



UNIVERSITY OF GEORGIA

Annual Financial Report
(Including Independent Auditor's Report)

**Fiscal Year Ended
June 30, 2020**

UNIVERSITY OF GEORGIA
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For the Fiscal Year Ended June 30, 2020

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Introductory Section



UNIVERSITY OF GEORGIA®

Message from the President
Fiscal Year 2020 Report to the Board of Regents

FY20 ended amid the challenges of the COVID-19 pandemic as UGA faculty, staff, and students demonstrated remarkable resolve to persevere and use their expertise to help those in need.

From March through August, UGA's Small Business Development Center consultants helped more than 3,300 small businesses secure \$88 million in grants and loans through the federal Coronavirus, Aid, Relief, and Economic Security Act. The SBDC is just one of many ways UGA makes a positive economic impact on our state, which is now estimated at \$6.5 billion annually.

UGA researchers have been tackling the coronavirus from multiple angles, and we were ranked among the Top 10 schools working to solve the pandemic by *Successful Student*. Our responsive research enterprise is thriving. Research and development expenditures at UGA topped nearly \$500 million in FY20, a 41% increase since FY13. This remarkable growth is the result of the hard work of our faculty; strategic investments in capital projects; and new programs and services that enable, incentivize, and reward sponsored research.

Progress continued on the first phase of the I-STEM research complex and other capital projects in FY20. The State Botanical Garden of Georgia broke ground on three projects, including a new entrance that will increase accessibility to exhibits and facilities. UGA began renovating the Spring Street Building as part of the Innovation District to create a space to facilitate research commercialization, industry engagement, and experiential learning. The first phase of the Driftmier Engineering Center renovation was completed, and the second phase of renovations is underway. The renovation of Brumby Hall, the second high-rise residence hall built on UGA's campus, was completed in time for students to move in for the fall 2020 semester.

On June 30, UGA concluded the *Commit to Georgia* campaign, the most successful fundraising effort in our institution's history. More than 175,000 donors gave a total of \$1.45 billion, creating 3,600 new scholarships, including 528 endowed, need-based awards; helping to construct over 900,000 square feet of new learning and activity space; and endowing 94 new faculty chairs and professorships that will help us recruit and retain world-class faculty.

For several months, UGA diligently researched and developed plans for a safe return to campus that culminated in the resumption of full campus operations and in-person learning in August. We admitted another extraordinary first-year class that brings increased diversity to UGA: 31% of incoming students self-identify as a member of a minority group, up from 28% four years ago. Residents from Georgia comprise 85% of the incoming class of more than 5,600 students, representing 142 Georgia counties. Ongoing initiatives to promote student success have raised the six-year completion rate at UGA to a record 87%; raised the four-year completion rate to a record 69%; and maintained the first-year retention rate at the University's all-time high of 96%.

The University of Georgia is more determined than ever to serve our state, and we are grateful for the support of the University System of Georgia in helping us achieve our vital mission.

Jere W. Morehead
President

Letter of Transmittal

September 3, 2020

To: Jere W. Morehead, President, University of Georgia

The University of Georgia Annual Financial Report (AFR) includes the financial statements for the year ended June 30, 2020, as well as other useful information to help ensure the University's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the University's financial position as a result of operations for the fiscal year ended June 30, 2020.

The University of Georgia's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the University's financial position, revenues, expenses and other changes in net position.

The University's system of internal controls is sound and sufficient to disclose material deficiencies in controls to management and to auditors. Additionally, the system of internal controls provides management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

The University's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University of Georgia's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the University's management. The audit of the University's schedule of expenditures of federal awards and supplemental schedule of governmental, restricted accounts by agency is performed by Cherry Bekaert and submitted to the Georgia Department of Audits and Accounts in conjunction with the statewide Single Audit.

Respectfully submitted,

Ryan A. Nesbit
Vice President for Finance and Administration

Chad Cleveland
Interim Associate Vice President for Finance

Allison Davis
Interim Controller

Financial Section



UNIVERSITY OF GEORGIA®



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and
Mr. Jere W. Morehead, President
University of Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, aggregate discretely presented component units, and aggregate remaining fund information of the University of Georgia (University) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, aggregate discretely presented component units, and aggregate remaining fund information of the University as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the University's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, aggregate discretely presented component units, and aggregate remaining fund information of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

December 21, 2020

UNIVERSITY OF GEORGIA

Management's Discussion and Analysis

Introduction

The University of Georgia (University) is one of the 26 institutions of higher education of the University System of Georgia. The University of Georgia is incorporated by an act of the General Assembly on January 27, 1785, and Georgia thus became the first state to charter a state-supported institution.

The University of Georgia, a land-grant and sea-grant University with state-wide commitments and responsibilities is the state's flagship institution of higher education. It is also the state's oldest, most comprehensive, and most diversified institution of higher education. Its motto, "to teach, to serve, and to inquire into the nature of things," reflects the University's integral and unique role in the conservation and enhancement of the state's and nation's intellectual, cultural, and environmental heritage. As a comprehensive land-grant and sea-grant institution, the University of Georgia offers baccalaureate, masters, doctoral and professional degrees in the arts, humanities, social sciences, biological sciences, physical sciences, agricultural and environmental sciences, business, engineering, environment and design, family and consumer sciences, forest resources, journalism and mass communication, education, law, pharmacy, social work, and veterinary medicine. A comparison of faculty and student numbers follow:

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY 2020	2,106	38,920	37,465
FY 2019	2,083	38,652	37,190
FY 2018	2,039	37,606	36,169

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2020. The emphasis of discussions about these statements will be on the year presented. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year ending June 30, 2020. Comparative data is provided for fiscal year 2020 and fiscal year 2019. However, the comparative data for fiscal year 2019 does not reflect the effects of the restatement of July 1, 2019 net position. This restatement is related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The adoption of this Statement requires activity meeting certain criteria to be reported in a fiduciary fund within a statement of fiduciary net position and a statement of changes in fiduciary net position. A prior period adjustment was made to report this change in accounting principle. Note 1 in the Notes to the Financial Statements provides additional information related to the effects of the restatement of July 1, 2019 net position and fiduciary net position.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2020 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

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

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant and equipment owned by the University.

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

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

A summary comparison of the University's financial position as of June 30, 2020 and June 30, 2019 is as follows:

Statement of Net Position, Condensed

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets		
Current Assets	\$ 469,882,454	\$ 449,120,250
Capital Assets, Net	1,969,874,940	1,924,322,522
Other Assets	204,810,324	216,010,104
Total Assets	<u>2,644,567,718</u>	<u>2,589,452,876</u>
Deferred Outflows of Resources	<u>318,828,990</u>	<u>277,119,185</u>
Liabilities		
Current Liabilities	141,595,476	155,359,892
Non-Current Liabilities	2,110,058,351	1,987,629,861
Total Liabilities	<u>2,251,653,827</u>	<u>2,142,989,753</u>
Deferred Inflows of Resources	<u>162,145,015</u>	<u>151,210,375</u>
Net Position		
Net Investment in Capital Assets	1,734,837,014	1,681,666,344
Restricted, Non-expendable	66,551,346	64,898,053
Restricted, Expendable	147,865,445	138,002,868
Unrestricted (Deficit)	(1,399,655,939)	(1,312,195,332)
Total Net Position	<u>\$ 549,597,866</u>	<u>\$ 572,371,933</u>

Total assets and deferred outflows of resources increased by \$96,824,647 which was primarily due to an increase in capital assets of \$45,552,418 which includes current renovations at Brumby Hall and completed renovation additions to the Georgia Center for Continuing Education (Magnolia Ballroom and Savannah Room), Driftmier Engineering Center and the Boyd Graduate Research Center and an increase of \$41,709,805 in deferred outflows of resources related to the defined benefit pension and OPEB plans.

Total liabilities and deferred inflows of resources increased for the year by \$119,598,714, primarily due to an increase in net other postemployment benefits liability (OPEB) of \$6,390,587 and an increase in net pension liability of \$118,447,354. Deferred inflows of resources also increased by \$10,934,640 related to the defined benefit pension and OPEB plans. The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded a decrease in net position of \$22,774,067. This change in net position is primarily in the categories of capital assets, net pension liability and net other

postemployment benefits liability noted above, and impacts net investment in capital assets and unrestricted net position.

Statement of Revenues, Expenses and Changes in Net Position

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

A summary comparison of the University's activities as of June 30, 2020 and June 30, 2019 is as follows:

Statement of Revenues, Expenses and Changes in Net Position, Condensed

	June 30, 2020	June 30, 2019
Operating Revenue	\$ 1,067,415,993	\$ 1,094,096,763
Operating Expense	1,761,880,754	1,667,204,629
Operating Loss	(694,464,761)	(573,107,866)
Nonoperating Revenue and Expense	651,202,418	604,550,383
Income before Other Revenues, Expenses, Gains, or Losses	(43,262,343)	31,442,517
Other Revenues, Expenses, Gains, Losses	20,437,778	41,485,225
Change in Net Position	(22,824,565)	72,927,742
Net position at Beginning of Year, as Originally Reported	572,371,933	499,444,191
Prior Year Adjustments	50,498	0
Net Position at Beginning of Year, Restated	572,422,431	499,444,191
Net Position at End of Year	<u>\$ 549,597,866</u>	<u>\$ 572,371,933</u>

The amounts reported for fiscal year 2019 were not adjusted for the restatement of beginning net position related to the implementation of GASB 84. See Note 1 in the Notes to the Financial Statements for more information.

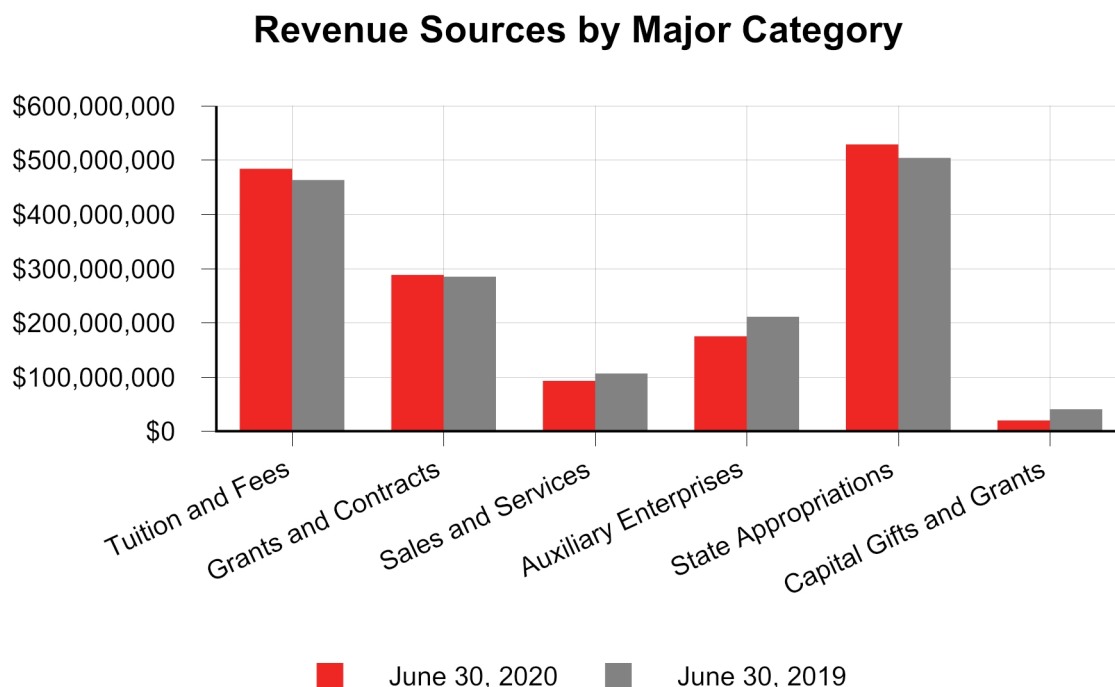
The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year from operations. Some highlights of the information presented on this statement are as follows:

Revenue by Source
For the Years Ended June 30, 2020 and June 30, 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating Revenue		
Tuition and Fees	\$ 484,075,097	\$ 463,556,210
Federal Appropriations	15,327,644	14,298,645
Grants and Contracts	288,465,178	285,079,869
Sales and Services	92,838,975	106,682,801
Auxiliary Enterprises	175,208,094	211,347,294
Other Operating Revenues	11,501,005	13,131,944
Total Operating Revenues	<u>1,067,415,993</u>	<u>1,094,096,763</u>
Nonoperating Revenue		
State Appropriations	528,907,494	504,630,780
Grants and Contracts	107,518,921	82,726,914
Gifts	22,518,101	14,880,323
Investment Income	10,584,914	14,241,746
Other Nonoperating Revenues	(6,783,980)	690,331
Total Nonoperating Revenues	<u>662,745,450</u>	<u>617,170,094</u>
Capital Gifts and Grants		
State Capital Gifts and Grants	19,425,624	36,755,274
Other Capital Gifts and Grants	841,095	3,876,193
Total Capital Gifts and Grants	<u>20,266,719</u>	<u>40,631,467</u>
Additions to Permanent and Term Endowments	171,059	853,758
Total Revenues	<u>\$ 1,750,599,221</u>	<u>\$ 1,752,752,082</u>

The amounts reported for fiscal year 2019 were not adjusted for the restatement of beginning net position related to the implementation of GASB 84. See Note 1 in the Notes to the Financial Statements for more information.

