual amortization of lease interest income on the capital leases.

Operating expenses decreased by \$549,019, due primarily to a decrease in repair and replacement expenditures during Fiscal 2017 for the Cortona Foundation and EC Housing Entity offset by an increase in repair and replacement expenditures for the Central Precinct Entity and Fraternity Row Entity.

Non-operating expenses net of non-operating revenues decreased by \$2,196,216 from Fiscal 2016 to Fiscal 2017, primarily due to the O'Malley's Entity's loss on the disposition of assets and liabilities in Fiscal 2016, and reduced interest expense related to annual bond amortization. These decreases are offset by the increase in cost of issuance expense on the advanced refunding of the 2009 EC Housing Phase II Entity Bonds and the 2009 Fraternity Row Entity Bonds.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

**The Condensed Statements of Cash Flows for Fiscal 2018 and 2017 are shown below:**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities	\$ 21,492,819	\$ 22,725,154
Cash flows from investing activities	141,958	95,835
Cash flows from noncapital financing activities	(632,044)	-
Cash flows from capital and related financing activities	<u>(19,407,338)</u>	<u>(20,957,640)</u>
<b>Net change in cash and cash equivalents</b>	<b>1,595,395</b>	<b>1,863,349</b>
Cash and cash equivalents – beginning of year	<u>26,984,689</u>	<u>25,121,340</u>
Cash and cash equivalents – end of year	<u><u>\$ 28,580,084</u></u>	<u><u>\$ 26,984,689</u></u>

**Analysis of the Condensed Statements of Cash Flows**  
**Years ended June 30, 2018 and 2017:**

Cash flows from operations primarily include receipts from rental income, principal and interest payments on capital leases receivable, and receipts on reimbursable project costs. The decrease in cash provided by operating activities between Fiscal 2017 to Fiscal 2018 is primarily the result of reduced cash provided by the Coverdell Entity after early termination of its lease agreement and transfer of its real property to the University.

Cash flows from investing activities are comprised of proceeds from sales and maturities of investments, purchases of investments, and investment income. From Fiscal 2017 to Fiscal 2018, these activities reflect an increase in cash provided by investment income.

Cash flows from noncapital financing activities during Fiscal 2018 consist of the O'Malley's Entity's distribution of residual funds to the University and Research Foundation following its dissolution as approved by the Board.

Cash flows from capital and related financing activities are related to capital expenditures, proceeds from new bond issuances, proceeds from the transfer of assets, and bond debt payments of principal and interest. The decrease in cash used from Fiscal 2017 to Fiscal 2018 is due primarily to decreased cash used on debt and interest payments, and the extinguishment of the 2013 Coverdell Entity Bonds in Fiscal 2018.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

**The Condensed Statements of Cash Flows for Fiscal 2017 and 2016 are shown below:**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities	\$ 22,725,154	\$ 24,381,052
Cash flows from investing activities	95,835	(10,829,209)
Cash flows from capital and related financing activities	<u>(20,957,640)</u>	<u>(23,345,848)</u>
<b>Net change in cash and cash equivalents</b>	<b>1,863,349</b>	<b>(9,794,005)</b>
Cash and cash equivalents – beginning of year	<u>25,121,340</u>	<u>34,915,345</u>
Cash and cash equivalents – end of year	<u><u>\$ 26,984,689</u></u>	<u><u>\$ 25,121,340</u></u>

**Analysis of the Condensed Statements of Cash Flows**

**Years ended June 30, 2017 and 2016:**

Cash flows from operations primarily include receipts from rental income, principal and interest payments on capital leases receivable, and receipts on reimbursable project costs. The decrease in cash provided by operating activities between Fiscal 2016 to Fiscal 2017 is primarily the result of reduced cash provided by the CCRC Entity, Central Precinct Entity, EC Housing Phase II Entity, and Fraternity Row Entity leases following the refinancing related lease restructures. The cash provided by the receipt of the Terry Entity’s accounts receivable is also reduced.

Cash flows from investing activities are comprised of proceeds from sales and maturities of investments, purchases of investments, and investment income. From Fiscal 2016 to Fiscal 2017, these activities reflect a significant decrease in cash used due to a decrease in investment purchases.

Cash flows from capital and related financing activities are related to capital expenditures, proceeds from new bond issuances, payments on the revolving credit agreement, proceeds from the transfer of assets, and bond debt payments of principal and interest. The decrease in cash used from Fiscal 2016 to Fiscal 2017 was due primarily to decreased cash used on debt and interest payments, partial repayment of the revolving credit agreement, and extinguishment of the 2009 O’Malley’s Entity Bonds in Fiscal 2016. These decreases are offset by a decrease of cash provided by the University for the Fiscal 2016 transfer of the O’Malley’s Entity’s title to real property.

**UGA REAL ESTATE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2018 AND 2017*

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**Economic Outlook**

The Real Estate Foundation ended Fiscal 2018 with a 7.64% increase in its net position. With its strong financial base, the Real Estate Foundation continues to actively support the real estate and facility needs of the University as evidenced in the number and broad spectrum focus of its construction and associated projects.

Lease revenues are expected to provide sufficient resources to fund obligations of the Real Estate Foundation.

Questions concerning this report or requests for additional information should be directed to:

University of Georgia Controller's Office  
324 Business Services Building  
456 E. Broad Street  
Athens, GA 30602  
(706) 542-6860

**UGA REAL ESTATE FOUNDATION, INC.**  
**STATEMENTS OF NET POSITION**

*JUNE 30, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 20,387,175	\$ 19,156,122
Interest Receivable	22,820	22,820
Prepaid Expenses	195,193	189,753
Capital Lease Interest Receivable, current portion	-	389,746
Capital Leases Receivable, current portion	<u>8,121,304</u>	<u>7,990,341</u>
<b>Total Current Assets</b>	<u>28,726,492</u>	<u>27,748,782</u>
Noncurrent Assets		
Bond Proceeds Restricted for		
Construction, Debt Service, and Reserves	5,765,025	5,765,025
Operating Funds Held by Trustee	2,427,884	2,063,542
Investments Held by UGAF	11,552,779	11,501,003
Capital Leases Receivable, noncurrent portion	231,616,248	257,115,849
Capital Assets, not being depreciated		
Land	15,724,224	15,724,224
Construction in Progress	21,884	21,884
Easement	1,835,296	1,835,296
Capital Assets, net of accumulated depreciation	<u>1,717,394</u>	<u>1,832,133</u>
<b>Total Noncurrent Assets</b>	<u>270,660,734</u>	<u>295,858,956</u>
<b>Total Assets</b>	<u>299,387,226</u>	<u>323,607,738</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refundings	<u>\$ 15,086,273</u>	<u>\$ 16,534,037</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**STATEMENTS OF NET POSITION (CONTINUED)**

*JUNE 30, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 28,000	\$ -
Accounts Payable to the University and Affiliates	102,584	9,337
Accrued Interest Payable	534,530	591,779
Advance Rent and Lease Payment Receipts	2,006,940	2,154,508
Lease Rent Liability, current portion	51,372	25,499
Revolving Credit Agreement, current portion	8,516,222	-
Bonds Payable, current portion	9,145,000	9,605,000
<b>Total Current Liabilities</b>	<u>20,384,648</u>	<u>12,386,123</u>
Noncurrent Liabilities		
Lease Rent Liability, noncurrent portion	1,803,676	1,769,494
Revolving Credit Agreement, noncurrent portion	-	8,516,222
Bonds Payable, noncurrent portion	245,099,853	273,632,543
<b>Total Noncurrent Liabilities</b>	<u>246,903,529</u>	<u>283,918,259</u>
<b>Total Liabilities</b>	<u>267,288,177</u>	<u>296,304,382</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	10,782,576	10,897,315
Restricted		
Future Repairs and Replacements of Real Property	2,427,821	2,063,519
Unrestricted	33,974,925	30,876,559
<b>Total Net Position</b>	<u>\$ 47,185,322</u>	<u>\$ 43,837,393</u>

**UGA REAL ESTATE FOUNDATION, INC.****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>		
Rental Income	\$ 4,134,158	\$ 3,626,623
Capital Lease Interest Income	12,968,697	14,616,362
<b>Total Operating Revenues</b>	<b>17,102,855</b>	<b>18,242,985</b>
<b>Operating Expenses</b>		
<i>General and Administrative Expenses</i>		
Professional Services	440,550	455,092
Depreciation	-	754
Other Expenses	25,643	25,985
<i>Total General and Administrative Expenses</i>	<b>466,193</b>	<b>481,831</b>
<i>Project Expenses</i>		
Operating Expenses	3,109,433	3,272,303
Depreciation	114,739	114,323
<i>Total Project Expenses</i>	<b>3,224,172</b>	<b>3,386,626</b>
<b>Total Operating Expenses</b>	<b>3,690,365</b>	<b>3,868,457</b>
<b>Operating Income</b>	<b>13,412,490</b>	<b>14,374,528</b>
<b>Non-operating Revenues (Expenses)</b>		
Investment Income	193,759	324,849
Other Income (Expense)	(183)	7,735
Gain on Early Termination of Capital Lease	3,346,108	-
Loss on Extinguishment of Debt	(2,358,684)	-
Interest Expense, net	(10,613,517)	(12,388,604)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(9,432,517)</b>	<b>(12,056,020)</b>
<b>Special Item</b>		
Transfer of Residual Funds from O'Malley's Dissolution	(632,044)	-
<b>Change in Net Position</b>	<b>3,347,929</b>	<b>2,318,508</b>
<b>Net Position</b>		
Beginning of Year	43,837,393	41,518,885
End of Year	<b>\$ 47,185,322</b>	<b>\$ 43,837,393</b>

The accompanying notes to the financial statements are an integral part of these statements.