The illustration below is a comparison of the University's revenue sources by major category for the years ended June 30, 2020 and June 30, 2019.

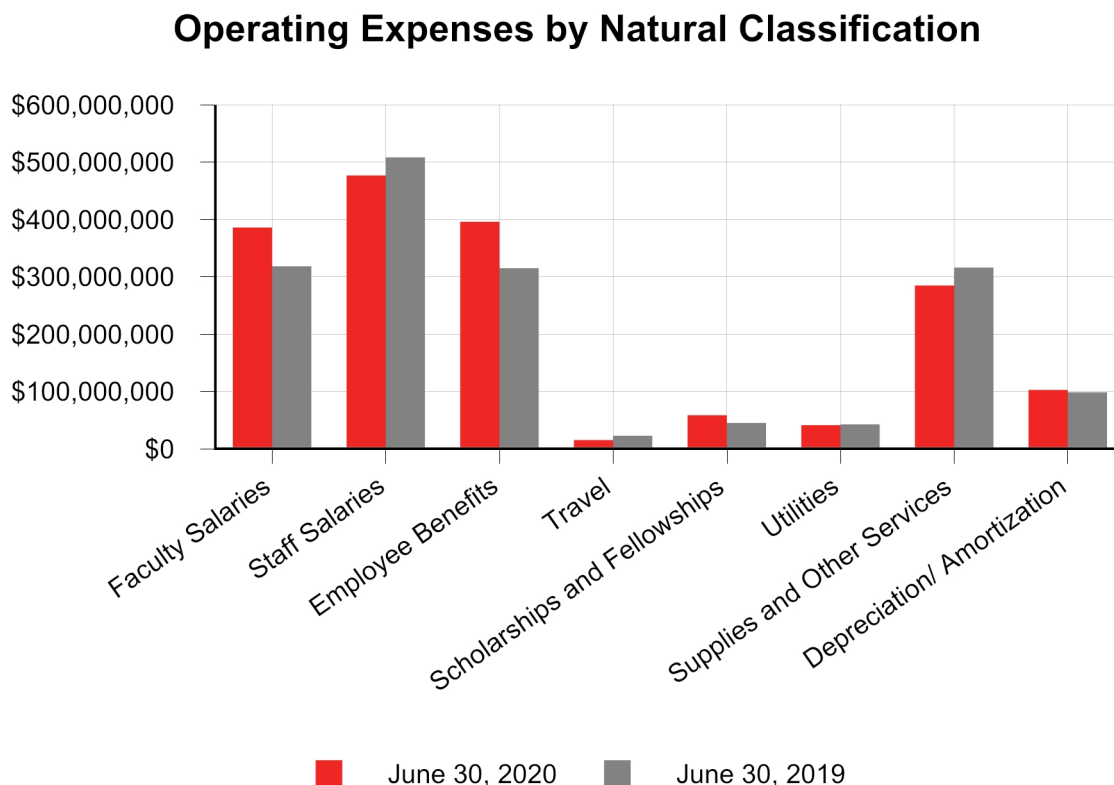


Expenses (By Functional Classification) For the Years Ended June 30, 2020 and June 30, 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating Expenses		
Instruction	\$ 380,385,085	\$ 365,712,799
Research	441,384,272	422,184,313
Public Service	202,355,179	192,690,591
Academic Support	160,686,684	146,895,337
Student Services	45,839,370	42,384,171
Institutional Support	147,721,215	124,868,588
Plant Operations and Maintenance	166,195,254	149,886,371
Scholarships and Fellowships	58,111,391	44,951,050
Auxiliary Enterprises	159,202,304	177,631,409
Total Operating Expenses	<u>1,761,880,754</u>	<u>1,667,204,629</u>
Nonoperating Expenses		
Interest Expense	<u>11,543,032</u>	<u>12,619,711</u>
 Total Expenses	 <u><u>\$1,773,423,786</u></u>	 <u><u>\$1,679,824,340</u></u>

The amounts reported for fiscal year 2019 were not adjusted for the restatement of beginning net position related to the implementation of GASB 84. See Note 1 in the Notes to the Financial Statements for more information.

Expenses are described above by functional classification. The illustration below is a comparison of the University's operating expenses by natural classification for the years ended June 30, 2020 and June 30, 2019 is depicted by the following chart:



Operating Revenues decreased by \$26,680,770 in fiscal year 2020, which includes a \$36,139,200 decrease in auxiliary units, \$13,843,826 decrease in departmental sales and services and a \$1,630,939 decrease in other operating revenues. Alternately, tuition and fees increased \$20,518,887 and operating grants and contracts increased \$3,385,309. The decreases in the auxiliary units, departmental sales and other operating revenues are directly related to the shutdown of campus activities due to the COVID-19 pandemic. While on-campus classes were moved to on-line instruction, other activities related to conferences and workshops were canceled and other departmental sales and services were canceled or put on hold due to a reduction in campus operations. The limited student presence on campus also resulted in refunds for housing, meal plans and student fees for parking and other services. Other auxiliary services related to stores and shops and other services were also reduced due to the reduction in campus operations.

Nonoperating revenue increased by \$45,575,356 for the year primarily due to a \$24,276,714 increase in state appropriations and a \$24,792,007 increase in nonoperating grants and contracts.

Total operating expenses were \$1,761,880,754 in fiscal 2020, an increase of \$94,676,125 when compared with fiscal 2019. These increases are primarily attributable to an increase of \$116,759,717 in employee compensation and benefits reflecting the hiring of new faculty, merit increases, an increased cost of health insurance and increases in pension expense and OPEB expenses.

Travel decreased by \$7,358,507 which was primarily associated with a federal travel ban on international travel and state travel restrictions due to the COVID-19 pandemic. Supplies and Other Services decreased by \$31,176,820 during the past year, which was primarily associated with a decrease of \$5,240,238 in non-employee travel due to the federal and state travel bans; a decrease of \$1,118,417 in registration fees and a decrease of \$4,001,106 in conference and workshop expenses due to canceled events; a decrease of \$6,342,213 in other operating expenses for other service related expenses, a decrease of \$8,165,011 in small value equipment and a decrease of \$9,983,353 in repair and maintenance expenditures all primarily due to on-site campus operations being moved to teleworking and a reduction in spending due to anticipated COVID-19 pandemic revenue losses.

Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2020 and 2019, Condensed

	June 30, 2020	June 30, 2019
Cash Provided (Used) by:		
Operating Activities	\$ (492,662,847)	\$ (478,810,286)
Non-Capital Financing Activities	657,496,144	584,221,444
Capital and Related Financing Activities	(145,692,140)	(137,475,842)
Investing Activities	24,023,430	11,029,148
Net Change in Cash	43,164,587	(21,035,536)
Cash and Cash Equivalents, Beginning of Year (Restated)	302,454,575	311,840,906
Cash and Cash Equivalents, End of Year	\$ 345,619,162	\$ 290,805,370

The amounts reported for fiscal year 2019 were not adjusted for the restatement of beginning net position related to the implementation of GASB 84. See Note 1 in the Notes to the Financial Statements for more information.

Capital Assets

The University's most significant capital asset addition for facilities in fiscal year 2020 was the \$53.6 million Brumby Hall renovation project that opens with the beginning of the Fall 2020 semester. The 207,000 square foot facility, which was originally built in 1966, is being given a modern makeover that includes a complete interior renovation to student rooms, bathrooms, study spaces and the iconic rotunda, which provides a gathering space for students.

The Georgia State Financing and Investment Commission (GSFIC) provided \$15 million in fiscal year 2020 for various facility renovations and equipment.

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

Long Term Liabilities

The University of Georgia had Long-Term Liabilities of \$283,267,274 of which \$46,051,001 was reflected as current liability at June 30, 2020.

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

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

Economic Outlook

The University of Georgia continued to manage and use its resources wisely and in a strategic manner in fiscal year 2020. In early March 2020, the COVID-19 coronavirus was declared a worldwide pandemic that caused disruption to everyone's life. The University of Georgia was faced with the unprecedented challenge and monumental task of moving all instructional activities online for the remainder of the Spring 2020 and Summer 2020 semesters. Most research was suspended or redirected to meet the challenge of developing and testing COVID-19 treatments, tracking the spread of the virus and in providing information useful to communities. All support operations were either suspended or moved to online remote operations. All faculty, staff and students worked together to accomplish this challenging and complex endeavor.

The financial impact of the COVID-19 pandemic on the University of Georgia's operations has been significant. In mid-June 2020, the University applied for federal Coronavirus Aid Relief and Economic Security (CARES) Act funding and received an award of \$23.7 million, of which \$11.85 million was for direct grants to students and \$11.85 million was for institutional purposes to allow for the refunding of student fees. This federal assistance has enabled the University to support the ongoing education of thousands of UGA students and preserve the jobs of hundreds of UGA staff members who directly serve those students.

The impact of COVID-19 has affected the State of Georgia's economy as well. The Georgia General Assembly passed the Fiscal Year 2021 budget that calls for a 10% reduction in state appropriations funding. In line with expectations of the higher education community, the University remains fully committed to being prudent with its resources by spending wisely and allocating strategically to ensure the health and safety of students, faculty, and staff while continuing to support its core academic and student life missions. As fiscal year 2021 progresses, the University will build on its efforts to plan and manage its precious resources to ensure that the core missions of instruction, research and outreach are preserved in order to have a positive impact on individuals, families and communities in Georgia and the world beyond.

Jere W. Morehead, President
University of Georgia

Financial Statements



UNIVERSITY OF GEORGIA®

UNIVERSITY OF GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2020

	University of Georgia	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 283,220,845	\$ 93,734,908
Cash and Cash Equivalents (Externally Restricted)	62,398,317	29,787,516
Short-term Investments	10,424,688	17,972,812
Short-term Investments (Externally Restricted)	220,924	106,750,480
Accounts Receivable, net		
Federal Financial Assistance	7,443,037	—
Component Units	72,014,961	58,884
Primary Government	—	1,129,387
Pledges and Contributions	—	32,071,873
Other	25,476,678	61,012,075
Investment in Capital Leases - Primary Government	—	9,280,360
Inventories	5,907,364	—
Prepaid Items	2,775,640	679,126
Total Current Assets	469,882,454	352,477,421
Non-Current Assets		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	1,552,532	—
Pledges and Contributions	—	48,892,624
Investments	51,460,242	227,543,690
Notes Receivable, net	6,109,811	—
Investment in Capital Leases - Primary Government	—	218,433,467
Other Assets	—	3,747,306
Non-current Cash (Externally Restricted)	—	—
Investments (Externally Restricted)	145,687,739	981,131,167
Capital Assets, net	1,969,874,940	399,391,188
Total Non-Current Assets	2,174,685,264	1,879,139,442
TOTAL ASSETS	2,644,567,718	2,231,616,863
DEFERRED OUTFLOWS OF RESOURCES		
	\$ 318,828,990	\$ 28,963,673

UNIVERSITY OF GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2020

	University of Georgia	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 21,079,848	\$ 4,681,806
Salaries Payable	9,659,728	2,890,840
Benefits Payable	1,631,416	—
Contracts Payable	6,065,563	—
Retainage Payable	1,217,123	—
Due to Affiliated Organizations	—	6,500
Due to Component Units	1,129,387	58,884
Due to Primary Government	—	72,014,961
Advances (Including Tuition and Fees)	46,941,911	36,743,378
Deposits	1,582,031	—
Deposits Held for Other Organizations	300,158	—
Other Liabilities	5,937,310	—
Notes and Loans Payable	—	537,821
Lease Purchase Obligations - External	18,703	—
Lease Purchase Obligations - Component Units	9,280,361	—
Revenue Bonds and Notes Payable	—	16,360,000
Liabilities Under Split Interest Agreements	—	833,636
Pollution Remediation	286,384	—
Compensated Absences	36,465,553	—
Total Current Liabilities	141,595,476	134,127,826
Non-Current Liabilities		
Due to Other Funds	—	641,380
Advances (Including Tuition and Fees)	—	1,682,489
Other Liabilities	—	247,930
Notes and Loans Payable	—	28,001,043
Lease Purchase Obligations - External	22,709	—
Lease Purchase Obligations - Component Units	218,433,467	—
Revenue Bonds and Notes Payable	—	307,992,520
Liabilities Under Split Interest Agreements	—	7,822,380
Interest Rate Swap	—	9,049,044
Compensated Absences	18,760,097	—
Net Other Post-employment Benefits Liability	1,067,308,683	—
Net Pension Liability	805,533,395	—
Total Non-Current Liabilities	2,110,058,351	355,436,786
TOTAL LIABILITIES	2,251,653,827	489,564,612
DEFERRED INFLOWS OF RESOURCES	162,145,015	
NET POSITION		
Net Investment in Capital Assets	1,734,837,014	291,265,490
Restricted for:		
Nonexpendable	66,551,346	662,819,852
Expendable	147,865,445	524,012,221
Unrestricted (Deficit)	(1,399,655,939)	292,918,361
TOTAL NET POSITION	\$ 549,597,866	\$ 1,771,015,924

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

UNIVERSITY OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2020

	University of Georgia	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 484,075,097	\$ —
Federal Appropriations	15,327,644	—
Grants and Contracts		
Federal	192,909,657	197,051,101
State	29,875,853	36,476,790
Other	65,679,668	31,752,657
Sales and Services	92,838,975	159,220,278
Rents and Royalties	1,130,131	26,758,988
Auxiliary Enterprises		
Residence Halls	45,354,215	—
Bookstore	3,371,894	—
Food Services	36,087,214	—
Parking/Transportation	17,178,775	—
Health Services	22,650,483	—
Intercollegiate Athletics	40,996,991	—
Other Organizations	9,568,522	—
Gifts and Contributions	—	68,756,040
Endowment Income	—	35,877,710
Other Operating Revenues	10,370,874	—
Total Operating Revenues	1,067,415,993	555,893,564
OPERATING EXPENSES		
Faculty Salaries	385,551,051	—
Staff Salaries	476,522,921	21,083,589
Employee Benefits	395,877,944	387,277
Other Personal Services	2,572,541	—
Travel	14,909,014	9,799,648
Scholarships and Fellowships	58,111,391	100,550
Utilities	41,094,014	—
Supplies and Other Services	284,618,408	478,295,331
Depreciation	102,623,470	12,288,986
Total Operating Expenses	1,761,880,754	521,955,381
Operating Income (Loss)	\$ (694,464,761)	\$ 33,938,183

UNIVERSITY OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2020

	University of Georgia	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 528,907,494	\$ —
Grants and Contracts		
Federal	54,348,728	—
State	8,100,707	—
Other	45,069,486	—
Gifts	22,518,101	27,240,143
Investment Income	10,584,914	(15,218,494)
Interest Expense	(11,543,032)	(16,083,891)
Other Nonoperating Revenues (Expenses)	(6,783,980)	(3,528,223)
Net Nonoperating Revenues	651,202,418	(7,590,465)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(43,262,343)	26,347,718
Capital Grants and Gifts		
State	19,425,624	—
Other	841,095	—
Additions to Permanent and Term Endowments	171,059	26,570,257
Special Item	—	(1,376,773)
Total Other Revenues, Expenses, Gains or Losses	20,437,778	25,193,484
Change in Net Position	(22,824,565)	51,541,202
Net Position, Beginning of Year	572,371,933	1,719,474,722
Prior Year Adjustments	50,498	—
Net Position, Beginning of Year, Restated	572,422,431	1,719,474,722
Net Position, End of Year	\$ 549,597,866	\$ 1,771,015,924

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

UNIVERSITY OF GEORGIA
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2020

	University of Georgia
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 760,775,442
Federal Appropriations	15,327,644
Grants and Contracts (Exchange)	296,091,674
Payments to Suppliers	(636,583,554)
Payments to Employees	(871,703,388)
Payments for Scholarships and Fellowships	(58,111,391)
Loans Issued to Students	(36,746)
Collection of Loans from Students	1,368,826
Other Receipts	208,646
Net Cash Used by Operating Activities	<u>(492,662,847)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	528,907,494
Gifts and Grants Received for Other Than Capital Purposes	130,208,082
Other Non-Capital Financing Payments	(1,619,432)
Net Cash Flows Provided by Non-Capital Financing Activities	<u>657,496,144</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	20,686,153
Proceeds from Sale of Capital Assets	72,938
Purchases of Capital Assets	(148,050,222)
Principal Paid on Capital Debt and Leases	(6,901,819)
Interest Paid on Capital Debt and Leases	(11,499,190)
Net Cash Used by Capital and Related Financing Activities	<u>(145,692,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,133,938,064
Investment Income	9,415,743
Purchase of Investments	(1,119,330,377)
Net Cash Provided by Investing Activities	<u>24,023,430</u>
Net Increase in Cash and Cash Equivalents	43,164,587
Cash and Cash Equivalents, Beginning of Year (Restated)	<u>302,454,575</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 345,619,162</u></u>

UNIVERSITY OF GEORGIA

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2020

University of Georgia

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:

Operating Loss	\$ (694,464,761)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	102,623,470
Operating Expenses Related to Noncash Gifts	
Change in Assets and Liabilities:	
Receivables, net	10,919,691
Inventories	89,294
Prepaid Items	3,748,455
Notes Receivable, Net	1,332,080
Accounts Payable	(8,946,158)
Salaries Payable	73,950
Benefits Payable	(1,303,754)
Deposits	144,466
Advances (Including Tuition and Fees)	(6,285,389)
Other Liabilities	(139,907)
Funds Held for Others	208,646
Compensated Absences	5,205,651
Due to Affiliated Organizations	220,258
Pollution Remediation	(151,616)
Net Pension Liability	118,447,354
Other Post-Employment Benefit Liability	6,390,588
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	10,934,640
Deferred Outflows of Resources	(41,709,805)

Net Cash Used by Operating Activities	<u><u>\$ (492,662,847)</u></u>
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NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND
RELATED FINANCING TRANSACTIONS

Noncapital Financing Activities Noncash Items:

Gift of Capital Assets	<u>\$ 943,743</u>
Gain (Loss) on Disposal of Capital Assets	<u>\$ (1,102,770)</u>
Accrual of Capital Asset Related Payables	<u>\$ 7,282,686</u>
Capital Assets Acquired by Incurring Capital Lease Obligations	<u>\$ 23,163</u>
Accrual of Capital Financing Interest Payable	<u>\$ 2,680,512</u>
Unrealized Gain (Loss) on Investments	<u>\$ 1,169,171</u>

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

UNIVERSITY OF GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	
Investments	
Receivables	
Due From Component Units	
Due From Affiliated Organizations	
Other	\$ 16,142,278
Prepaid Items	
Other Assets	
	<u>16,142,278</u>
Total Assets	<u>16,142,278</u>
LIABILITIES	
Cash Overdraft	14,446,699
Deposits held for other organizations	2,615
	<u>14,449,314</u>
Total Liabilities	<u>14,449,314</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	\$ 1,692,964

UNIVERSITY OF GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2020

	Custodial Funds
ADDITIONS	
Federal Financial Aid	\$ 167,778,348
State Financial Aid	199,996,737
Other Financial Aid	20,881,235
Clubs and Other Organizations Fund Raising	133,526
	<hr/>
Total Additions	388,789,846
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DEDUCTIONS	
Scholarships and Other Student Support	389,232,958
Student Organizations Support	474,116
	<hr/>
Total Deductions	389,707,074
	<hr/>
Net Increase (Decrease) in Fiduciary Net Position	(917,228)
	<hr/>
Net Position, Beginning of Year, As Originally Reported	—
Prior Year Adjustments	2,610,192
	<hr/>
Net Position, Beginning of Year, Restated	2,610,192
	<hr/>
Net Position, End of Year	\$ 1,692,964
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The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2020

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	Consolidation/ Elimination Entries	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 60,047,599	\$ 5,015,111	\$ 28,672,198	\$ —	\$ 93,734,908
Cash and Cash Equivalents (Externally Restricted)	—	29,787,516	—	—	29,787,516
Short-term Investments	—	17,972,812	—	—	17,972,812
Short-term Investments (Externally Restricted)	—	106,750,480	—	—	106,750,480
Accounts Receivable, net				—	
Component Units	58,884	—	—	—	58,884
Primary Government	35,451	—	1,093,936	—	1,129,387
Pledges and Contributions	—	32,071,873	—	—	32,071,873
Other	1,934,714	2,174,115	56,903,246	—	61,012,075
Investment in Capital Leases - Primary Government	—	—	9,280,360	—	9,280,360
Prepaid Items	297,229	135,353	246,544	—	679,126
Total Current Assets	62,373,877	193,907,260	96,196,284	—	352,477,421
Non-Current Assets					
Accounts Receivable, net					
Pledges and Contributions	—	48,892,624	—	—	48,892,624
Investments	49,827,507	183,185,166	50,751,857	(56,220,840)	227,543,690
Investment in Capital Leases - Primary Government	—	—	218,433,467	—	218,433,467
Other Assets	247,930	2,678,425	820,951	—	3,747,306
Investments (Externally Restricted)	—	975,366,142	5,765,025	—	981,131,167
Capital Assets, net	335,278,406	33,896,491	30,216,291	—	399,391,188
Total Non-Current Assets	385,353,843	1,244,018,848	305,987,591	(56,220,840)	1,879,139,442
TOTAL ASSETS	447,727,720	1,437,926,108	402,183,875	(56,220,840)	2,231,616,863
DEFERRED OUTFLOWS OF RESOURCES					
	\$ 13,653,582	\$ —	\$ 15,310,091	\$ —	\$ 28,963,673

UNIVERSITY OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2020

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	Consolidation/ Elimination Entries	Total
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 2,712,386	\$ 148,243	\$ 1,821,177	\$ —	\$ 4,681,806
Salaries Payable	2,890,840	—	—	—	2,890,840
Due to Affiliated Organizations	—	—	6,500	—	6,500
Due to Component Units	—	58,884	—	—	58,884
Due to Primary Government	7,851,616	5,396,788	58,766,557	—	72,014,961
Advances (Including Tuition and Fees)	33,780,208	817,234	2,145,936	—	36,743,378
Deposits Held for Other Organizations	—	56,220,840	—	(56,220,840)	—
Notes and Loans Payable	—	537,821	—	—	537,821
Revenue Bonds and Notes Payable	5,785,000	—	10,575,000	—	16,360,000
Liabilities Under Split Interest Agreements	—	833,636	—	—	833,636
Total Current Liabilities	53,020,050	64,013,446	73,315,170	(56,220,840)	134,127,826
Non-Current Liabilities					
Due to Other Funds	—	641,380	—	—	641,380
Advances (Including Tuition and Fees)	—	—	1,682,489	—	1,682,489
Other Liabilities	247,930	—	—	—	247,930
Notes and Loans Payable	1,000	13,958,821	14,041,222	—	28,001,043
Revenue Bonds and Notes Payable	82,389,961	—	225,602,559	—	307,992,520
Liabilities Under Split Interest Agreements	—	7,822,380	—	—	7,822,380
Interest Rate Swap	5,065,455	3,983,589	—	—	9,049,044
Total Non-Current Liabilities	87,704,346	26,406,170	241,326,270	—	355,436,786
TOTAL LIABILITIES	140,724,396	90,419,616	314,641,440	(56,220,840)	489,564,612
DEFERRED INFLOWS OF RESOURCES					
	—	—	—	—	—
NET POSITION					
Net Investment in Capital Assets	255,690,572	19,399,849	16,175,069	—	291,265,490
Restricted for:					
Nonexpendable	—	662,819,852	—	—	662,819,852
Expendable	—	524,012,221	—	—	524,012,221
Unrestricted	64,966,334	141,274,570	86,677,457	—	292,918,361
TOTAL NET POSITION	\$ 320,656,906	\$ 1,347,506,492	\$ 102,852,526	\$ —	\$ 1,771,015,924

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

UNIVERSITY OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2020

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	Consolidation/ Elimination Entries	Total
OPERATING REVENUES					
Grants and Contracts					
Federal	\$ —	\$ —	\$ 197,051,101	\$ —	\$ 197,051,101
State	—	—	36,476,790	—	36,476,790
Other	—	—	31,752,657	—	31,752,657
Sales and Services	151,404,446	7,815,832	—	—	159,220,278
Rents and Royalties	—	695,966	26,063,022	—	26,758,988
Gifts and Contributions	—	68,756,040	—	—	68,756,040
Endowment Income	—	35,877,710	—	—	35,877,710
Total Operating Revenues	151,404,446	113,145,548	291,343,570	—	555,893,564
OPERATING EXPENSES					
Staff Salaries	16,915,635	4,167,954	—	—	21,083,589
Employee Benefits	387,277	—	—	—	387,277
Travel	9,671,035	128,613	—	—	9,799,648
Scholarships and Fellowships	—	100,550	—	—	100,550
Supplies and Other Services	102,217,398	97,613,361	278,464,572	—	478,295,331
Depreciation	10,935,591	1,239,072	114,323	—	12,288,986
Total Operating Expenses	140,126,936	103,249,550	278,578,895	—	521,955,381
Operating Income (Loss)	\$ 11,277,510	\$ 9,895,998	\$ 12,764,675	\$ —	\$ 33,938,183