**UGA REAL ESTATE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from rental income	\$ 4,142,666	\$ 3,625,139
Receipts of principal on capital leases	7,645,531	6,500,191
Receipts of interest on capital leases	13,104,544	15,993,436
Receipts for payments reimbursable by the University and affiliates	714,510	761,237
Payments to suppliers of goods and services	(3,399,170)	(3,392,718)
Payments reimbursable by the University and affiliates	(714,510)	(761,237)
Other operating payments	(752)	(894)
<b>Net Cash from Operating Activities</b>	<u>21,492,819</u>	<u>22,725,154</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(293,457)	(262,348)
Net payments for foreign currency fluctuations	(183)	7,735
Investment income	435,598	350,448
<b>Net Cash from Investing Activities</b>	<u>141,958</u>	<u>95,835</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Payments to the University and affiliates	(632,044)	-
<b>Net Cash from Noncapital Financing Activities</b>	<u>(632,044)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital expenditures	-	(9,175)
Proceeds from sale of bonds	270,074	625,425
Proceeds from the University for transfer of assets	21,167,039	-
Payments for bond issuance costs	(264,801)	(621,100)
Interest payments on long-term debt	(10,327,611)	(11,382,790)
Principal repayment on bonds payable	(9,085,000)	(9,570,000)
Payments on bond extinguishment	(21,167,039)	-
<b>Net Cash from Capital and Related Financing Activities</b>	<u>(19,407,338)</u>	<u>(20,957,640)</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,595,395	1,863,349
<b>Cash and Cash Equivalents</b>		
Beginning of year	26,984,689	25,121,340
End of year	<u>\$ 28,580,084</u>	<u>\$ 26,984,689</u>

The accompanying notes to the financial statements are an integral part of these statements.

**UGA REAL ESTATE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Operating Income to Net Cash from</b>		
<b>Operating Activities</b>		
Operating income	\$ 13,412,490	\$ 14,374,528
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	114,739	115,077
Straight-line rent expense adjustment	60,055	423,737
Receipts of principal on capital leases	7,645,531	6,500,191
Changes in assets and liabilities		
Accounts receivable	-	1,472
Prepaid expenses	(5,440)	8,426
Capital lease interest receivable	389,746	1,438,732
Accounts payable and accrued liabilities	28,000	(44,329)
Accounts payable to the University and affiliates	93,089	(29,538)
Advance rent and lease payment receipts	(245,391)	(63,142)
<b>Net Cash from Operating Activities</b>	<u>\$ 21,492,819</u>	<u>\$ 22,725,154</u>
<b>Reconciliation of Cash and Cash Equivalents to the</b>		
<b>Statements of Net Position</b>		
Cash and cash equivalents, per the statements of net position	\$ 20,387,175	\$ 19,156,122
Cash and cash equivalents included in bond proceeds		
Restricted for construction, debt service, and reserves	5,765,025	5,765,025
Cash and cash equivalents included in operating funds held by trustee	2,427,884	2,063,542
<b>Total Cash and Cash Equivalents</b>	<u>\$ 28,580,084</u>	<u>\$ 26,984,689</u>
<b>Schedule of Noncash Investing, Capital and</b>		
<b>Related Financing Activity</b>		
Bonds payable refunded through new bond issue and related cost of issuance	\$ 15,751,314	\$ 60,969,117

# UGA REAL ESTATE FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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### Note 1—Organization

The UGA Real Estate Foundation, Inc. (the “Real Estate Foundation”) is a not-for-profit foundation that was chartered in 1999 and manages and improves various real estate assets for the benefit of the University of Georgia (the “University”), governed by the Board of Regents of the University System of Georgia (the “Board of Regents”). The Real Estate Foundation may also provide support to the Board of Regents and colleges and universities of the University System of Georgia. The Real Estate Foundation has created several limited liability companies of which it is the sole member for various purposes including constructing, financing, owning, and leasing real estate projects.

The Real Estate Foundation’s sole member is the University of Georgia Research Foundation, Inc. (the “Research Foundation”). The Real Estate Foundation operates under a cooperative organization agreement with the Board of Regents.

The Research Foundation was incorporated under the laws of the state of Georgia as a nonprofit corporation in 1978 and qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code (the “Code”). The Research Foundation is a cooperative organization serving the University and is organized to fulfill broad scientific, literary, educational and charitable purposes and operates to enhance the three-pronged mission of the University of teaching, research, and public service. The Research Foundation contributes heavily to the research function of the University by securing research contracts, grants, and awards from individuals, institutions, private organizations, and government agencies for the performance of sponsored research, development, education, or other programs in the various University colleges, schools, departments, and other units of the University.

### Note 2—Summary of significant accounting policies

*Basis of Presentation* – The Real Estate Foundation’s financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”). The Statements of Governmental Accounting Standards (“SGAS”) are issued by GASB. The financial statements include the accounts of the Real Estate Foundation’s limited liability companies. All balances and transactions between the Real Estate Foundation and these limited liability companies have been eliminated.

The financial statement presentation provides a comprehensive, entity-wide perspective of the Real Estate Foundation’s assets, liabilities, deferred inflows/outflows of resources, net position, revenues, expenses, changes in net position, and cash flows. In addition, these statements require the Real Estate Foundation to present a Management’s Discussion and Analysis (“MD&A”). The MD&A is considered to be required supplemental information and precedes the financial statements.

*Reporting Entity* – In accordance with the criteria in SGAS No. 61, *The Financial Reporting Entity*, the Research Foundation is a legally separate, tax-exempt organization whose activities primarily support the University, a unit of the University System of Georgia (an organization unit of the state of Georgia). The Research Foundation is considered an affiliated organization of the University, and due to its financial significance the Research Foundation’s financial activities are included in the University and University System of Georgia’s reports. The State Accounting Office determined component units of the state of Georgia, as required by SGAS No. 61, should not be assessed in relation to their significance to the University. Accordingly, the Research Foundation qualifies for treatment as a component unit of the state of Georgia.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 2—Summary of significant accounting policies (continued)**

The Real Estate Foundation qualifies as a component unit of the Research Foundation. The statements of the Real Estate Foundation are shown using a blended presentation in the Research Foundation's financial statements. The Real Estate Foundation is the sole member of a number of limited liability companies, which effectively carry out the operations of the Real Estate Foundation. Therefore, the Real Estate Foundation and all its limited liability companies are shown using a blended presentation; that is, the activity of the Real Estate Foundation and all its limited liability companies is shown in the same column. See Note 13 for a list of all component units and condensed component unit financial information.

Complete financial statements of each of the blended component units may be obtained at the Real Estate Foundation's administrative office. The address is as follows:

UGA Real Estate Foundation, Inc.  
c/o Finance Division  
324 Business Services Building  
456 E. Broad Street  
Athens, GA 30602

*Basis of Accounting* – The Real Estate Foundation's financial statements have been presented using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

*Cash and Cash Equivalents* – The Real Estate Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents. Investments in the Board of Regents Short-term Fund are carried at fair value. All other short-term investments, which consist of money markets, certificates of deposits, and non-participating repurchase agreements (unrated debt securities), are carried at cost. Balances may at times exceed federally insured limits.

*Operating Funds Held by Trustee* – Amounts transferred in from cash accounts are held by an independent trustee for the purpose of paying operating expenses and funding reserves for future obligations. From time to time, investments are made by the trustee in accordance with the trust indenture.

*Bond Proceeds Restricted for Construction, Debt Service, and Reserves* – Proceeds from bond issuances are held by an independent trustee and are restricted for the purpose of funding construction costs, interest, administrative fees, debt service reserves, and costs of issuance associated with the bond offerings. From time to time, investments are made by the trustee in accordance with the trust indenture.

*Investments* – In accordance with SGAS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Real Estate Foundation is required to present certain investments at their fair value if the investment has a readily determined market value. Investments are carried at market value. Realized gains and losses are computed using the specific identification method.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 2—Summary of significant accounting policies (continued)**

*Capital Leases Receivable* – The Real Estate Foundation enters into lease contracts of real property as a lessor. The terms and conditions of these contracts are assessed and the leases are classified as operating leases or capital leases according to their economic substance. When making such an assessment, the Real Estate Foundation focuses on the following aspects: a) transfer of ownership of the asset to the lessee at the end of the lease term; b) existence of a bargain purchase option held by the lessee; c) whether the lease term is for the major part of the economic life of the asset; and d) whether the present value of the minimum lease payments is substantially equal to the fair value of the leased asset at inception of the lease term. If one or more of the conditions are met, the lease is generally classified as a capital lease. The initial recording of the capital lease receivable is made on the day the real property is placed in service, with a corresponding entry to remove the capital asset using the lesser of the net present value of the lease payments or the fair value of the leased property. Capital leases are amortized over the term of the lease using the effective interest rate – the implicit rate that exactly discounts estimated future cash receipts through the expected life of the lease. Lease payments are allocated between the principal and interest components. Capital leases receivable consist of capital lease payments due for real property owned by the University. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

*Capital Assets* – Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized.

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of seven years.

Real property includes buildings and improvements stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the lesser of the estimated useful life of the related asset of 10 to 30 years or the remaining term on the related ground or air rights leases. Land and easements are stated at cost and are not depreciated.

Construction in progress is stated at cost and includes planning, development, and construction costs, as well as capitalized interest. When construction is complete and the asset is placed in use, assets are transferred at cost to real property or transferred to lessees as part of a capital lease agreement.

*Capitalized Interest* – Interest incurred during construction of real estate projects is capitalized until the underlying assets are ready for their intended use. Interest related to projects financed by tax-exempt borrowings, including periodic amortization of any related discount or premium, is capitalized after reduction for interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. Interest related to projects financed by taxable borrowings, including periodic amortization of any related discount or premium, does not include a reduction for interest earned on the temporary investment of the proceeds of those borrowings. At the time the qualifying assets are placed in service, amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets.