UNIVERSITY OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2020

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	Consolidation/ Elimination Entries	Total
NONOPERATING REVENUES (EXPENSES)					
Gifts	\$ 27,240,143	\$ —	\$ —	\$ —	\$ 27,240,143
Investment Income	697,734	(18,053,632)	2,137,404	—	(15,218,494)
Interest Expense	(4,051,795)	(2,269,285)	(9,762,811)	—	(16,083,891)
Other Nonoperating Revenues (Expenses)	(4,538,467)	1,117,013	(106,769)	—	(3,528,223)
Net Nonoperating Revenues	19,347,615	(19,205,904)	(7,732,176)	—	(7,590,465)
Income Before Other Revenues, Expenses, Gains, or Losses	30,625,125	(9,309,906)	5,032,499	—	26,347,718
Additions to Permanent and Term Endowments	—	26,570,257	—	—	26,570,257
Special Item	—	—	(1,376,773)	—	(1,376,773)
Total Other Revenues, Expenses, Gains or Losses	—	26,570,257	(1,376,773)	—	25,193,484
Change in Net Position	30,625,125	17,260,351	3,655,726	—	51,541,202
Net Position, Beginning of Year	290,031,781	1,330,246,141	99,196,800	—	1,719,474,722
Net Position, End of Year	<u>\$ 320,656,906</u>	<u>\$ 1,347,506,492</u>	<u>\$ 102,852,526</u>	<u>\$ —</u>	<u>\$ 1,771,015,924</u>

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

Note to the Financial Statements



UNIVERSITY OF GEORGIA®

UNIVERSITY OF GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that are attributable to the transactions of the University. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Discretely Presented Component Units

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

- University of Georgia Athletic Association, Inc., 456 E. Broad Street, Athens, GA 30602
- University of Georgia Foundation, One Press Place, Suite 101, Athens, GA 30602
- University of Georgia Research Foundation, Inc., 324 Business Services Building, 456 E. Broad Street, Athens, GA 30602

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

Basis of Accounting and Financial Statement Presentation

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

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

The University reports the following fiduciary fund:

- Custodial Funds - Accounts for activities resulting from the University acting as an agent or fiduciary for various governments, companies, clubs or individuals.

New Accounting Pronouncements

For fiscal year 2020, the University adopted GASB Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification and reporting of fiduciary activities. This Statement requires activity meeting certain criteria to be reported in a fiduciary fund within a statement of fiduciary net position and a statement of changes in fiduciary net position. The adoption of this Statement resulted in the restatement of the July 1, 2019 fiduciary net position for custodial fiduciary funds.

For fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The adoption of this Statement does not have a significant impact on the University's financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Short-Term Investments

Short-Term Investments consist of investments of 90 days - 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal. Short-Term Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Short-Term Investments restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Board of Regents Legal Fund and the Board of Regents Diversified Fund are included as investments.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Investments restricted as to use by a third party are reported as externally restricted.

Accounts Receivable

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

Inventories

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

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 30 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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

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

Capital Liability Reserve Fund

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

Deferred Outflows of Resources

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

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Advances

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

Deposits Held for Other Organizations

Deposits held for others result primarily from escheated funds that are the result of unclaimed property.

Claims and Judgments

An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Pollution Remediation Obligations

Pollution remediation obligations are recorded when the University knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities

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

Deferred Inflows of Resources

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

Other Post-Employment Benefit (OPEB)

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

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

Pensions and Net Pension Liability

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

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

Net Position

The University's net position is classified as follows:

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

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

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of \$15,159,693.75. Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

Income Taxes

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

Classification of Revenues and Expenses

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

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

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded contra revenue for scholarship allowances. Student tuition and fees reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$152,115,813.

Restatement of Prior Year Net Position

The University made the following restatements:

	Business-type Activities	Fiduciary Funds
Net position, beginning of year, as originally reported	\$ 572,371,933	\$ —
Changes in accounting principles	50,498	2,610,192
Net position, beginning of year, restated	<u>\$ 572,422,431</u>	<u>\$ 2,610,192</u>

Changes in accounting principles

For fiscal year 2020, the University of Georgia made prior period adjustments due to the adoption of GASB Statement No. 84, Fiduciary Activities, for certain activity no longer meeting the criteria of a custodial account, which required the restatement of the June 30, 2019 Business-type activities net position at June 30, 2019. The result is an increase in Net Position of \$50,498. This change is in accordance with generally accepted accounting principles.

The University made prior period adjustments due to the adoption of GASB 84, which required the restatement of the June 30, 2019 fiduciary fund net position. The result is an increase in fiduciary net position at July 1, 2019 of \$2,610,192 reported on the Statement of Changes in Fiduciary Net Position and an increase in cash and cash equivalents at July 1, 2019 of \$11,649,205 reported on the Statement of Cash Flows. This change is in accordance with generally accepted accounting principles.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2020 are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Cash and Cash Equivalents	\$ 268,774,146
Cash and Cash Equivalents (Externally Restricted)	62,398,317
Short-term Investments	10,424,688
Short-term Investments (Externally Restricted)	220,924
Non Current - Investments	51,460,242
Noncurrent Investments (Externally Restricted)	145,687,739
	<u>\$ 538,966,056</u>

Cash on hand, deposits and investments as of June 30, 2020 consist of the following:

Cash on Hand	\$	260,402
Deposits with Financial Institutions		157,545,699
Investments		381,159,955
	\$	<u>538,966,056</u>

A. Deposits with Financial Institutions

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

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

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

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

At June 30, 2020, the bank balances of the University's deposits totaled \$173,518,534. Of these deposits, \$85,039 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	85,039
Uninsured and collateralized with securities held by the pledging financial institution		—
Uninsured and collateralized with securities held by the pledging financial institution's trust departments or agents, but not in the Institution's name		—
Total deposits exposed to custodial credit risk	\$	<u>85,039</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has a formal policy for managing exposure to foreign currency credit risk by requiring a maximum balance in a foreign account of \$100,000 U.S. currency. The University's exposure to foreign currency risk derives from deposits in foreign banks for operations of studies abroad programs. The deposits are uninsured and uncollateralized in the amount of \$84,207 as follows:

<u>Program</u>	<u>Institution</u>	<u>Currency</u>	<u>U.S. Value</u>
UGA - Oxford Program	Barclay's	British Pound	\$ 43,071
UGA Cortona Art Program	Banca CR Firenze	European Euro	41,136
			<u>\$ 84,207</u>

B. Investments

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

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

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

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

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

The following table summarizes the valuation of the University's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2020.

	Fair Value	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Investment type:				
Debt Securities				
U.S. Treasuries	\$ 15,541,888	\$ 15,541,888	\$ —	\$ —
U.S. Agencies				
Explicitly Guaranteed	29,433,655	—	29,433,655	—
Implicitly Guaranteed	52,724,314	—	52,724,314	—
Corporate Debt	33,583,004	—	33,583,004	—
Mutual Bond Funds	267,940	267,940	—	—
Other Investments				
Equity Mutual Funds - Domestic	617,239	617,239	—	—
Equity Mutual Funds - International	119,282	119,282	—	—
Equity Securities - Domestic	687,837	687,831	—	6
Equity Securities - International	118,595	—	118,595	—
Real Estate Held for Investment Purposes	5,983,254	—	—	5,983,254
Real Estate Investment Trusts	98,103	98,103	—	—
	139,175,111	\$ 17,332,283	\$ 115,859,568	\$ 5,983,260
Investment Pools				
Board of Regents				
Legal Fund	8,287,468			
Diversified Fund	81,634,279			
Office of the State Treasurer				
Georgia Fund 1	152,063,097			
Total Investments	\$ 381,159,955			

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

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

Investments classified in Level 3 includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the University's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

The University holds positions in the Georgia Fund 1 investment pool managed by the Georgia Office of the State Treasurer. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The University does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Board of Regents Pooled Investment Program

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

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

The University's position in the pooled investment fund options are described below.

1. Legal Fund

The Legal Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Legal Fund at June 30, 2020 was \$8,287,468, of which 100% is invested in debt securities. The Effective Duration of the Fund is 1.89 years.

2. Diversified Fund

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

The equity allocation shall range between 50% and 75% of the portfolio, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 25% and 50%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short-term instruments. The market value of the University's position in the Diversified Fund at June 30, 2020 was \$81,634,279, of which 30% is invested in debt securities. The Effective Duration of the Fund is 5.73 years.

Office of the State Treasurer Investment Pool

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 38 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk attempts to match investments with expected cash requirements by dividing between short-term and long-term investments.

		Investment Maturity				
	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
U.S. Treasuries	\$ 15,541,888	\$ 12,241,763	\$ 15,383	\$ 3,155,704	\$ 129,038	\$ —
U.S. Agencies						
Explicitly Guaranteed	29,433,655	—	1,539,894	—	—	27,893,761
Implicitly Guaranteed	52,724,314	4,000,301	—	4,885,774	19,337,157	24,501,082
Corporate Debt	33,583,004	5,062,033	8,917,033	19,489,362	114,576	—
Mutual Bond Funds	267,940	173,302	—	94,638	—	—
	131,550,801	\$ 21,477,399	\$ 10,472,310	\$ 27,625,478	\$ 19,580,771	\$ 52,394,843
Other Investments						
Equity Mutual Funds - Domestic	617,239					
Equity Mutual Funds - International	119,282					
Equity Securities - Domestic	687,837					
Equity Securities - International	118,595					
Real Estate Held for Investment Purposes	5,983,254					
Real Estate Investment Trusts	98,103					
Investment Pools						
Board of Regents						
Legal Fund	8,287,468					
Diversified Fund	81,634,279					
Office of the State Treasurer						
Georgia Fund 1	152,063,097					
Total Investments	\$ 381,159,955					

Custodial Credit Risk

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

At June 30, 2020, \$2,507,572 was uninsured and held by the investment's counterparty's trust department or agent, but not in the University's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing credit quality risk by establishing minimal quality ratings. Investments should have no lower than a BBB credit rating.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	BBB	Unrated
Related Debt Investments						
U. S. Agency Securities	\$ 52,724,314	\$ 52,687,819	\$ 36,495	\$ —	\$ —	\$ —
Corporate Debt	33,583,004	—	1,051,247	32,430,461	101,296	—
Mutual Bond Funds	267,940	173,302	—	—	—	94,638
	<u>\$ 86,575,258</u>	<u>\$ 52,861,121</u>	<u>\$ 1,087,742</u>	<u>\$ 32,430,461</u>	<u>\$ 101,296</u>	<u>\$ 94,638</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy requires diversification of investments to reduce overall portfolio risk while maintaining market rates of return. Investments are divided between short-term and long-term investments. For short-term investments, certificates of deposit and repurchase agreements should comprise 25-50%, investment in the Office of Treasury and Fiscal Services, Georgia Fund I should not exceed 50% and investment in U.S. Treasury obligations or U.S. Government agency securities can be 100%. For long-term investments, equities comprise 50-75%, fixed income can range between 25-50%, and cash and cash equivalents will range between 10-25%.

At June 30, 2020, approximately 6.8% of the University's investments were investments in Federal National Mortgage Assoc. pool.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2020:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 3,425,867	
Auxiliary Enterprises and Other Operating Activities	2,245,779	
Federal Financial Assistance	7,443,037	101,268
Georgia Student Finance Commission	—	\$ 16,017,379
Georgia State Financing and Investment Commission	3,293,306	
Due from Component Units	72,014,961	
Due From Other USG Institutions	1,552,532	
Other	17,961,142	23,631
	<u>107,936,624</u>	<u>16,142,278</u>
Less: Allowance for Doubtful Accounts	<u>1,449,416</u>	<u>—</u>
Net Accounts Receivable	<u>\$ 106,487,208</u>	<u>\$ 16,142,278</u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2020:

Consumable Supplies	\$	4,593,607
Merchandise for Resale		1,313,757
		<hr/>
Total	\$	<u>5,907,364</u>

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2020. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2020, the allowance for uncollectible loans was \$1,251,869.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2020 are shown below:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ 61,619,599		\$ 2,832	\$ 61,616,767
Capitalized Collections	27,181,862	\$ 954,931		28,136,793
Construction Work-in-Progress	64,684,211	89,424,404	63,476,926	90,631,689
Software Development-in-Progress	—			—
Total Capital Assets Not Being Depreciated	<u>153,485,672</u>	<u>90,379,335</u>	<u>63,479,758</u>	<u>180,385,249</u>
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	100,924,461	2,997,843		103,922,304
Building and Building Improvements	2,256,911,392	69,702,551	109,296	2,326,504,647
Facilities and Other Improvements	53,830,125	2,747,051		56,577,176
Equipment	454,265,343	31,937,021	16,738,521	469,463,843
Library Collections	362,050,849	14,991,783	53,398	376,989,234
Software	53,092,431			53,092,431
Total Capital Assets Being Depreciated/Amortized	<u>3,281,074,601</u>	<u>122,376,249</u>	<u>16,901,215</u>	<u>3,386,549,635</u>
Less: Accumulated Depreciation/Amortization				
Infrastructure	40,486,922	3,099,433		43,586,355
Building and Building Improvements	770,636,866	52,899,200	70,619	823,465,447
Facilities and Other Improvements	33,370,059	2,162,551		35,532,610
Equipment	358,102,061	26,462,369	15,677,260	368,887,170
Library Collections	294,409,434	13,116,816	53,398	307,472,852
Software	13,232,409	4,883,101		18,115,510
Total Accumulated Depreciation/Amortization	<u>1,510,237,751</u>	<u>102,623,470</u>	<u>15,801,277</u>	<u>1,597,059,944</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>1,770,836,850</u>	<u>19,752,779</u>	<u>1,099,938</u>	<u>1,789,489,691</u>
Capital Assets, net	<u>\$ 1,924,322,522</u>	<u>\$ 110,132,114</u>	<u>\$ 64,579,696</u>	<u>\$ 1,969,874,940</u>

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30,

2020, there were no GSFIC transferred capital additions from GSFIC managed projects. In addition, at June 30, 2020, GSFIC had construction in progress of approximately \$25,546,558 for incomplete GSFIC managed projects for the University.

The University of Georgia Athletic Association, Inc. (the Athletic Association) has an agreement with the USG whereby expenses for additions and improvements to University of Georgia owned buildings, stadium, and athletic fields used by the Athletic Association become the property of the University of Georgia upon installation or acquisition. The Athletic Association leases these athletic facilities from the USG for \$1 million per year under the current operating lease agreement, which expires June 30, 2022. The Athletic Association capitalizes expenses for additions and improvements to the buildings, stadium, and athletic fields owned by the University of Georgia and used by the Athletic Association. Therefore, these improvements to University of Georgia owned property are not reported as capital assets within the University of Georgia's financial statements. The cost associated with these assets is \$441,771,215 and associated accumulated depreciation is \$129,117,101.

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

Fiscal Year	Depreciation Expense
2020	\$ 102,623,470
2019	\$ 98,212,547
2018	\$ 91,090,428

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2020:

	Current Liabilities
Prepaid Tuition and Fees	\$ 23,029,227
Research	8,738,887
Other - Advances	15,173,797
Totals	<u>\$ 46,941,911</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Leases					
Lease Purchase Obligations	\$ 231,953,384	\$ 2,703,675	\$ 6,901,819	\$ 227,755,240	\$ 9,299,064
Other Liabilities					
Compensated Absences	50,019,999	37,290,128	32,084,477	55,225,650	36,465,553
Notes and Loans Payable	1,077,201	—	1,077,201	—	—
Pollution Remediation	438,000	—	151,616	286,384	286,384
Total	<u>51,535,200</u>	<u>37,290,128</u>	<u>33,313,294</u>	<u>55,512,034</u>	<u>36,751,937</u>
Total Long-Term Obligations	<u>\$ 283,488,584</u>	<u>\$ 39,993,803</u>	<u>\$ 40,215,113</u>	<u>\$ 283,267,274</u>	<u>\$ 46,051,001</u>

See Note 14, Retirement Plans, for information related to net pension liability. See Note 17, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post employment benefits liability.

Pollution Remediation

Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations.

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. USG has recorded a liability related to this pollution remediation in the amount of \$286,384. The liability is based on a contractual agreement with Resolute Environmental & Water Resources Consulting. The University of Georgia does not anticipate any changes to the expected remediation outlay. There are no expected recoveries that have reduced this liability.

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2020, consisted of the following:

Deferred Outflows of Resources

Deferred Outflow on Defined Benefit Pension Plans (See Note 14)	\$ 234,913,923
Deferred Outflow on OPEB Plan (See Note 17)	83,915,067
Total Deferred Outflows of Resources	\$ 318,828,990

Deferred Inflows of Resources

Deferred Inflow on Defined Benefit Pension Plans (See Note 14)	\$ 26,984,596
Deferred Inflow on OPEB Plan (See Note 17)	135,160,419
Total Deferred Inflows of Resources	\$ 162,145,015

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2020 is as follows:

Net Investment in Capital Assets	\$ 1,734,837,014
Restricted for	
Nonexpendable	
Permanent Endowment	66,551,346
Expendable	
Sponsored and Other Organized Activities	91,121,620
Federal Loans	2,134,802
Institutional Loans	12,129,293
Quasi-Endowments	30,881,453
Capital Projects	11,598,277
Sub-Total	147,865,445
Unrestricted	
Auxiliary Enterprises Operations	85,361,896
Reserve for Encumbrances	40,989,991
Reserve for Inventory	1,487,000
Capital Liability Reserve Fund	1,552,532
Other Unrestricted (Deficit)	(1,529,047,358)
Sub-Total	(1,399,655,939)
Total Net Position	\$ 549,597,866

Other unrestricted net position is reduced by \$1,118,554,035 related to the recording of net OPEB liability, deferred inflow of resources, and deferred outflow of resources related to OPEB plan. Other unrestricted net position is also reduced by \$597,604,068 related to the recording of net pension liability, deferred inflow of resources, and deferred outflow of resources related to benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation, student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in net position for the year ended June 30, 2020 are as follows:

	(Restated) Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Net Investments in Capital Assets	\$ 1,681,666,344	\$ 156,177,645	\$ 103,006,975	\$ 1,734,837,014
Restricted Net Position	202,900,921	416,421,877	404,906,007	214,416,791
Unrestricted Net Position	(1,312,144,834)	1,340,961,324	1,428,472,429	(1,399,655,939)
Total Net Position	\$ 572,422,431	\$ 1,913,560,846	\$ 1,936,385,411	\$ 549,597,866

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation on endowment investments available for authorization for expenditure was \$360,694 and is reflected as expendable restricted net position.

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

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

Note 12 Significant Commitments

See the net position note for amounts reserved for outstanding encumbrances at June 30, 2020. The University had no other significant unearned outstanding construction or renovation contracts executed as of June 30, 2020.

Note 13 Leases

Lease Obligations

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

Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to capital leases for fiscal year 2020 were \$6,901,819 and \$11,499,189, respectively. Interest rates range from 3.71% - 7.56%.

Accrued interest in the amount of \$2,680,512 is included in interest expense and is the result of a deferment of four months of rental payments from Fiscal Year 2020 to Fiscal Years 2021 and 2022 for Bolton Dining Commons (\$344,021), Tate Student Center Parking Deck (\$140,208), East Campus Village Residence Halls (\$699,113), East Village Dining Commons (\$190,374), Greek Park House #1 (\$62,382), Greek Park House #2 (\$62,382), Greek Park House #3 (\$62,382), Greek Park House #7 (\$42,441), East Campus Housing Phase II (\$684,843), Performing Arts Center Parking Deck (\$112,382), Intramural Parking Deck (\$94,912) and Rutherford Hall (\$185,072).

The University has \$227,713,828 in outstanding lease obligations due to component units. Component units have \$227,713,827 in investment in capital lease receivables due from the University. The \$1 difference in the University's lease obligation and the component units' capital lease receivable is related to rounding differences.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2020:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2020	Outstanding Balance per Lease Schedules at June 30, 2020
	(+)	(-)	(=)	
Leased Equipment	\$ 99,387	\$ 46,300	\$ 53,087	\$ 41,412
Leased Buildings and Building Improvements	296,016,781	73,466,176	222,550,605	227,713,828
Total Assets Held Under Capital Lease	<u>\$ 296,116,168</u>	<u>\$ 73,512,476</u>	<u>\$ 222,603,692</u>	<u>\$ 227,755,240</u>

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

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
Complex Carbohydrate Research Ctr (CCRC)	UGA Real Estate Foundation	\$ 35,730,770	30 years	Oct 2003	Jun 2033	\$ 24,056,960 (1)
East Campus Village Residence Halls	UGA Real Estate Foundation	65,631,566	30 years	Jul 2004	Jun 2034	47,550,812 (1)
East Village Dining Commons	UGA Real Estate Foundation	16,371,385	30 years	Jul 2004	Jun 2034	11,889,900 (1)
Tate Student Center Parking Deck	UGA Real Estate Foundation	13,400,000	29 years	Aug 2008	Jun 2037	10,965,960 (1)
Tate Student Center Expansion	UGA Real Estate Foundation	40,868,389	29 years	May 2009	Jun 2038	36,707,504 (1)
Intramural Parking Deck	UGA Real Estate Foundation	7,795,000	30 years	Aug 2009	Jun 2039	6,375,517 (1)
Performing Arts Center Parking Deck	UGA Real Estate Foundation	9,468,747	30 years	Nov 2009	Jun 2039	7,714,398 (1)
Greek Park House #1 - Pi Kappa Alpha	UGA Real Estate Foundation	3,287,613	30 years	Aug 2009	Jun 2039	2,856,292 (1)
Greek Park House #2 - Tau Epsilon Phi	UGA Real Estate Foundation	3,287,613	30 years	Aug 2009	Jun 2039	2,856,292 (1)
Greek Park House #3 - Sigma Nu	UGA Real Estate Foundation	3,287,613	30 years	Aug 2009	Jun 2039	2,856,292 (1)
Greek Park House #7 - Phi Delta Theta	UGA Real Estate Foundation	2,246,232	30 years	Aug 2009	Jun 2039	1,950,923 (1)
East Campus Housing Phase II	UGA Real Estate Foundation	48,741,608	30 years	Jul 2010	Jun 2040	41,305,931 (1)
Rutherford Hall	UGA Real Estate Foundation	21,700,179	20 years	Aug 2013	Jun 2033	11,952,986 (1)
Bolton Dining Commons	UGA Real Estate Foundation	24,200,067	30 years	Aug 2014	Jun 2044	18,674,061 (1)
Tractor (John Deere)	Deere & Company	29,284	5 years	Dec 2016	Nov 2021	11,959
Centrifuge	Beckman Coulter	64,880	5 years	Jan 2017	Dec 2021	13,182
Cargo Van	Enterprise	23,163	4 years	Mar 2019	Feb 2023	16,271
Total Leases		<u>\$ 296,134,109</u>				<u>\$ 227,755,240</u>

(1) These capital leases are related party transactions.

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

Operating Leases

The University leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the University has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The University's operating lease expense for fiscal 2020 was \$8,142,006, which includes payments to related parties of \$4,812,376. The University is obligated to pay these related parties a total of \$4,276,398 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2020, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2021	\$ 21,582,556	\$ 6,243,782
2022	26,458,701	6,014,271
2023	21,566,334	5,183,917
2024	21,558,348	5,152,968
2025	21,565,046	3,598,462
2026 through 2030	107,747,601	6,983,214
2031 through 2035	93,160,872	—
2036 through 2040	44,909,349	—
2041 through 2044	6,474,027	—
Total Minimum Lease Payments	365,022,834	\$ 33,176,614
Less: Interest	106,165,007	
Less: Executory Costs	31,102,587	
Principal Outstanding	<u>\$ 227,755,240</u>	

Note 14 Retirement Plans

The University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

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

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

General Information about the Teachers Retirement System

Plan description

All teachers of the University as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2020. The University's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of annual the University payroll. The University's contributions to TRS totaled \$98,517,318 for the year ended June 30, 2020.

General Information about the Employees' Retirement System

Plan description

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

Benefits provided

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

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

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

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2020 was 24.66% of annual covered payroll for old and new plan members and 21.64% for GSEPS members. The University's contributions to ERS totaled \$590,091 for the year ended June 30, 2020. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2020, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the University's TRS proportion was 3.727822%, which was an increase of 0.046436% from its proportion measured as of June 30, 2018. At June 30, 2019, the University's ERS proportion was 0.095743%, which was an increase of 0.004721% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$143,269,291 for TRS and \$895,200 for ERS. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,181,278	\$ 237,648	\$ 131,576	\$ —
Changes of assumptions	76,922,302	—	69,539	—
Net difference between projected and actual earnings on pension plan investments	—	19,088,126	—	122,982
Changes in proportion and differences between contributions and proportionate share of contributions	13,301,151	7,535,840	200,668	—
Contributions subsequent to the measurement date	98,517,318	—	590,091	—
Total	<u>\$ 233,922,049</u>	<u>\$ 26,861,614</u>	<u>\$ 991,874</u>	<u>\$ 122,982</u>

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2021	\$ 47,635,098	\$ 344,516
2022	\$ 8,307,476	\$ (57,791)
2023	\$ 24,843,200	\$ (24,227)
2024	\$ 27,757,343	\$ 16,303
2025	\$ —	\$ —
Thereafter	\$ —	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.50%
Salary increases	3.00% - 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the long-term assumed rate of return.