If a project is determined to be placed in service under a capital lease agreement, the asset, including capitalized interest, is transferred to lessees under a capital lease agreement.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 2—Summary of significant accounting policies (continued)**

*Deferred Outflows/Inflows of Resources* – In accordance with SGAS No. 65, *Items Previously Reported as Assets and Liabilities*, the statements of net position report a separate financial statement element, deferred outflows of resources, which represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until that time. The Real Estate Foundation's deferred loss on refundings qualifies for reporting in this category. The deferred loss on refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the straight-line method. In addition to liabilities, the statements of net position will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. The Real Estate Foundation does not have any item that qualifies for reporting in this category.

*Bonds Payable* – The Real Estate Foundation records the net proceeds of tax-exempt and taxable bond financing as a liability upon issuance. Bond proceeds consist of the par value of the bonds issued plus premiums or minus discounts. Bond premiums and discounts are amortized to interest expense using the effective interest method.

*Net Position* – Net position of the Real Estate Foundation is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Restricted net position includes amounts restricted by bond indentures for debt service, operating costs, and repair and replacement reserves. Unrestricted net position is not subject to donor or other stipulations imposed by outside sources. The Real Estate Foundation considers several factors in determining whether to use restricted or unrestricted resources when restrictions are met.

*Revenue Recognition* – Rental income is recognized when earned and collectability of the associated receivable is reasonably assured. Rental income consists of the repair and replacement portion of the total capital lease payment and is recognized on a monthly basis in accordance with the related lease agreement. Advance rent receipts represent rental payments received but not yet earned.

Capital lease interest income is recorded per the related capital lease amortization schedule simultaneously with the rental income described above. Amounts are offset by rebates to the University related to savings realized by the Real Estate Foundation due to advance refunding of bonds payable and the early extinguishment of certain bonds payable for projects transferred to the University. Advance lease payment receipts represent both the interest and principal components of capital lease payments received but not yet earned.

*Operating and Non-Operating Revenues and Expenses* – The financial statements distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with maintaining and leasing real property – the Real Estate Foundation's principal activity. Non-exchange revenues, including investment income from sources other than capital leases, and net unrealized and realized gains and losses on investments are reported as non-operating revenues. Interest and financing costs are reported as non-operating expenses. Operating expenses are all expenses incurred to maintain and lease real property other than financing costs.

*Income Taxes* – The Real Estate Foundation is exempt from federal income taxes under Section 501(c)(3) of the Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Internal Revenue Service has determined that the Real Estate Foundation is not a private foundation under Section 509(a) of the Code.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 2—Summary of significant accounting policies (continued)**

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3—Deposits and investments**

**A. Deposits**

At June 30, 2018 and 2017, the bank balance of the Real Estate Foundation’s deposits, consisting of cash held in interest bearing checking accounts at financial institutions and cash equivalents held by trustees was \$2,468,190 and \$2,101,374, respectively.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Real Estate Foundation’s deposits may not be recovered. The Real Estate Foundation has no deposit policy for custodial credit risk.

The Real Estate Foundation places its cash and cash equivalents on deposit with financial institutions in the United States of America and Italy. For deposits with financial institutions in the United States of America, the Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts.

As of June 30, 2018, the bank balance of the Real Estate Foundation’s deposits is presented below by category of risk.

<u>June 30, 2018</u> <u>Deposits</u>	<u>FDIC</u> <u>Insured</u>	<u>Collateralized by</u> <u>U.S. Securities</u>	<u>Uninsured and</u> <u>Uncollateralized</u>	<u>Total</u>
Checking Accounts	\$ -	\$ -	\$ 40,306	\$ 40,306
Funds Held by Trustee	-	-	2,427,884	2,427,884
<b>Total Deposits</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,468,190</u>	<u>\$ 2,468,190</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 3—Deposits and investments (continued)**

**A. Deposits (continued)**

As of June 30, 2017, the bank balance of the Real Estate Foundation’s deposits is presented below by category of risk.

<u>June 30, 2017 Deposits</u>	<u>FDIC Insured</u>	<u>Collateralized by U.S. Securities</u>	<u>Uninsured and Uncollateralized</u>	<u>Total</u>
Checking Accounts	\$ -	\$ -	\$ 37,832	\$ 37,832
Funds Held by Trustee	-	-	2,063,542	2,063,542
<b>Total Deposits</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,101,374</u>	<u>\$ 2,101,374</u>

The uninsured and uncollateralized deposits classified as “Funds Held by Trustee” are primarily invested in Fidelity Institutional Money Market Treasury Portfolio, a short-term money market fund.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect a deposit. During the years ended June 30, 2018 and 2017, the Real Estate Foundation’s deposits changed by (\$183) and \$7,735, respectively, due to foreign currency fluctuations between the euro and the dollar on cash balances held in banks. Amounts held in foreign currency denominations are valued at \$40,306 and \$37,832 as of June 30, 2018 and 2017, respectively.

**B. Investments**

The Real Estate Foundation follows its investment policy that establishes objectives, specifies allowable investments, sets target investment mixes, and provides investment guidelines.

The Real Estate Foundation entered into an agreement with the University of Georgia Foundation (“UGAF”) (the “Agreement”) in order to establish the UGA Real Estate Short-term Holding Fund (the “Fund”) to be managed and held by UGAF. The Fund serves as a depository account and is separately managed and accounted for by UGAF. The Real Estate Foundation’s Board of Trustees (the “Board”) is responsible for investing decisions. As of June 30, 2018 and 2017, investments held by UGAF included fixed-income mutual funds in the amount of \$11,552,779 and \$11,501,003, respectively.

As of June 30, 2018 and 2017, the Real Estate Foundation held investments of \$37,571,480 and \$36,384,388, respectively.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 3—Deposits and investments (continued)**

**B. Investments (continued)**

As of June 30, 2018 and 2017, the Real Estate Foundation’s investments are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<b>June 30, 2018</b>	<b>Investment Maturity</b>					
	<b>Investment Type</b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>More than 10 Years</b>
Debt Securities						
Repurchase Agreements	\$ 11,491,758	\$ 11,491,758	\$ -	\$ -	\$ -	
Repurchase Agreements Held by Trustee	5,765,025	-	-	-	5,765,025	
	<u>17,256,783</u>	<u>\$ 11,491,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,765,025</u>	
Fixed Income						
Mutual Funds Held by UGAF	11,552,779					
Investment Pools						
Board of Regents Short-term Fund	8,761,918					
<b>Total Investments</b>	<u>\$ 37,571,480</u>					

<b>June 30, 2017</b>	<b>Investment Maturity</b>				
	<b>Investment Type</b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>
Debt Securities					
Repurchase Agreements	\$ 10,594,762	\$ 10,594,762	\$ -	\$ -	\$ -
Repurchase Agreements Held by Trustee	5,765,025	-	-	-	5,765,025
	<u>16,359,787</u>	<u>\$ 10,594,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,765,025</u>
Fixed Income					
Mutual Funds Held by UGAF	11,501,003				
Investment Pools					
Board of Regents Short-term Fund	8,523,598				
<b>Total Investments</b>	<u>\$ 36,384,388</u>				

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

**Note 3—Deposits and investments (continued)**

**B. Investments (continued)**

Repurchase agreements and the Board of Regents Short-term Fund are included in cash and cash equivalents on the statements of net position.

Repurchase agreements held by the trustee are included in bond proceeds restricted for construction, debt service and reserves on the statements of net position.

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 Real Estate Foundation's policy for managing interest rate risk is to invest primarily in short-term or intermediate-term investments.

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 Real Estate Foundation will not be able to recover the value of the investment. The Real Estate Foundation does not have a formal policy for managing custodial credit risk for investments.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Real Estate Foundation's policy for managing credit quality risk is to invest primarily in a diversified portfolio of investment grade debt securities and fixed-income mutual funds.

The Real Estate Foundation's investments at June 30, 2018 and 2017, are presented below. All investments are presented by investment type and fixed income securities are presented by credit quality ratings.

<b>June 30, 2018</b>	<b>Rated Debt Investments</b>		
	<b>Total</b>	<b>Mutual Funds Held by UGAF</b>	<b>Repurchase Agreements</b>
Quality Ratings			
Moody's			
Aaa	\$ 5,765,025	\$ -	\$ 5,765,025
Morningstar			
5-Star	5,912,021	5,912,021	-
3-Star	5,640,758	5,640,758	-
Unrated	11,491,758	-	11,491,758
	<u>28,809,562</u>	<u>\$ 11,552,779</u>	<u>\$ 17,256,783</u>
Investment Pools			
Board of Regents Short-term Fund	<u>8,761,918</u>		
<b>Total Investments</b>	<u>\$ 37,571,480</u>		

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 3—Deposits and investments (continued)**

**B. Investments (continued)**

<u>June 30, 2017</u>	<u>Rated Debt Investments</u>		
	<u>Total</u>	<u>Mutual Funds Held by UGAF</u>	<u>Repurchase Agreements</u>
Quality Ratings			
Moody's			
Aaa	\$ 5,765,025	\$ -	\$ 5,765,025
Morningstar			
4-Star	11,501,003	11,501,003	-
Unrated	10,594,762	-	10,594,762
	<u>27,860,790</u>	<u>\$ 11,501,003</u>	<u>\$ 16,359,787</u>
Investment Pools			
Board of Regents Short-term Fund	<u>8,523,598</u>		
<b>Total Investments</b>	<u>\$ 36,384,388</u>		

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia - System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits - Education Audit Division or on their website at <http://www.audits.ga.gov>.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Real Estate Foundation's policy for managing concentration of credit risk is to invest primarily in a diversified portfolio of investment grade debt securities and fixed-income mutual funds.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 4—Restricted and Board designated assets**

Restricted and Board designated assets included in Operating Funds Held by Trustee and Bond Proceeds Restricted for Construction, Debt Service, and Reserves are as follows:

	<u>2018</u>	<u>2017</u>
<b>Restricted for:</b>		
Debt Service	\$ 5,765,025	\$ 5,765,025
Future Repairs and Replacements of Real Property	<u>2,427,821</u>	<u>2,063,519</u>
<b>Total Restricted</b>	<u>8,192,846</u>	<u>7,828,544</u>
<b>Designated for:</b>		
General Operations of the Real Estate Foundation	<u>63</u>	<u>23</u>
<b>Total Restricted and Designated</b>	<u>\$ 8,192,909</u>	<u>\$ 7,828,567</u>