Employees' Retirement System

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

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

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.10)%
Domestic large equities	51.00%	46.20%	8.90 %
Domestic mid equities			
Domestic small equities	1.50%	1.30%	13.20 %
International developed market equities	12.40%	12.40%	8.90 %
International emerging market equities	5.10%	5.10%	10.90 %
Alternatives	—%	5.00%	12.00 %
Total	100.00%	100.00%	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.25% and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Teachers Retirement System:

	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	1,301,203,054	\$ 801,582,530	390,716,938

Employees' Retirement System:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	5,614,542	3,950,865	2,532,607

Pension plan fiduciary net position

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

B. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

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

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2020, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$23,303,243 (9.24%) and \$15,131,337 (6.00%), respectively.

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

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2020, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

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

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

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

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

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

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

Note 16 Contingencies

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

Litigation, claims and assessments filed against the University, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2020, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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

The University's membership in the Plan consisted of the following at June 30, 2020:

Active Employees	10,562
Retirees or Beneficiaries Receiving Benefits	5,195
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—
Retirees Receiving Life Insurance Only	678
	<hr/>
Total	16,435
	<hr/> <hr/>

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

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2020 plan year, the employer rate was approximately 84% of the total health insurance cost for eligible retirees and the retiree rate was approximately 16%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2020, the University contributed \$24,718,097 to the plan for current premiums or claims.

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

At June 30, 2020, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2019. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2019. At June 30, 2019, the University's proportion was 23.868779%, which was a decrease of (0.184224)% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized OPEB expense of \$73,723,793. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,196,970	\$ 6,090,830
Changes of assumptions	—	119,899,790
Net difference between projected and actual earnings on OPEB plan investments	—	280,383
Changes in proportion and differences between contributions and proportionate share of contributions	—	8,889,416
Contributions subsequent to the measurement date	<u>24,718,097</u>	<u>—</u>
Total	<u>\$ 83,915,067</u>	<u>\$ 135,160,419</u>

The University's contributions subsequent to the measurement date of \$24,718,097 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2021	\$ (17,541,081)
2022	\$ (17,541,081)
2023	\$ (17,088,714)
2024	\$ (8,392,954)
2025	\$ (7,940,220)
Thereafter	\$ (7,459,399)

Actuarial assumptions

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of May 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2019 3.50% from Bond Buyers GO 20-Bond Municipal Bond Index Interest Rate as of 6/30/2018 3.87% from Bond Buyers GO 20-Bond Municipal Bond Index Long-term Rate of Return 4.50% General Inflation 2.50% Salary Increase 4.00%
Mortality Rates	Healthy: Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with scale MP-2018 Disabled: Pub-2010 Disabled Mortality for General Employees and Teachers (as appropriate) headcount weighted projected with scale MP-2018
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.9%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2020 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019. All other assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which cover the five year period ending June 30, 2014.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to reflect current estimates of the impact of the Excise Tax, due to the updated claims assumption. Mortality rates were changed from the RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 to Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with MP-2018. Retirement rates were updated from the rates developed for the Teacher's Retirement System to rates based on actual experience. The discount rate was updated from 3.87% to 3.50% as of June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	1.09%	70%
Equity Allocation	4.46%	30%

Discount rate

The Plan's projected fiduciary net position at the end of 2023 is \$0, based on the valuation completed for the fiscal year ending June 30, 2019. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.50% from the Bond Buyer.

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

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate (3.50%):

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Proportionate Share of the Net OPEB Liability	\$ 1,263,393,613	\$ 1,067,308,683	\$ 903,838,265

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

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

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 894,951,383	\$ 1,067,308,683	\$ 1,283,259,150
Pre-Medicare Eligible	5.9% decreasing to 3.5%	6.9% decreasing to 4.5%	7.9% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:

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

Note 18 Operating Expenses with Functional Classifications

Business-type activity expenses by functional classification for fiscal 2020 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 148,998,156	\$ 81,338,105	\$ 92,412,529	\$ 495,389	\$ 3,218,958
Research	146,985,065	92,281,713	83,917,839	269,263	6,527,396
Public Service	52,135,838	51,413,408	52,228,378	48,643	2,662,954
Academic Support	22,299,566	49,255,272	38,574,346	278,390	661,655
Student Services	3,020,038	20,613,946	10,899,846	37,341	552,165
Institutional Support	6,375,757	55,093,665	48,660,173	1,066,107	961,887
Plant Operations and Maintenance	720,453	48,709,990	32,692,521	144,605	108,017
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	5,016,178	77,816,822	36,492,312	232,803	215,982
Total Operating Expenses	<u>\$ 385,551,051</u>	<u>\$ 476,522,921</u>	<u>\$ 395,877,944</u>	<u>\$ 2,572,541</u>	<u>\$ 14,909,014</u>

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ —	\$ 2,030,851	\$ 32,269,920	\$ 19,621,177	\$ 380,385,085
Research	—	1,817,957	83,996,379	25,588,660	441,384,272
Public Service	—	1,325,428	36,040,405	6,500,125	202,355,179
Academic Support	—	1,552,529	26,572,536	21,492,390	160,686,684
Student Services	—	308,585	7,784,542	2,622,907	45,839,370
Institutional Support	—	491,472	30,864,294	4,207,860	147,721,215
Plant Operations and Maintenance	—	24,974,342	52,238,187	6,607,139	166,195,254
Scholarships and Fellowships	58,111,391	—	—	—	58,111,391
Auxiliary Enterprises	—	8,592,850	14,852,145	15,983,212	159,202,304
Total Operating Expenses	<u>\$ 58,111,391</u>	<u>\$ 41,094,014</u>	<u>\$ 284,618,408</u>	<u>\$ 102,623,470</u>	<u>\$ 1,761,880,754</u>

Note 19 Component Units

University of Georgia Athletic Association, Inc.

The University of Georgia Athletic Association, Inc. (the Athletic Association) is a legally separate, tax- exempt component unit of the University of Georgia (University). The Athletic Association was organized in 1928 as a not-for-profit corporation to promote intercollegiate athletic sports representing the University. Although the University is not fiscally accountable for the Athletic Association, the nature and significance of the relationship between the University and the Athletic Association is such that exclusion from these departmental financial statements would render them misleading. The Athletic Association reports under GASB Standards.

During the year ended June 30, 2020, the Athletic Association made payments to the University for services such as food services, parking services, health services, tuition, gas, electricity, security, and golf course maintenance. These payments totaled \$56.1 million.

University of Georgia Foundation

The University of Georgia Foundation (the UGA Foundation) is a not for profit foundation that was chartered in 1937 to receive and administer contributions for the support of the academic programs of the University of Georgia (University). The Foundation reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

During the year ended June 30, 2020, the UGA Foundation distributed \$54.2 million to the University for restricted purposes and \$7.2 million for unrestricted purposes.

University of Georgia Research Foundation, Inc.

The University of Georgia Research Foundation (the Research Foundation) is a legally separate, tax-exempt affiliated organization of the University of Georgia (University). The Research Foundation serves to enhance the research mission of the University by securing sponsored research funding and by providing funding of special research initiatives. All University intellectual property developed through these research programs is managed by the Research Foundation. The seventeen-member board of the Research Foundation consists of designated University personnel, appointees of several University constituent groups, and individuals selected by the Research Foundation itself. All sponsored research awards are subcontracted to the University and other resources and related income are used to benefit the teaching, research, and outreach missions of the University. During the year ended June 30, 2020, the Research Foundation distributed \$260.6 million to the University for research contracts, \$3.4 million for restricted license and royalties, and \$3.8 million for both restricted and unrestricted support.

The Research Foundation is considered a special-purpose government entity engaged only in business-type activities and is required to follow all applicable GASB pronouncements. The Research Foundation's fiscal year is July 1 through June 30.

The Research Foundation includes one component unit; the UGA Real Estate Foundation, Inc. (the Real Estate Foundation). The Research Foundation is the sole corporate member of the Real Estate Foundation and its activities are included in the financial statements using a blended presentation. The Real Estate Foundation manages and improves various real estate assets for the benefit of the University. The Real Estate Foundation may also provide support to the Board of Regents of the University System of Georgia and its affiliated institutions.

Complete financial statements for the Research Foundation can be obtained from the University of Georgia, Finance Division, 324 Business Services Building, 456 East Broad Street, Athens, GA 30602.

Consolidation and Elimination Adjustments

The University of Georgia Foundation maintains pooled investment funds for the University of Georgia Athletic Association and the University of Georgia Research Foundation for investment purposes. An elimination entry of \$56,220,840 was made to reduce the duplication of investment activity reflected on each component unit's individual financial statements.

Combined component unit's investments are comprised of the following amounts at June 30, 2020:

	Fair Value
Investment type	
Debt Securities	
U.S. Treasuries	\$ 71,950,701
U.S. Agencies	
Implicitly Guaranteed	256,469
Bond Securities	21,746,103
Corporate Debt	8,614,995
Money Market Mutual Funds	26,903,456
Municipal Obligations	259,896
Mutual Bond Funds	94,763,677
Repurchase Agreements	59,128,850
Other Investments	
Equity Mutual Funds - Domestic	188,480,674
Equity Mutual Funds - International	346,235,975
Equity Securities - Domestic	38,962,887
Equity Securities - International	25,275,941
Real Estate Held for Investment Purposes	—
Real Estate Investment Trusts	30,105,598
Other	474,076,752
	1,386,761,974
Investment Pools	
Board of Regents	
Short-Term Fund	46,944,006
Total Investments	<u>\$ 1,433,705,980</u>

Component unit investments of \$100,307,831 are reported as cash and cash equivalents on the Statement of Net Position.

Combined component unit's endowments are comprised of the following amounts at June 30, 2020:

	Unrestricted	Restricted	Total
Beginning	\$ 134,489,797	\$ 1,003,201,534	\$ 1,137,691,331
Contributions	3,687,108	40,024,951	43,712,059
Net realized and unrealized gains	1,679,447	12,728,616	14,408,063
Appropriation of endowment assets for expenditure	(1,465,187)	(34,412,523)	(35,877,710)
Ending	<u>\$ 138,391,165</u>	<u>\$ 1,021,542,578</u>	<u>\$ 1,159,933,743</u>

Combined amounts due to component units related to direct financing lease activity as of June 30, 2020 is as follows:

Year Ending June 30:	Year:	Total
2021	1	\$ 19,882,813
2022	2	24,333,465
2023	3	19,844,832
2024	4	19,822,232
2025	5	19,808,740
2026 through 2030	6-10	98,635,255
2031 through 2035	11-15	85,055,484
2036 through 2040	16-20	40,961,893
2041 through 2044	21-24	5,532,172
Total Minimum Lease Payments to be Received		<u>333,876,886</u>
Less: Unearned Income		<u>(106,163,059)</u>
Net Investment in Direct Financing Lease Receivable		<u>\$ 227,713,827</u>

Combined component unit's capital assets are comprised of the following amounts at June 30, 2020:

Capital Assets not being Depreciated:	
Land	\$ 46,761,875.82
Capitalized Collections	2,322,808
Construction Work-in-Progress	21,822,224
Total Capital Assets not being Depreciated	<u>70,906,907.82</u>
Capital Assets being Depreciated:	
Building and Building Improvements	428,159,019.97
Facilities and Other Improvements	42,156,117
Equipment	9,220,139
Software	3,274,754
Total Capital Assets being Depreciated/Amortized	<u>482,810,029.97</u>
Less Total Accumulated Depreciation/Amortization	<u>154,325,750.24</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>328,484,279.73</u>
Capital Assets, Net	<u>\$ 399,391,187.55</u>

Combined component unit's long-term liabilities are comprised of the following amounts at June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Liabilities under Split Interest Agreement	\$ 8,809,640	\$ —	\$ 153,624	\$ 8,656,016	\$ 833,636
Notes and Loans Payable	39,364,336	5,525,000	16,350,472	28,538,864	537,821
Interest Rate Swap	6,063,523	2,985,521	—	9,049,044	—
Revenue/Mortgage Bonds Payable	315,095,000	62,950,000	71,720,000	306,325,000	16,360,000
Bond - Premium	20,581,718	—	2,554,198	18,027,520	—
Total Long Term Liabilities	<u>\$ 389,914,217</u>	<u>\$ 71,460,521</u>	<u>\$ 90,778,294</u>	<u>\$ 370,596,444</u>	<u>\$ 17,731,457</u>