The carrying values of the restricted and Board designated cash and cash equivalents and investment balances above are included in the statements of net position as follows:

	<u>2018</u>	<u>2017</u>
Operating Funds Held by Trustee	\$ 2,427,884	\$ 2,063,542
Bond Proceeds Restricted for Construction, Debt Service, and Reserves	<u>5,765,025</u>	<u>5,765,025</u>
<b>Total Restricted and Designated</b>	<u>\$ 8,192,909</u>	<u>\$ 7,828,567</u>

Cash and Cash Equivalents, which include Board designated assets, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Designated for:</b>		
Debt Service	\$ 3,603,795	\$ 4,018,315
Future Repairs and Replacements of Real Property	8,939,164	8,778,318
General Operations of the Real Estate Foundation	<u>400,000</u>	<u>400,000</u>
<b>Total Designated</b>	12,942,959	13,196,633
Undesignated Cash and Cash Equivalents	<u>7,444,216</u>	<u>5,959,489</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 20,387,175</u>	<u>\$ 19,156,122</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 5—Fair value measurements of assets and liabilities**

The Real Estate Foundation has adopted SGAS No. 72, *Fair Value Measurement and Application*, which requires fair value measurement be classified and disclosed in one of the following three Fair Value Hierarchy categories.

**Level 1**

Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which would generally be included in Level 1 include listed equity securities, mutual funds, and money market funds. The Real Estate Foundation, to the extent that it holds such investments, does not adjust the quoted price for these investments.

**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. The types of investments which would generally be included in this category include publicly traded securities with restrictions on disposition, corporate obligations, and U.S. Government and Agency Treasury Inflation Indices.

**Level 3**

Pricing inputs are unobservable for the investments and include situations where there is little, if any, market activity for the investments. The types of investments which would generally be included in this category include debt and equity securities issued by private entities and partnerships. The inputs into the determination of fair value require significant judgment or estimation. Inputs include recent transactions, earnings forecasts, market multiples, and future cash flows.

The tables below summarize the valuation of the Real Estate Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017, based on the level of input utilized to measure fair value.

**Measurement at fair value on a recurring basis:**

June 30, 2018 Investments - Recurring Basis	Fair Value Measurement			
	Total	Level 1	Level 2	Level 3
Fixed Income				
Mutual Funds Held by UGAF	\$ 11,552,779	\$ 11,552,779	\$ -	\$ -
Investment Pools				
Board of Regents				
Short-term Fund	8,761,918	-	8,761,918	-
<b>Total Investments -     Recurring Basis</b>	<b>\$ 20,314,697</b>	<b>\$ 11,552,779</b>	<b>\$ 8,761,918</b>	<b>\$ -</b>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

**Note 5—Fair value measurements of assets and liabilities (continued)**

June 30, 2017 Investments - Recurring Basis	Fair Value Measurement			
	Total	Level 1	Level 2	Level 3
Fixed Income				
Mutual Funds Held by UGAF	\$ 11,501,003	\$ 11,501,003	\$ -	\$ -
Investment Pools				
Board of Regents				
Short-term Fund	8,523,598	-	8,523,598	-
<b>Total Investments -         Recurring Basis</b>	<u>\$ 20,024,601</u>	<u>\$ 11,501,003</u>	<u>\$ 8,523,598</u>	<u>\$ -</u>

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

**Note 6—Capital leases receivable**

The Real Estate Foundation has entered into multiple 20 to 30-year capital lease agreements (1-year leases with annual renewals) with the Board of Regents to occupy the Real Estate Foundation's facilities. Lease payments are due monthly. At the end of the lease term, ownership of the leased facilities will be transferred to the Board of Regents.

As of June 30, 2018 and 2017, net capital leases receivable were \$239,737,552 and \$265,106,190, respectively. These amounts include future minimum lease payments to be received of \$381,077,983 and \$433,287,875 as of June 30, 2018 and 2017, respectively, of which \$141,340,431 and \$168,181,685, respectively, is unearned interest.

As of June 30, 2018, lease payments are receivable as follows:

2019	\$ 20,664,818
2020	20,646,161
2021	20,626,097
2022	20,607,161
2023	20,592,403
2024 - 2028	102,598,963
2029 - 2033	101,856,643
2034 - 2038	56,758,788
2039 - 2043	15,343,906
2044	1,383,043
Total Payments to be Received	<u>381,077,983</u>
Less Amounts Representing Interest	<u>(141,340,431)</u>
Total Leases Receivable	<u>239,737,552</u>
Less Current Portion	<u>(8,121,304)</u>
Noncurrent Leases Receivable	<u>\$ 231,616,248</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 7—Capital assets**

Capital assets consisted of the following at June 30, 2018:

	<b>Balance at June 30, 2017</b>	<b>Additions</b>	<b>Disposals and Reclasses</b>	<b>Balance at June 30, 2018</b>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 15,724,224	\$ -	\$ -	\$ 15,724,224
Construction in Progress	21,884	-	-	21,884
Easement	1,835,296	-	-	1,835,296
<b>Total Nondepreciable Capital Assets</b>	<b>17,581,404</b>	<b>-</b>	<b>-</b>	<b>17,581,404</b>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	3,179,498	-	-	3,179,498
Less Accumulated Depreciation	(1,347,365)	(114,739)	-	(1,462,104)
<b>Total Depreciable Capital Assets</b>	<b>1,832,133</b>	<b>(114,739)</b>	<b>-</b>	<b>1,717,394</b>
<b>Capital Assets, net</b>	<b>\$ 19,413,537</b>	<b>\$ (114,739)</b>	<b>\$ -</b>	<b>\$ 19,298,798</b>

Capital assets consisted of the following at June 30, 2017:

	<b>Balance at June 30, 2016</b>	<b>Additions</b>	<b>Disposals and Reclasses</b>	<b>Balance at June 30, 2017</b>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 15,724,224	\$ -	\$ -	\$ 15,724,224
Construction in Progress	12,709	9,175	-	21,884
Easement	1,835,296	-	-	1,835,296
<b>Total Nondepreciable Capital Assets</b>	<b>17,572,229</b>	<b>9,175</b>	<b>-</b>	<b>17,581,404</b>
<b>Depreciable Capital Assets</b>				
Furniture and Equipment	197,392	-	-	197,392
Less Accumulated Depreciation	(196,638)	(754)	-	(197,392)
Buildings and Improvements	3,179,498	-	-	3,179,498
Less Accumulated Depreciation	(1,233,042)	(114,323)	-	(1,347,365)
<b>Total Depreciable Capital Assets</b>	<b>1,947,210</b>	<b>(115,077)</b>	<b>-</b>	<b>1,832,133</b>
<b>Capital Assets, net</b>	<b>\$ 19,519,439</b>	<b>\$ (105,902)</b>	<b>\$ -</b>	<b>\$ 19,413,537</b>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 8—Long-term debt**

The Real Estate Foundation has entered into multiple loan agreements to borrow bond proceeds from the Development Authority of the Unified Government of Athens-Clarke County, Georgia (the Development Authority) or the Housing Authority of the City of Athens, Georgia (the Housing Authority). The Real Estate Foundation used the proceeds of these loans to fund construction, acquisition, renovation and the equipping of various facilities located on the University's campus. These properties are secured by certain real properties and by the Real Estate Foundation's interest in certain rents and leases derived from these facilities.

At June 30, 2018, borrowings under the loan agreements bear interest payable semi-annually in December and June at rates ranging from 1.05% to 5.25% with maturity dates through fiscal year 2044.

<b>Revenue Bonds</b>	<b>Original Issue Amount</b>	<b>Interest Rates</b>	<b>Maturing Through Year</b>	<b>Outstanding Balances</b>	
				<b>2018</b>	<b>2017</b>
Bolton Entity, Series 2013	\$ 24,400,000	3.00% - 5.00%	2044	\$ 18,840,000	\$ 19,345,000
CCRC Entity, Series 2011	32,580,000	2.00% - 5.25%	2032	25,590,000	26,840,000
Central Precinct Entity, Series 2016	54,025,000	2.00% - 5.00%	2038	50,440,000	52,250,000
Coverdell Entity, Series 2013	21,100,000	2.00% - 5.00%	2034	-	18,780,000
EC Housing Entity, Series 2010	34,090,000	2.50% - 5.00%	2023	18,880,000	21,540,000
EC Housing Entity, Series 2011	48,250,000	2.00% - 5.00%	2033	46,430,000	46,550,000
EC Housing Phase II Entity, Series 2017	44,630,000	3.00% - 5.00%	2040	42,285,000	43,380,000
Fraternity Row Entity, Series 2017	12,665,000	1.05% - 4.45%	2039	11,820,000	12,215,000
PAC Entity, Series 2009	17,655,000	3.00% - 5.00%	2039	-	14,775,000
PAC Entity, Series 2017	15,215,000	2.00% - 5.00%	2039	14,600,000	-
Rutherford Entity, Series 2012	21,910,000	2.00% - 5.00%	2033	12,605,000	13,240,000

***Defeasance and refunding of revenue bonds***

***Coverdell Entity***

On September 6, 2017, the Development Authority entered into an agreement with the Coverdell Entity to early extinguish \$18,780,000 of outstanding 2013 Coverdell Bonds with interest rates ranging from 3.0% to 5.0% pursuant to the transfer of the Coverdell Entity's portion of a research facility to the University.

A portion of the proceeds received from the University in the net amount of \$21,135,165 (after payment of \$31,874 in extinguishment costs) was transferred into an irrevocable trust with an escrow agent and used to purchase U.S. government securities. Those securities are to provide for all future debt service payments on the extinguished 2013 Coverdell Bonds. As a result, \$18,780,000 of outstanding 2013 Coverdell Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position for the year ended June 30, 2018. The related \$1,344,684 of 2013 Coverdell Bond deferred loss on refunding has been removed from the statement of net position for the year ended June 30, 2018.

The early extinguishment resulted in a gain consisting of the difference between the reacquisition price and the net carrying amount of the extinguished debt of \$987,424. This difference has been recorded as a \$3,346,108 ordinary gain on early termination of capital lease offset by a \$2,358,684 ordinary loss on extinguishment of debt during the year ended June 30, 2018. The Coverdell Entity completed the early extinguishment in order to repay the 2013 Coverdell Bonds, to transfer the research facility to the University, and to reduce its total debt service payments on the 2013 Coverdell Bonds over the next 17 years by \$3,179,314. The resulting economic gain (difference between the present value of the extinguished debt and the cash amount transferred to escrow) is \$1,348,712 using an effective interest rate of 1.816%.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 8—Long-term debt (continued)**

***Defeasance and refunding of revenue bonds (continued)***

***EC Housing Phase II Entity***

On February 9, 2017, the Housing Authority issued \$44,630,000 in Revenue Refunding Bonds (UGAREF East Campus Housing Phase II, LLC Project), Series 2017 (the "2017 EC Housing Phase II Bonds") with interest rates ranging from 3.0% to 5.0% and entered into an agreement (the "2017 EC Housing Phase II Loan Agreement") with the EC Housing Phase II Entity to advance refund \$44,425,000 of outstanding 2009 EC Housing Phase II Bonds with interest rates ranging from 4.0% to 5.25%.

The net proceeds of \$48,384,818 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to fund future debt service payments on the refunded 2009 EC Housing Phase II Bonds. As a result, \$44,425,000 of outstanding 2009 EC Housing Phase II Bonds were considered to be defeased and the liability for those bonds was removed from the statement of net position for the year ended June 30, 2017.

The advance refunding resulted in a loss, which consisted of the difference between the reacquisition price and the net carrying amount of the old debt, of \$3,298,186. This difference, reported in the accompanying statements of net position as a deferred outflow of resources, is being charged to operations as interest expense through June 15, 2040, using the straight-line method. The EC Housing Phase II Entity completed the advance refunding to reduce its total debt service payments through 2040 by \$4,540,769 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,195,287 at an effective interest rate of 3.2701%.

***Fraternity Row Entity***

On March 15, 2017, the Housing Authority issued \$12,665,000 in Revenue Refunding Bonds (UGAREF Fraternity Row, LLC Project), Taxable Series 2017 (the "2017 Fraternity Row Bonds") with interest rates ranging from 1.05% to 4.45% and entered into an agreement (the "2017 Fraternity Row Loan Agreement") with the Fraternity Row Entity to advance refund \$11,070,000 of outstanding 2009 Fraternity Row Bonds with interest rates ranging from 4.4% to 6.3%.

The net proceeds of \$12,351,882 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to fund future debt service payments on the refunded 2009 Fraternity Row Bonds. As a result, \$11,070,000 of outstanding 2009 Fraternity Row Bonds were considered to be defeased and the liability for those bonds was removed from the statement of net position for the year ended June 30, 2017.

The advance refunding resulted in a loss, which consisted of the difference between the reacquisition price and the net carrying amount of the old debt, of \$1,171,044. This difference, reported in the accompanying statements of net position as a deferred outflow of resources, is being charged to operations as interest expense through June 15, 2039, using the straight-line method. The Fraternity Row Entity completed the advance refunding to reduce its total debt service payments through 2039 by \$1,343,929 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$891,220 at an effective interest rate of 4.099%.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

**Note 8—Long-term debt (continued)**

***Defeasance and refunding of revenue bonds (continued)***

***PAC Entity***

On September 14, 2017, the Development Authority issued \$15,215,000 in Revenue Refunding Bonds (UGAREF PAC Parking Deck, LLC Project), Series 2017 (the "2017 PAC Bonds") with interest rates ranging from 2.0% to 5.0% and entered into an agreement (the "2017 PAC Loan Agreement") with the PAC Entity to advance refund \$14,775,000 of outstanding 2009 PAC Bonds with interest rates ranging from 3.625% to 5.0%.

The net proceeds of \$15,698,257 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and will fund all future debt service payments on the refunded 2009 PAC Bonds. As a result, \$14,775,000 of outstanding 2009 PAC Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position for the year ended June 30, 2018.

The advance refunding resulted in a loss, which consisted of the difference between the reacquisition price and the net carrying amount of the old debt, of \$832,828. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, is being charged to operations as interest expense through June 15, 2039, using the straight-line method. The PAC Entity completed the advance refunding to reduce its total debt service payments through 2039 by \$1,785,765 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,331,155 at an effective interest rate of 2.857%.

***Real Estate Foundation***

The bonds payable agreements require the Real Estate Foundation to meet certain covenants. At June 30, 2018 and 2017, the Real Estate Foundation was not aware of any violations of the covenants.

Following is a summary as of June 30, 2018, of principal and interest payments for the face value of the bonds payable during each of the next five years ending June 30 and every five years thereafter:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 9,145,000	\$ 9,936,012
2020	9,485,000	9,586,775
2021	9,865,000	9,204,468
2022	10,170,000	8,839,543
2023	10,630,000	8,386,280
2024 - 2028	59,785,000	34,775,003
2029 - 2033	73,500,000	20,385,981
2034 - 2038	44,990,000	7,586,851
2039 - 2043	12,725,000	1,411,380
2044	1,195,000	53,775
	<u>\$ 241,490,000</u>	<u>\$ 110,166,068</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 8—Long-term debt (continued)**

***Real Estate Foundation (continued)***

Changes in long-term debt for the fiscal year ended June 30, 2018, are shown below:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Disposals and Reductions</u>	<u>Balance at June 30, 2018</u>	<u>Current Portion</u>
Bonds Payable	\$ 268,915,000	\$ 15,215,000	\$ (42,640,000)	\$ 241,490,000	\$ 9,145,000
Net Premium (Discount)	14,322,543	806,388	(2,374,078)	12,754,853	-
<b>Total Long-term Debt</b>	<u>\$ 283,237,543</u>	<u>\$ 16,021,388</u>	<u>\$ (45,014,078)</u>	<u>\$ 254,244,853</u>	<u>\$ 9,145,000</u>

Changes in long-term debt for the fiscal year ended June 30, 2017, are shown below:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Disposals and Reductions</u>	<u>Balance at June 30, 2017</u>	<u>Current Portion</u>
Bonds Payable	\$ 276,685,000	\$ 57,295,000	\$ (65,065,000)	\$ 268,915,000	\$ 9,605,000
Net Premium (Discount)	11,449,942	4,299,542	(1,426,941)	14,322,543	-
<b>Total Long-term Debt</b>	<u>\$ 288,134,942</u>	<u>\$ 61,594,542</u>	<u>\$ (66,491,941)</u>	<u>\$ 283,237,543</u>	<u>\$ 9,605,000</u>

A summary of the components of interest cost for the years ended June 30, 2018 and 2017, is as follows:

	<u>Interest Expensed 2018</u>	<u>Interest Expensed 2017</u>
Interest Cost		
Interest Expense	\$ 10,635,270	\$ 11,876,826
Amortization of Premiums, Discounts, and Deferred Loss	(311,360)	(307,087)
Cost of Issuance	317,858	853,516
Fees	245,588	239,188
Interest Income	(273,839)	(273,839)
<b>Total Interest Cost</b>	<u>\$ 10,613,517</u>	<u>\$ 12,388,604</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 9—Line of credit**

***\$25,000,000 Revolving Credit Agreement*** – In November 2015, the Real Estate Foundation entered into a \$25 million revolving credit agreement with a bank, for a three-year term to expire on November 30, 2018. The Real Estate Foundation is currently working to renew or refinance the line of credit. Credit available under the revolving credit agreement is reduced by outstanding borrowings. At June 30, 2018 and 2017, amounts outstanding and issued under this agreement include borrowings of \$8,516,222, resulting in \$16,483,778 available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day London Interbank Offered Rate plus 60.0 basis points (or 0.60%). At June 30, 2018 and 2017, the rate applicable to the borrowings was 2.69% and 1.82%, respectively. Amounts available as borrowing capacity are subject to an unused commitment fee of 0.10%.

Under this revolving credit agreement, certain borrowings are subject to a guarantee requirement with the Research Foundation as guarantor. As of June 30, 2018 and 2017, there are no borrowings subject to this guarantee requirement.

The revolving credit agreement requires the Real Estate Foundation to meet certain covenants. At June 30, 2018 and 2017, the Real Estate Foundation was not aware of any violations of the covenants.

**Note 10—Operating leases**

The Real Estate Foundation is a lessee under an amended multiyear operating lease for University education facilities at Live Oak Square, Atlanta, Georgia, that expires on August 31, 2024, with escalating rents. The Real Estate Foundation recognizes rent for this agreement on a straight-line basis. A straight-line lease liability of \$755,531 and \$781,030, as of June 30, 2018 and 2017, respectively, is included in liabilities. For the years ended June 30, 2018 and 2017, rent expense was \$830,780 and \$834,924, respectively, and includes additional rents to cover operating expenses of the education facility.