Combined component unit's notes and loans are comprised of the following amounts at June 30, 2020:

		Principal	Interest	Total
Year ending June 30:				
2021	1	\$ 537,821	\$ 589,139	\$ 1,126,960
2022	2	561,250	566,915	1,128,165
2023	3	580,193	543,665	1,123,858
2024	4	14,645,904	520,240	15,166,144
2025	5	635,754	494,041	1,129,795
2026 through 2030	6-10	3,587,737	2,047,986	5,635,723
2031 through 2035	11-15	4,419,728	1,214,896	5,634,624
2036 through 2040	16-20	3,570,477	264,349	3,834,826
		<u>28,538,864</u>	<u>6,241,231</u>	<u>34,780,095</u>
Total		<u>\$ 28,538,864</u>	<u>\$ 6,241,231</u>	<u>\$ 34,780,095</u>

Combined component unit's bonds payable are comprised of the following amounts at June 30, 2020:

		Principal	Interest	Total
Year ending June 30:				
2021	1	\$ 16,360,000	\$ 11,464,332	\$ 27,824,332
2022	2	16,775,000	11,077,182	27,852,182
2023	3	16,170,000	10,450,143	26,620,143
2024	4	16,755,000	9,833,348	26,588,348
2025	5	17,325,000	9,195,435	26,520,435
2026 through 2030	6-10	96,630,000	35,238,642	131,868,642
2031 through 2035	11-15	86,700,000	15,565,234	102,265,234
2036 through 2040	16-20	35,135,000	4,556,666	39,691,666
2040 through 2044	21-24	4,475,000	514,575	4,989,575
		<u>306,325,000</u>	<u>107,895,557</u>	<u>414,220,557</u>
Bond Premium		18,027,520	—	18,027,520
Total		<u>\$ 324,352,520</u>	<u>\$ 107,895,557</u>	<u>\$ 432,248,077</u>

Note 20 Subsequent Events

On December 9, 2020, University of Georgia (UGA) entered into an agreement with UGA Real Estate Foundation, Inc. (UGAREF) a component unit of University of Georgia Research Foundation, Inc. where UGAREF would construct and equip a student housing facility. This new facility will be leased to UGA for a 30 year period through June 30, 2052 with lease payments totaling \$79,279,988. On December 9, 2020, UGAREF entered into a promissory note agreement to repay \$38,970,000 Series 2020 bonds issued by the Athens Housing Authority. The proceeds of the bonds will be used for the purpose of (a) financing the cost of the acquisition, construction and equipping of certain buildings, structures, equipment and related real and personal property to be used as a student housing facility consisting of approximately 527 beds and related amenities to be located on the campus of the UGA in Athens-Clarke County, Georgia, (b) pay capitalized interest on the Series 2020 Bonds and certain annual fees during construction of the facility and for approximately six months thereafter and (c) pay the cost of issuing the Series 2020 Bonds.

Required Supplementary Information



UNIVERSITY OF GEORGIA®

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

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	6/30/2020	\$ 590,091	\$ 590,091	\$ —	\$ 2,389,403	24.70%
	6/30/2019	\$ 597,920	\$ 597,920	\$ —	\$ 2,406,752	24.84%
	6/30/2018	\$ 588,349	\$ 588,349	\$ —	\$ 2,272,341	25.89%
	6/30/2017	\$ 508,186	\$ 508,186	\$ —	\$ 1,979,582	25.67%
	6/30/2016	\$ 519,785	\$ 519,785	\$ —	\$ 2,061,311	25.22%
	6/30/2015	\$ 385,819	\$ 385,819	\$ —	\$ 1,733,437	22.26%
	6/30/2014	\$ 370,020	\$ 370,020	\$ —	\$ 2,058,830	17.97%
	6/30/2013	\$ 230,629	\$ 230,629	\$ —	\$ 1,433,329	16.09%
	6/30/2012	\$ 155,689	\$ 155,689	\$ —	\$ 1,338,684	11.63%
	6/30/2011	\$ 123,062	\$ 123,062	\$ —	\$ 1,182,152	10.41%
Teachers Retirement System	6/30/2020	\$ 98,517,318	\$ 98,517,318	\$ —	\$ 464,009,556	21.23%
	6/30/2019	\$ 95,082,088	\$ 95,082,088	\$ —	\$ 448,603,779	21.20%
	6/30/2018	\$ 72,820,704	\$ 72,820,704	\$ —	\$ 432,012,936	16.86%
	6/30/2017	\$ 60,690,947	\$ 60,690,947	\$ —	\$ 426,989,538	14.21%
	6/30/2016	\$ 57,583,354	\$ 57,583,354	\$ —	\$ 404,092,295	14.25%
	6/30/2015	\$ 49,534,749	\$ 49,534,749	\$ —	\$ 378,176,373	13.10%
	6/30/2014	\$ 44,786,220	\$ 44,786,220	\$ —	\$ 359,137,320	12.47%
	6/30/2013	\$ 39,890,243	\$ 39,890,243	\$ —	\$ 351,639,966	11.34%
	6/30/2012	\$ 35,415,805	\$ 35,415,805	\$ —	\$ 344,511,722	10.28%
	6/30/2011	\$ 35,124,704	\$ 35,124,704	\$ —	\$ 341,680,000	10.28%

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

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2020	0.095743%	\$ 3,950,865	\$ 2,406,752	164.16%	76.74%
	6/30/2019	0.091022%	\$ 3,741,944	\$ 2,272,341	164.67%	76.68%
	6/30/2018	0.081550%	\$ 3,312,019	\$ 1,979,582	167.31%	76.33%
	6/30/2017	0.090000%	\$ 4,214,520	\$ 2,061,311	204.46%	72.34%
	6/30/2016	0.076807%	3,111,757	1,733,437	179.51%	76.20%
	6/30/2015	0.089019%	\$ 3,338,763	\$ 2,058,830	162.17%	77.99%
Teachers Retirement System	6/30/2020	3.727000%	\$ 801,582,530	\$ 448,603,779	178.68%	78.56%
	6/30/2019	3.680000%	\$ 683,344,097	\$ 432,012,936	158.18%	80.27%
	6/30/2018	3.750000%	\$ 696,491,851	\$ 426,989,538	163.12%	79.33%
	6/30/2017	3.720000%	\$ 766,801,603	\$ 404,092,295	189.76%	76.06%
	6/30/2016	3.620000%	\$ 550,468,579	\$ 378,176,373	145.56%	81.44%
	6/30/2015	3.570000%	\$ 451,638,809	\$ 359,137,320	125.76%	84.03%

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

**UNIVERSITY OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Changes of assumptions

Employees' Retirement System:

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

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

Teachers Retirement System:

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

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

On May 15, 2019, the Board adopted and recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

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

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2020	\$ 24,718,097	\$ 24,718,097	\$ —	\$ 735,283,862	3.36%
6/30/2019	\$ 38,281,461	\$ 38,281,461	\$ —	\$ 670,452,954	5.71%
6/30/2018	\$ 38,104,754	\$ 38,104,754	\$ —	\$ 647,913,211	5.88%
6/30/2017	\$ 23,984,368	\$ 23,984,368	\$ —	\$ 668,496,675	3.59%

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

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

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
6/30/2020	23.868779%	\$ 1,067,308,683	\$ 670,452,954	159.19%	3.13%
6/30/2019	24.053003%	\$ 1,060,918,096	\$ 647,913,211	163.74%	1.69%
6/30/2018	24.084583%	\$ 1,016,303,379	\$ 668,496,675	152.03%	0.19%

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

**UNIVERSITY OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to reflect current estimates of the impact of the Excise Tax, due to the updated claims assumption. Mortality rates were changed from the RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 to Pub-2010 for General Employees and Teachers (as appropriate) headcount weighted projected with MP-2018. Retirement rates were updated from the rates developed for the Teacher's Retirement System to rates based on actual experience. The discount rate was updated from 3.87% to 3.50% as of June 30, 2019.

Supplementary Information



UNIVERSITY OF GEORGIA®

UNIVERSITY OF GEORGIA
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2020
(UNAUDITED)

ASSETS

Cash and Cash Equivalents	\$	280,060,815.71
Accounts Receivable		
Federal Financial Assistance		31,751,364.23
Other		61,177,100.93
Prepaid Expenditures		1,472,800.29
Inventories		4,410,241.03
Other Assets		215,424.00
		<hr/>
Total Assets		<hr/> <hr/> 379,087,746.19

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll		7,871,382.41
Encumbrance Payable		40,749,912.92
Accounts Payable		15,667,062.10
Unearned Revenue		64,666,882.66
Funds Held for Others		240,919.12
Other Liabilities		545,269.85
		<hr/>
Total Liabilities		<hr/> 129,741,429.06

Fund Balances

Reserved		
Capital Outlay		9,195,805.22
Department Sales and Services		43,933,061.73
Indirect Cost Recoveries		55,455,933.33
Technology Fees		12,690,940.44
Restricted/Sponsored Funds		97,407,297.65
Uncollectible Accounts Receivable		1,179,291.36
Inventories		1,487,000.00
Tuition Carry - Forward		12,837,293.65
Unreserved		
Surplus		15,159,693.75
		<hr/>
Total Fund Balances		<hr/> 249,346,317.13
		<hr/>
Total Liabilities and Fund Balances	\$	<hr/> <hr/> 379,087,746.19

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

UNIVERSITY OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Appropriation	Final Budget	Funds Available Compared to Budget	
			Current Year Revenues	Prior Year Reserve Carry-Over
Agricultural Experiment Station				
State Appropriation				
State General Funds	\$ 47,454,193.00	\$ 45,818,324.00	\$ 45,818,324.00	\$ —
Other Funds	37,552,919.00	64,380,819.00	60,726,735.95	27,929,823.69
Total Agricultural Experiment Station	85,007,112.00	110,199,143.00	106,545,059.95	27,929,823.69
Athens and Tifton Veterinary Laboratories				
Other Funds	6,704,688.00	7,204,250.00	7,557,074.59	1,127,993.36
Cooperative Extension Service				
State Appropriation				
State General Funds	44,205,415.00	42,437,198.00	42,437,198.00	—
Other Funds	31,333,929.00	37,670,619.00	28,633,162.19	9,344,555.67
Total Cooperative Extension Service	75,539,344.00	80,107,817.00	71,070,360.19	9,344,555.67
Forestry Cooperative Extension				
State Appropriation				
State General Funds	1,014,238.00	973,668.00	973,668.00	—
Other Funds	575,988.00	934,409.00	883,914.39	286,454.21
Total Forestry Cooperative Extension	1,590,226.00	1,908,077.00	1,857,582.39	286,454.21
Forestry Research				
State Appropriation				
State General Funds	3,015,025.00	2,894,424.00	2,894,424.00	—
Other Funds	11,219,877.00	12,628,042.00	11,625,486.49	2,803,125.15
Total Forestry Research	14,234,902.00	15,522,466.00	14,519,910.49	2,803,125.15
Marine Institute				
State Appropriation				
State General Funds	1,029,410.00	988,234.00	988,234.00	—
Other Funds	486,281.00	792,157.00	489,534.26	723,928.66
Total Marine Institute	1,515,691.00	1,780,391.00	1,477,768.26	723,928.66
Marine Resources Extension Center				
State Appropriation				
State General Funds	1,579,867.00	1,516,672.00	1,516,672.00	—
Other Funds	1,345,529.00	1,937,197.00	1,723,022.01	300,129.82
Total Marine Resources Extension Center	2,925,396.00	3,453,869.00	3,239,694.01	300,129.82
Public Service / Special Funding Initiatives				
State Appropriation				
State General Funds	166,825.00	166,825.00	166,825.00	—
Total Public Service / Special Funding Initiatives	166,825.00	166,825.00	166,825.00	—