The Real Estate Foundation is a lessee under a multiyear operating lease for University education facilities at Gwinnett Intellicenter, Duluth, Georgia, that expires on April 30, 2027, with escalating rents. The Real Estate Foundation recognizes rent for this agreement on a straight-line basis. A straight-line lease liability of \$1,099,517 and \$1,013,963, as of June 30, 2018 and 2017, respectively, is included in liabilities. For the years ended June 30, 2018 and 2017, rent expense was \$1,535,015 and \$1,431,057, respectively, and includes additional rents to cover operating expenses of the education facility.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 10—Operating leases (continued)**

The following is a schedule by years of future minimum rental payments under operating leases as of June 30, 2018, that have initial or remaining non-cancelable lease terms in excess of one year:

**Years Ending June 30,**

2019	\$ 2,369,804
2020	2,437,201
2021	2,506,465
2022	2,577,876
2023	2,651,209
2024 - 2027	<u>7,973,022</u>
	<u>\$ 20,515,577</u>

**Note 11—Related-party transactions**

The Real Estate Foundation leases real property to the Board of Regents under both operating and capital leases, including space subleased under operating leases to the Board of Regents. The Real Estate Foundation also has one-year licensing agreements with the Board of Regents which provides for the operation of parking lots by the Board of Regents on the Real Estate Foundation's land located on Oconee Street in Athens, Georgia, in exchange for a fee adjusted at the end of the term to reflect actual costs incurred. For the years ended June 30, 2018 and 2017, the amounts reported as Rental Income and Capital Lease Interest Income in the statements of revenues, expenses, and changes in net position consist of revenue earned through lease agreements. The lease agreements with the Board of Regents are the primary source of revenue for the Real Estate Foundation, which constitutes a concentration of credit risk.

Additionally, the lease agreements provide that certain amounts paid by the Real Estate Foundation be reimbursed by the Board of Regents. Amounts reimbursed are primarily insurance and property taxes. For the years ended June 30, 2018 and 2017, the expenses which were paid by the Real Estate Foundation and reimbursed by the University are reported as Receipts for Payments Reimbursable by the University and Affiliates and Payments Reimbursable by the University and Affiliates in the statements of cash flows.

The Real Estate Foundation leases the use of land from the Board of Regents where it has constructed property on Board of Regents' land. These ground leases are for a period of up to 3 years during construction and continue for 30 years after construction is complete for a base rental of \$10 per year. Under the ground leases, the ownership of any building or structure constructed on the land passes to the Board of Regents at the end of the ground lease.

The Real Estate Foundation has entered into an administrative services agreement with the University whereby the University provides project management, accounting, and other administrative services, as well as provisions for office space, maintenance, and utilities to be provided by the University to the Real Estate Foundation. During the years ended June 30, 2018 and 2017, the Real Estate Foundation paid \$352,186 and \$391,147, respectively, to the University under the terms of that agreement. The administrative services agreement is renewable on an annual basis.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 11—Related-party transactions (continued)**

On September 6, 2017, the Coverdell Entity terminated the capital lease with the Board of Regents and transferred the Coverdell Entity's real property to the University. In connection with the transfer, the Development Authority entered into an agreement with the Coverdell Entity to early extinguish \$18,780,000 of the outstanding 2013 Coverdell Bonds. The loss on extinguishment of the bonds was \$2,358,684. The gain on early termination of the capital lease was \$3,346,108. This gain is shown in the Gain on Termination of Capital Lease for the year ended June 30, 2018, in the statements of revenues, expenses, and changes in net position, and consisted of the following components:

Proceeds received from University	\$ 21,167,039
Capital lease receivable at time of transfer	<u>(17,820,931)</u>
<b>Total Gain</b>	<b><u>\$ 3,346,108</u></b>

The Real Estate Foundation leased air rights from the Board of Regents where it had constructed property above the lower floors on the Board of Regents' land. The air rights lease was for a period of up to 3 years during construction and continued for 30 years after construction was completed for a base rental of \$10 per year. Under the air rights lease, the ownership of any building or structure constructed above the lower floors of the building would pass to the Board of Regents at the end of the air rights lease. The air rights lease was terminated as part of the Coverdell Entity's transaction listed above.

**Note 12—Dissolution of O'Malley's Entity**

In September 2017, the Board approved the dissolution of the O'Malley's Entity. As a result, the O'Malley's Entity distributed residual funds of \$354,800 to the University and \$277,244 to the Research Foundation for a total distribution of \$632,044.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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**Note 13—Condensed component unit information**

The schedules on the following pages include the condensed financial information of the Real Estate Foundation's blended component units as of and for the years ended June 30, 2018 and 2017.

The Real Estate Foundation is the sole member or owner of the following entities:

<u>Legal Name</u>	<u>Short Name</u>
UGAREF Bolton Commons, LLC	Bolton Entity
UGAREF CCRC Building, LLC	CCRC Entity
UGAREF Central Precinct, LLC	Central Precinct Entity
UGAREF Cortona, Italy Foundation	Cortona Foundation
UGAREF Coverdell Building, LLC	Coverdell Entity
UGAREF East Campus Housing, LLC	EC Housing Entity
UGAREF East Campus Housing Phase II, LLC	EC Housing Phase II Entity
UGAREF Fraternity Row, LLC	Fraternity Row Entity
UGAREF Hardin Property, LLC	Hardin Entity
UGAREF Oconee Street, LLC	Oconee Entity
UGAREF O'Malley's Building, LLC	O'Malley's Entity (LLC dissolved October 31, 2017)*
UGAREF PAC Parking Deck, LLC	PAC Entity
UGAREF Rutherford Hall, LLC	Rutherford Entity
UGAREF Spring Street, LLC	Spring Entity

\*Activity for the O'Malley's Entity for the year ended June 30, 2018, is included in the Real Estate Foundation column in the following condensed financial statements.

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 13—Condensed component unit information (continued)**

The condensed component units' statements of net position as of June 30, 2018, are shown below:

	<b>Bolton Entity</b>	<b>CCRC Entity</b>	<b>Central Precinct Entity</b>	<b>Cortona Foundation</b>	<b>Coverdell Entity</b>	<b>EC Housing Entity</b>	<b>EC Housing Phase II Entity</b>	<b>Fraternity Row Entity</b>
<b>Assets</b>								
Current Assets	\$ 1,537,754	\$ 5,056,109	\$ 3,542,734	\$ 378,306	\$ 1,635,733	\$ 5,132,108	\$ 2,949,124	\$ 1,206,126
Capital Assets	-	-	-	2,050,909	-	-	-	-
Other Noncurrent Assets	18,561,088	25,458,066	49,324,177	-	-	68,270,076	41,372,362	10,460,497
<b>Total Assets</b>	<b>20,098,842</b>	<b>30,514,175</b>	<b>52,866,911</b>	<b>2,429,215</b>	<b>1,635,733</b>	<b>73,402,184</b>	<b>44,321,486</b>	<b>11,666,623</b>
<b>Deferred Outflows of Resources</b>								
Deferred Loss on Refundings	-	992,229	6,769,349	-	-	2,315,290	3,103,829	1,103,062
<b>Liabilities</b>								
Current Liabilities Due to/from Related Entities	561,364	1,552,141	2,304,081	8,136	-	3,708,287	1,499,437	504,719
Noncurrent Liabilities	18,902,152	24,675,225	54,518,079	-	-	63,450,004	45,026,018	11,420,000
<b>Total Liabilities</b>	<b>19,463,516</b>	<b>26,227,366</b>	<b>56,822,160</b>	<b>8,136</b>	<b>-</b>	<b>67,158,291</b>	<b>46,525,455</b>	<b>11,924,719</b>
<b>Net Position</b>								
Net Investment in Capital Assets	-	-	-	2,050,909	-	-	-	-
Restricted:								
Future Repairs and Replacements of Real Property	-	-	-	-	-	2,427,821	-	-
Unrestricted	635,326	5,279,038	2,814,100	370,170	1,635,733	6,131,362	899,860	844,966
<b>Total Net Position</b>	<b>\$ 635,326</b>	<b>\$ 5,279,038</b>	<b>\$ 2,814,100</b>	<b>\$ 2,421,079</b>	<b>\$ 1,635,733</b>	<b>\$ 8,559,183</b>	<b>\$ 899,860</b>	<b>\$ 844,966</b>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

<b>Hardin Entity</b>	<b>Oconee Entity</b>	<b>PAC Entity</b>	<b>Rutherford Entity</b>	<b>Spring Entity</b>	<b>Total Blended Component Units</b>	<b>Real Estate Foundation</b>	<b>Total</b>
\$ 2,361	\$ 34,944	\$1,395,307	\$ 1,503,793	\$ 15,463	\$ 24,389,862	\$ 4,336,630	\$ 28,726,492
8,722,492	8,516,222	-	-	-	19,289,623	9,175	19,298,798
-	-	14,177,613	12,185,278	-	239,809,157	11,552,779	251,361,936
<u>8,724,853</u>	<u>8,551,166</u>	<u>15,572,920</u>	<u>13,689,071</u>	<u>15,463</u>	<u>283,488,642</u>	<u>15,898,584</u>	<u>299,387,226</u>
-	-	802,514	-	-	15,086,273	-	15,086,273
-	8,551,735	602,569	678,030	-	19,970,499	414,149	20,384,648
10,108,371	-	-	-	-	10,108,371	(10,108,371)	-
-	-	14,872,273	12,236,102	-	245,099,853	1,803,676	246,903,529
<u>10,108,371</u>	<u>8,551,735</u>	<u>15,474,842</u>	<u>12,914,132</u>	<u>-</u>	<u>275,178,723</u>	<u>(7,890,546)</u>	<u>267,288,177</u>
8,722,492	-	-	-	-	10,773,401	9,175	10,782,576
-	-	-	-	-	2,427,821	-	2,427,821
<u>(10,106,010)</u>	<u>(569)</u>	<u>900,592</u>	<u>774,939</u>	<u>15,463</u>	<u>10,194,970</u>	<u>23,779,955</u>	<u>33,974,925</u>
<u>\$ (1,383,518)</u>	<u>\$ (569)</u>	<u>\$ 900,592</u>	<u>\$ 774,939</u>	<u>\$ 15,463</u>	<u>\$ 23,396,192</u>	<u>\$ 23,789,130</u>	<u>\$ 47,185,322</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

**Note 13—Condensed component unit information (continued)**

The condensed component units' statements of net position as of June 30, 2017, are shown below:

	<b>Bolton Entity</b>	<b>CCRC Entity</b>	<b>Central Precinct Entity</b>	<b>Cortona Foundation</b>	<b>Coverdell Entity</b>	<b>EC Housing Entity</b>	<b>EC Housing Phase II Entity</b>	<b>Fraternity Row Entity</b>
<b>Assets</b>								
Current Assets	\$ 1,499,759	\$ 4,619,736	\$ 3,316,442	\$ 339,433	\$ 2,090,060	\$ 4,818,766	\$ 2,722,543	\$ 1,083,876
Capital Assets	-	-	-	2,165,648	-	-	-	-
Other Noncurrent Assets	18,891,880	26,806,548	51,173,094	-	17,348,805	70,149,609	42,452,987	10,702,158
Total Assets	<u>20,391,639</u>	<u>31,426,284</u>	<u>54,489,536</u>	<u>2,505,081</u>	<u>19,438,865</u>	<u>74,968,375</u>	<u>45,175,530</u>	<u>11,786,034</u>
<b>Deferred Outflows of Resources</b>								
Deferred Loss on Refundings	-	1,060,856	7,108,523	-	1,359,189	2,604,596	3,245,180	1,155,693
<b>Liabilities</b>								
Current Liabilities	674,550	1,518,703	2,253,206	7,900	883,380	3,589,070	1,455,717	499,949
Due to/from Related Entities	-	-	-	-	-	-	-	-
Noncurrent Liabilities	19,332,234	26,006,584	56,947,233	-	19,290,176	66,548,737	46,477,160	11,820,000
Total Liabilities	<u>20,006,784</u>	<u>27,525,287</u>	<u>59,200,439</u>	<u>7,900</u>	<u>20,173,556</u>	<u>70,137,807</u>	<u>47,932,877</u>	<u>12,319,949</u>
<b>Net Position</b>								
Net Investment in Capital Assets	-	-	-	2,165,648	-	-	-	-
Restricted:								
Future Repairs and Replacements of Real Property	-	-	-	-	-	2,063,519	-	-
Unrestricted	384,855	4,961,853	2,397,620	331,533	624,498	5,371,645	487,833	621,778
Total Net Position	<u>\$ 384,855</u>	<u>\$ 4,961,853</u>	<u>\$ 2,397,620</u>	<u>\$ 2,497,181</u>	<u>\$ 624,498</u>	<u>\$ 7,435,164</u>	<u>\$ 487,833</u>	<u>\$ 621,778</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

<b>Hardin Entity</b>	<b>Oconee Entity</b>	<b>O'Malley's Entity</b>	<b>PAC Entity</b>	<b>Rutherford Entity</b>	<b>Spring Entity</b>	<b>Total Blended Component Units</b>	<b>Real Estate Foundation</b>	<b>Total</b>
\$ 2,058	\$ 29,630	\$ 632,845	\$1,287,426	\$ 1,366,419	\$ 17,493	\$ 23,826,486	\$ 3,922,296	\$ 27,748,782
8,722,492	8,516,222	-	-	-	-	19,404,362	9,175	19,413,537
-	-	-	14,633,242	12,786,093	-	264,944,416	11,501,003	276,445,419
<u>8,724,550</u>	<u>8,545,852</u>	<u>632,845</u>	<u>15,920,668</u>	<u>14,152,512</u>	<u>17,493</u>	<u>308,175,264</u>	<u>15,432,474</u>	<u>323,607,738</u>
-	-	-	-	-	-	16,534,037	-	16,534,037
-	29,630	-	555,341	654,088	-	12,121,534	264,589	12,386,123
10,045,321	-	-	-	-	-	10,045,321	(10,045,321)	-
-	8,516,222	-	14,278,499	12,931,920	-	282,148,765	1,769,494	283,918,259
<u>10,045,321</u>	<u>8,545,852</u>	<u>-</u>	<u>14,833,840</u>	<u>13,586,008</u>	<u>-</u>	<u>304,315,620</u>	<u>(8,011,238)</u>	<u>296,304,382</u>
8,722,492	-	-	-	-	-	10,888,140	9,175	10,897,315
-	-	-	-	-	-	2,063,519	-	2,063,519
<u>(10,043,263)</u>	<u>-</u>	<u>632,845</u>	<u>1,086,828</u>	<u>566,504</u>	<u>17,493</u>	<u>7,442,022</u>	<u>23,434,537</u>	<u>30,876,559</u>
<u><u>\$(1,320,771)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 632,845</u></u>	<u><u>\$1,086,828</u></u>	<u><u>\$ 566,504</u></u>	<u><u>\$ 17,493</u></u>	<u><u>\$ 20,393,681</u></u>	<u><u>\$ 23,443,712</u></u>	<u><u>\$ 43,837,393</u></u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 13—Condensed component unit information (continued)**

The condensed component units' statements of revenues, expenses, and changes in net position for the year ended June 30, 2018, are shown below:

	<b>Bolton Entity</b>	<b>CCRC Entity</b>	<b>Central Precinct Entity</b>	<b>Cortona Foundation</b>	<b>Coverdell Entity</b>	<b>EC Housing Entity</b>	<b>EC Housing Phase II Entity</b>	<b>Fraternity Row Entity</b>
<b>Operating Revenues</b>								
Rental Income	\$ 89,989	\$ 340,000	\$ 108,435	\$ 94,794	\$ 8,333	\$ 399,000	\$ 163,735	\$ 80,000
Capital Lease Interest Income	1,074,148	1,054,965	2,352,891	-	182,422	4,076,952	2,172,490	723,105
Total Operating Revenues	1,164,137	1,394,965	2,461,326	94,794	190,755	4,475,952	2,336,225	803,105
<b>Operating Expenses</b>								
General and Administrative Expenses	-	-	-	-	-	-	-	-
Project Operating Expenses	81,691	43,699	127,913	59,391	35,057	610,417	117,724	54,202
Project Operating Depreciation Expense	-	-	-	114,739	-	-	-	-
Total Operating Expenses	81,691	43,699	127,913	174,130	35,057	610,417	117,724	54,202
Operating Income (Loss)	1,082,446	1,351,266	2,333,413	(79,336)	155,698	3,865,535	2,218,501	748,903
<b>Non-Operating Revenues (Expenses)</b>								
Interest Expense, net	(843,435)	(1,069,386)	(1,932,658)	-	(136,209)	(2,777,027)	(1,825,383)	(534,400)
Other Non-Operating Revenues (Expenses)	11,460	35,305	15,725	3,234	991,746	35,511	18,909	8,685
Total Non-Operating Revenues (Expenses)	(831,975)	(1,034,081)	(1,916,933)	3,234	855,537	(2,741,516)	(1,806,474)	(525,715)
<b>Special Item</b>	-	-	-	-	-	-	-	-
Change in Net Position	250,471	317,185	416,480	(76,102)	1,011,235	1,124,019	412,027	223,188
<b>Net Position</b>								
Beginning of Year	384,855	4,961,853	2,397,620	2,497,181	624,498	7,435,164	487,833	621,778
End of Year	\$ 635,326	\$ 5,279,038	\$ 2,814,100	\$ 2,421,079	\$ 1,635,733	\$ 8,559,183	\$ 899,860	\$ 844,966

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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<u>Hardin Entity</u>	<u>Oconee Entity</u>	<u>PAC Entity</u>	<u>Rutherford Entity</u>	<u>Spring Entity</u>	<u>Total Blended Component Units</u>	<u>Real Estate Foundation</u>	<u>Total</u>
\$ -	\$ 355,572	\$ 80,004	\$ 68,437	\$ 120	\$ 1,788,419	\$ 2,345,739	\$ 4,134,158
-	-	702,718	629,006	-	12,968,697	-	12,968,697
-	355,572	782,722	697,443	120	14,757,116	2,345,739	17,102,855
-	-	-	-	-	-	466,193	466,193
62,751	171,003	132,353	47,035	2,163	1,545,399	1,564,034	3,109,433
-	-	-	-	-	114,739	-	114,739
62,751	171,003	132,353	47,035	2,163	1,660,138	2,030,227	3,690,365
(62,751)	184,569	650,369	650,408	(2,043)	13,096,978	315,512	13,412,490
-	(185,180)	(846,803)	(446,323)	-	(10,596,804)	(16,713)	(10,613,517)
4	42	10,198	4,350	13	1,135,182	45,818	1,181,000
4	(185,138)	(836,605)	(441,973)	13	(9,461,622)	29,105	(9,432,517)
-	-	-	-	-	-	(632,044)	(632,044)
(62,747)	(569)	(186,236)	208,435	(2,030)	3,635,356	(287,427)	3,347,929
(1,320,771)	-	1,086,828	566,504	17,493	19,760,836	24,076,557	43,837,393
<u><u>\$(1,383,518)</u></u>	<u><u>\$ (569)</u></u>	<u><u>\$ 900,592</u></u>	<u><u>\$ 774,939</u></u>	<u><u>\$ 15,463</u></u>	<u><u>\$ 23,396,192</u></u>	<u><u>\$ 23,789,130</u></u>	<u><u>\$ 47,185,322</u></u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 13—Condensed component unit information (continued)**

The condensed component units' statements of revenues, expenses, and changes in net position for the year ended June 30, 2017, are shown below:

	<b>Bolton Entity</b>	<b>CCRC Entity</b>	<b>Central Precinct Entity</b>	<b>Cortona Foundation</b>	<b>Coverdell Entity</b>	<b>EC Housing Entity</b>	<b>EC Housing Phase II Entity</b>	<b>Fraternity Row Entity</b>
<b>Operating Revenues</b>								
Rental Income	\$ 86,528	\$ 340,000	\$ 105,277	\$ 92,033	\$ 50,000	\$ 399,000	\$ 157,438	\$ 80,240
Capital Lease Interest Income	1,098,070	1,103,709	2,428,644	-	1,113,670	4,213,304	2,397,795	792,922
<b>Total Operating Revenues</b>	<b>1,184,598</b>	<b>1,443,709</b>	<b>2,533,921</b>	<b>92,033</b>	<b>1,163,670</b>	<b>4,612,304</b>	<b>2,555,233</b>	<b>873,162</b>
<b>Operating Expenses</b>								
General and Administrative Expenses	-	-	-	-	-	-	-	-
General Operating Depreciation Expense	-	-	-	-	-	-	-	-
Project Operating Expenses	78,108	37,437	151,077	134,162	95,294	770,429	107,701	127,455
Project Operating Depreciation Expense	-	-	-	114,323	-	-	-	-
<b>Total Operating Expenses</b>	<b>78,108</b>	<b>37,437</b>	<b>151,077</b>	<b>248,485</b>	<b>95,294</b>	<b>770,429</b>	<b>107,701</b>	<b>127,455</b>
Operating Income (Loss)	1,106,490	1,406,272	2,382,844	(156,452)	1,068,376	3,841,875	2,447,532	745,707
<b>Non-Operating Revenues (Expenses)</b>								
Interest Expense, net	(862,088)	(1,098,500)	(1,958,335)	-	(740,600)	(2,879,207)	(2,639,987)	(939,410)
Other Non-Operating Revenues (Expenses)	7,585	22,971	10,551	10,065	8,457	11,921	12,363	5,572
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(854,503)</b>	<b>(1,075,529)</b>	<b>(1,947,784)</b>	<b>10,065</b>	<b>(732,143)</b>	<b>(2,867,286)</b>	<b>(2,627,624)</b>	<b>(933,838)</b>
Change in Net Position	251,987	330,743	435,060	(146,387)	336,233	974,589	(180,092)	(188,131)
<b>Net Position</b>								
Beginning of Year	132,868	4,631,110	1,962,560	2,643,568	288,265	6,460,575	667,925	809,909
End of Year	\$ 384,855	\$ 4,961,853	\$ 2,397,620	\$ 2,497,181	\$ 624,498	\$ 7,435,164	\$ 487,833	\$ 621,778

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

<b>Hardin Entity</b>	<b>Oconee Entity</b>	<b>O'Malley's Entity</b>	<b>PAC Entity</b>	<b>Rutherford Entity</b>	<b>Spring Entity</b>	<b>Total Blended Component Units</b>	<b>Real Estate Foundation</b>	<b>Total</b>
\$ -	\$ 287,935	\$ -	\$ 80,004	\$ 65,805	\$ 120	\$ 1,744,380	\$ 1,882,243	\$ 3,626,623
-	-	-	812,907	655,341	-	14,616,362	-	14,616,362
-	287,935	-	892,911	721,146	120	16,360,742	1,882,243	18,242,985
-	-	-	-	-	-	-	481,077	481,077
-	-	-	-	-	-	-	754	754
65,579	171,799	6,794	78,380	41,654	2,673	1,868,542	1,403,761	3,272,303
-	-	-	-	-	-	114,323	-	114,323
65,579	171,799	6,794	78,380	41,654	2,673	1,982,865	1,885,592	3,868,457
(65,579)	116,136	(6,794)	814,531	679,492	(2,553)	14,377,877	(3,349)	14,374,528
-	(116,155)	-	(673,655)	(463,954)	-	(12,371,891)	(16,713)	(12,388,604)
-	19	196	7,406	2,394	6	99,506	233,078	332,584
-	(116,136)	196	(666,249)	(461,560)	6	(12,272,385)	216,365	(12,056,020)
(65,579)	-	(6,598)	148,282	217,932	(2,547)	2,105,492	213,016	2,318,508
(1,255,192)	-	639,443	938,546	348,572	20,040	18,288,189	23,230,696	41,518,885
<u>\$ (1,320,771)</u>	<u>\$ -</u>	<u>\$ 632,845</u>	<u>\$ 1,086,828</u>	<u>\$ 566,504</u>	<u>\$ 17,493</u>	<u>\$ 20,393,681</u>	<u>\$ 23,443,712</u>	<u>\$ 43,837,393</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 13—Condensed component unit information (continued)**

The condensed component units' statements of cash flows for the year ended June 30, 2018, are shown below:

	<b>Bolton Entity</b>	<b>CCRC Entity</b>	<b>Central Precinct Entity</b>	<b>Cortona Foundation</b>	<b>Coverdell Entity</b>	<b>EC Housing Entity</b>	<b>EC Housing Phase II Entity</b>	<b>Fraternity Row Entity</b>
Cash Flows from Operating Activities	\$1,514,050	\$ 2,649,101	\$4,119,024	\$ 35,639	\$ 106,109	\$ 5,963,582	\$ 3,246,556	\$ 974,992
Cash Flows from Investing Activities	11,460	35,305	15,725	3,234	4,322	35,511	18,909	8,685
Cash Flows from Noncapital Financing Activities	-	-	-	-	-	-	-	-
Cash Flows from Capital and Related Financing Activities	(1,379,148)	(2,298,680)	(3,970,655)	-	(1,055)	(5,467,237)	(3,091,999)	(876,999)
Net Change in Cash and Cash Equivalents	146,362	385,726	164,094	38,873	109,376	531,856	173,466	106,678
Cash and Cash Equivalents Beginning of year	1,060,601	3,321,900	1,529,722	339,433	1,526,357	10,526,465	1,695,033	857,787
End of year	<u>\$1,206,963</u>	<u>\$ 3,707,626</u>	<u>\$1,693,816</u>	<u>\$ 378,306</u>	<u>\$ 1,635,733</u>	<u>\$11,058,321</u>	<u>\$ 1,868,499</u>	<u>\$ 964,465</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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<u>Hardin Entity</u>	<u>Oconee Entity</u>	<u>PAC Entity</u>	<u>Rutherford Entity</u>	<u>Spring Entity</u>	<u>Total Blended Component Units</u>	<u>Real Estate Foundation</u>	<u>Total</u>
\$ (62,751)	\$ 190,452	\$1,040,832	\$ 1,223,620	\$ (2,043)	\$ 20,999,163	\$ 493,656	\$ 21,492,819
4	42	10,198	4,350	13	147,758	(5,800)	141,958
-	-	-	-	-	-	(632,044)	(632,044)
<u>63,050</u>	<u>(185,180)</u>	<u>(1,001,473)</u>	<u>(1,118,199)</u>	<u>-</u>	<u>(19,327,575)</u>	<u>(79,763)</u>	<u>(19,407,338)</u>
303	5,314	49,557	109,771	(2,030)	1,819,346	(223,951)	1,595,395
<u>2,058</u>	<u>29,630</u>	<u>919,616</u>	<u>793,206</u>	<u>17,493</u>	<u>22,619,301</u>	<u>4,365,388</u>	<u>26,984,689</u>
<u>\$ 2,361</u>	<u>\$ 34,944</u>	<u>\$ 969,173</u>	<u>\$ 902,977</u>	<u>\$ 15,463</u>	<u>\$ 24,438,647</u>	<u>\$ 4,141,437</u>	<u>\$ 28,580,084</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 13—Condensed component unit information (continued)**

The condensed component units' statements of cash flows for the year ended June 30, 2017, are shown below:

	<b>Bolton Entity</b>	<b>CCRC Entity</b>	<b>Central Precinct Entity</b>	<b>Cortona Foundation</b>	<b>Coverdell Entity</b>	<b>EC Housing Entity</b>	<b>EC Housing Phase II Entity</b>	<b>Fraternity Row Entity</b>
Cash Flows from Operating Activities	\$1,522,013	\$ 2,617,511	\$ 4,110,012	\$ (41,898)	\$ 1,598,706	\$ 5,803,304	\$3,355,116	\$ 937,084
Cash Flows from Investing Activities	7,585	22,971	10,551	10,065	8,457	11,921	12,363	5,572
Cash Flows from Capital and Related Financing Activities	(1,388,792)	(2,297,476)	(3,982,702)	-	(1,480,064)	(5,479,668)	(3,096,392)	(899,470)
Net Change in Cash and Cash Equivalents	140,806	343,006	137,861	(31,833)	127,099	335,557	271,087	43,186
Cash and Cash Equivalents Beginning of year	919,795	2,978,894	1,391,861	371,266	1,399,258	10,190,908	1,423,946	814,601
End of year	<u>\$1,060,601</u>	<u>\$ 3,321,900</u>	<u>\$ 1,529,722</u>	<u>\$ 339,433</u>	<u>\$ 1,526,357</u>	<u>\$ 10,526,465</u>	<u>\$1,695,033</u>	<u>\$ 857,787</u>

**UGA REAL ESTATE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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<u>Hardin Entity</u>	<u>Oconee Entity</u>	<u>O'Malley's Entity</u>	<u>PAC Entity</u>	<u>Rutherford Entity</u>	<u>Spring Entity</u>	<u>Total Blended Component Units</u>	<u>Real Estate Foundation</u>	<u>Total</u>
\$ (65,579)	\$ 121,771	\$ (9,087)	\$1,163,224	\$ 1,226,371	\$ (2,553)	\$ 22,335,995	\$ 389,159	\$ 22,725,154
-	19	196	7,406	2,394	6	99,506	(3,671)	95,835
<u>67,050</u>	<u>(116,155)</u>	<u>-</u>	<u>(1,073,769)</u>	<u>(1,117,264)</u>	<u>-</u>	<u>(20,864,702)</u>	<u>(92,938)</u>	<u>(20,957,640)</u>
1,471	5,635	(8,891)	96,861	111,501	(2,547)	1,570,799	292,550	1,863,349
<u>587</u>	<u>23,995</u>	<u>641,736</u>	<u>822,755</u>	<u>681,705</u>	<u>20,040</u>	<u>21,681,347</u>	<u>3,439,993</u>	<u>25,121,340</u>
<u>\$ 2,058</u>	<u>\$ 29,630</u>	<u>\$ 632,845</u>	<u>\$ 919,616</u>	<u>\$ 793,206</u>	<u>\$ 17,493</u>	<u>\$ 23,252,146</u>	<u>\$ 3,732,543</u>	<u>\$ 26,984,689</u>