Skidaway Institute of Oceanography				
State Appropriation				
State General Funds	1,547,118.00	1,485,233.00	1,485,233.00	—
Other Funds	3,900,620.00	4,302,400.00	3,672,536.55	1,567,948.68
	<u>5,447,738.00</u>	<u>5,787,633.00</u>	<u>5,157,769.55</u>	<u>1,567,948.68</u>
Total Skidaway Institute of Oceanography	<u>5,447,738.00</u>	<u>5,787,633.00</u>	<u>5,157,769.55</u>	<u>1,567,948.68</u>
Teaching				
State Appropriation				
State General Funds	421,057,379.00	428,705,216.00	428,705,216.00	—
Federal Coronavirus Relief Funds		31,329,372.00	24,312,156.40	—
Other Funds	936,546,940.00	1,047,867,050.00	978,770,342.22	139,680,328.22
	<u>1,357,604,319.00</u>	<u>1,507,901,638.00</u>	<u>1,431,787,714.62</u>	<u>139,680,328.22</u>
Total Teaching	<u>1,357,604,319.00</u>	<u>1,507,901,638.00</u>	<u>1,431,787,714.62</u>	<u>139,680,328.22</u>
Veterinary Medicine Experiment Station				
State Appropriation				
State General Funds	4,671,769.00	4,457,398.00	4,457,398.00	—
	<u>4,671,769.00</u>	<u>4,457,398.00</u>	<u>4,457,398.00</u>	<u>—</u>
Veterinary Medicine Teaching Hospital				
State Appropriation				
State General Funds	489,381.00	469,806.00	469,806.00	—
Other Funds	19,800,000.00	21,000,000.00	21,333,263.83	3,912,071.20
	<u>20,289,381.00</u>	<u>21,469,806.00</u>	<u>21,803,069.83</u>	<u>3,912,071.20</u>
Total Veterinary Medicine Teaching Hospital	<u>20,289,381.00</u>	<u>21,469,806.00</u>	<u>21,803,069.83</u>	<u>3,912,071.20</u>
Total Operating Activity	<u>\$ 1,575,697,391.00</u>	<u>\$ 1,759,959,313.00</u>	<u>\$ 1,669,640,226.88</u>	<u>\$ 187,676,358.66</u>

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

UNIVERSITY OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Agricultural Experiment Station						
State Appropriation						
State General Funds	\$ —	\$ 45,818,324.00	\$ —	\$ 45,818,324.00	\$ —	\$ —
Other Funds	—	88,656,559.64	24,275,740.64	60,780,310.09	3,600,508.91	27,876,249.55
Total Agricultural Experiment Station	—	134,474,883.64	24,275,740.64	106,598,634.09	3,600,508.91	27,876,249.55
Athens and Tifton Veterinary Laboratories						
Other Funds	—	8,685,067.95	1,480,817.95	7,102,031.08	102,218.92	1,583,036.87
Cooperative Extension Service						
State Appropriation						
State General Funds	—	42,437,198.00	—	42,437,198.00	—	—
Other Funds	—	37,977,717.86	307,098.86	31,276,031.78	6,394,587.22	6,701,686.08
Total Cooperative Extension Service	—	80,414,915.86	307,098.86	73,713,229.78	6,394,587.22	6,701,686.08
Forestry Cooperative Extension						
State Appropriation						
State General Funds	—	973,668.00	—	973,668.00	—	—
Other Funds	—	1,170,368.60	235,959.60	803,659.10	130,749.90	366,709.50
Total Forestry Cooperative Extension	—	2,144,036.60	235,959.60	1,777,327.10	130,749.90	366,709.50
Forestry Research						
State Appropriation						
State General Funds	—	2,894,424.00	—	2,894,424.00	—	—
Other Funds	—	14,428,611.64	1,800,569.64	11,653,128.63	974,913.37	2,775,483.01
Total Forestry Research	—	17,323,035.64	1,800,569.64	14,547,552.63	974,913.37	2,775,483.01
Marine Institute						
State Appropriation						
State General Funds	—	988,234.00	—	988,234.00	—	—
Other Funds	—	1,213,462.92	421,305.92	594,294.02	197,862.98	619,168.90
Total Marine Institute	—	2,201,696.92	421,305.92	1,582,528.02	197,862.98	619,168.90
Marine Resources Extension Center						
State Appropriation						
State General Funds	—	1,516,672.00	—	1,516,672.00	—	—
Other Funds	—	2,023,151.83	85,954.83	1,787,245.95	149,951.05	235,905.88
Total Marine Resources Extension Center	—	3,539,823.83	85,954.83	3,303,917.95	149,951.05	235,905.88
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	166,825.00	—	166,825.00	—	—
Total Public Service / Special Funding Initiatives	—	166,825.00	—	166,825.00	—	—

Skidaway Institute of Oceanography						
State Appropriation						
State General Funds	—	1,485,233.00	—	1,485,233.00	—	—
Other Funds	—	5,240,485.23	938,085.23	2,971,064.91	1,331,335.09	2,269,420.32
Total Skidaway Institute of Oceanography	—	6,725,718.23	938,085.23	4,456,297.91	1,331,335.09	2,269,420.32
Teaching						
State Appropriation						
State General Funds	—	428,705,216.00	—	416,385,623.28	12,319,592.72	12,319,592.72
Federal Coronavirus Relief Funds	—	24,312,156.40	(7,017,215.60)	24,312,156.40	7,017,215.60	—
Other Funds	—	1,118,450,670.44	70,583,620.44	933,336,607.41	114,530,442.59	185,114,063.03
Total Teaching	—	1,571,468,042.84	63,566,404.84	1,374,034,387.09	133,867,250.91	197,433,655.75
Veterinary Medicine Experiment Station						
State Appropriation						
State General Funds	—	4,457,398.00	—	4,457,398.00	—	—
Veterinary Medicine Teaching Hospital						
State Appropriation						
State General Funds	—	469,806.00	—	469,806.00	—	—
Other Funds	—	25,245,335.03	4,245,335.03	20,434,961.79	565,038.21	4,810,373.24
Total Veterinary Medicine Teaching Hospital	—	25,715,141.03	4,245,335.03	20,904,767.79	565,038.21	4,810,373.24
Total Operating Activity	\$ —	\$ 1,857,316,585.54	\$ 97,357,272.54	\$ 1,612,644,896.44	\$ 147,314,416.56	\$ 244,671,689.10

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

UNIVERSITY OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2019 Surplus	Prior Year Adjustments	Other Adjustments
Agricultural Experiment Station					
State Appropriation					
State General Funds	\$ 99,212.69	\$ —	\$ (99,212.69)	\$ 51,671.50	\$ —
Other Funds	27,933,702.09	(27,929,823.69)	(3,878.40)	39,490.64	—
Total Agricultural Experiment Station	28,032,914.78	(27,929,823.69)	(103,091.09)	91,162.14	—
Athens and Tifton Veterinary Laboratories					
Other Funds	1,127,993.36	(1,127,993.36)	—	6,213.83	—
Cooperative Extension Service					
State Appropriation					
State General Funds	110,725.82	—	(110,725.82)	79,517.83	—
Other Funds	9,346,600.94	(9,344,555.67)	(2,045.27)	176,889.52	—
Total Cooperative Extension Service	9,457,326.76	(9,344,555.67)	(112,771.09)	256,407.35	—
Forestry Cooperative Extension					
State Appropriation					
State General Funds	2,269.50	—	(2,269.50)	471.75	—
Other Funds	286,454.21	(286,454.21)	—	5,155.09	—
Total Forestry Cooperative Extension	288,723.71	(286,454.21)	(2,269.50)	5,626.84	—
Forestry Research					
State Appropriation					
State General Funds	863.92	—	(863.92)	2,522.59	—
Other Funds	2,803,816.28	(2,803,125.15)	(691.13)	4,028.24	—
Total Forestry Research	2,804,680.20	(2,803,125.15)	(1,555.05)	6,550.83	—
Marine Institute					
State Appropriation					
State General Funds	—	—	—	—	—
Other Funds	723,928.66	(723,928.66)	—	1,618.71	—
Total Marine Institute	723,928.66	(723,928.66)	—	1,618.71	—
Marine Resources Extension Center					
State Appropriation					
State General Funds	2,000.90	—	(2,000.90)	14,311.36	—
Other Funds	300,326.32	(300,129.82)	(196.50)	(422.18)	—
Total Marine Resources Extension Center	302,327.22	(300,129.82)	(2,197.40)	13,889.18	—
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	—	—	—	—	—
Other Funds	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—

Skidaway Institute of Oceanography					
State Appropriation					
State General Funds	19.30	—	(19.30)	546.82	—
Other Funds	1,567,948.68	(1,567,948.68)	—	1,902.80	—
	<u>1,567,967.98</u>	<u>(1,567,948.68)</u>	<u>(19.30)</u>	<u>2,449.62</u>	<u>—</u>
Total Skidaway Institute of Oceanography					
Teaching					
State Appropriation					
State General Funds	662,221.62	—	(662,221.62)	740,994.44	—
Federal Coronavirus Relief Funds	—	—	—	—	—
Other Funds	139,795,072.16	(139,680,328.22)	(114,743.94)	936,999.11	(159,263.63)
	<u>140,457,293.78</u>	<u>(139,680,328.22)</u>	<u>(776,965.56)</u>	<u>1,677,993.55</u>	<u>(159,263.63)</u>
Total Teaching					
Veterinary Medicine Experiment Station					
State Appropriation					
State General Funds	6,634.66	—	(6,634.66)	1,739.20	—
Veterinary Medicine Teaching Hospital					
State Appropriation					
State General Funds	—	—	—	—	—
Other Funds	3,912,071.20	(3,912,071.20)	—	103,949.05	—
	<u>3,912,071.20</u>	<u>(3,912,071.20)</u>	<u>—</u>	<u>103,949.05</u>	<u>—</u>
Total Veterinary Medicine Teaching Hospital					
Total Operating Activity	188,681,862.31	(187,676,358.66)	(1,005,503.65)	2,167,600.30	(159,263.63)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	1,487,000.00				—
Uncollectible Accounts Receivable	1,020,027.73				159,263.63
	<u>1,487,000.00</u>	<u>1,020,027.73</u>			<u>159,263.63</u>
Budget Unit Totals	<u>\$ 191,188,890.04</u>	<u>\$ (187,676,358.66)</u>	<u>\$ (1,005,503.65)</u>	<u>\$ 2,167,600.30</u>	<u>\$ —</u>

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

UNIVERSITY OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Early Return of Fiscal Year 2020 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Agricultural Experiment Station						
State Appropriation						
State General Funds	\$ —	\$ —	\$ 51,671.50	\$ —	\$ 51,671.50	\$ 51,671.50
Other Funds	—	27,876,249.55	27,915,740.19	27,912,702.71	3,037.48	27,915,740.19
Total Agricultural Experiment Station	—	27,876,249.55	27,967,411.69	27,912,702.71	54,708.98	27,967,411.69
Athens and Tifton Veterinary Laboratories						
Other Funds	—	1,583,036.87	1,589,250.70	1,589,250.70	—	1,589,250.70
Cooperative Extension Service						
State Appropriation						
State General Funds	—	—	79,517.83	—	79,517.83	79,517.83
Other Funds	—	6,701,686.08	6,878,575.60	6,876,249.04	2,326.56	6,878,575.60
Total Cooperative Extension Service	—	6,701,686.08	6,958,093.43	6,876,249.04	81,844.39	6,958,093.43
Forestry Cooperative Extension						
State Appropriation						
State General Funds	—	—	471.75	—	471.75	471.75
Other Funds	—	366,709.50	371,864.59	371,864.59	—	371,864.59
Total Forestry Cooperative Extension	—	366,709.50	372,336.34	371,864.59	471.75	372,336.34
Forestry Research						
State Appropriation						
State General Funds	—	—	2,522.59	—	2,522.59	2,522.59
Other Funds	—	2,775,483.01	2,779,511.25	2,779,383.67	127.58	2,779,511.25
Total Forestry Research	—	2,775,483.01	2,782,033.84	2,779,383.67	2,650.17	2,782,033.84
Marine Institute						
State Appropriation						
State General Funds	—	—	—	—	—	—
Other Funds	—	619,168.90	620,787.61	620,787.61	—	620,787.61
Total Marine Institute	—	619,168.90	620,787.61	620,787.61	—	620,787.61
Marine Resources Extension Center						
State Appropriation						
State General Funds	—	—	14,311.36	—	14,311.36	14,311.36
Other Funds	—	235,905.88	235,483.70	235,483.49	0.21	235,483.70
Total Marine Resources Extension Center	—	235,905.88	249,795.06	235,483.49	14,311.57	249,795.06
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	—	—	—	—	—
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—	—

Skidaway Institute of Oceanography						
State Appropriation						
State General Funds	—	—	546.82	—	546.82	546.82
Other Funds	—	2,269,420.32	2,271,323.12	2,271,323.12	—	2,271,323.12
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Total Skidaway Institute of Oceanography	—	2,269,420.32	2,271,869.94	2,271,323.12	546.82	2,271,869.94
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Teaching						
State Appropriation						
State General Funds	—	12,319,592.72	13,060,587.16	—	13,060,587.16	13,060,587.16
Federal Coronavirus Relief Funds	—	—	—	—	—	—
Other Funds	—	185,114,063.03	185,891,798.51	183,948,964.80	1,942,833.71	185,891,798.51
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Total Teaching	—	197,433,655.75	198,952,385.67	183,948,964.80	15,003,420.87	198,952,385.67
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Veterinary Medicine Experiment Station						
State Appropriation						
State General Funds	—	—	1,739.20	—	1,739.20	1,739.20
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Veterinary Medicine Teaching Hospital						
State Appropriation						
State General Funds	—	—	—	—	—	—
Other Funds	—	4,810,373.24	4,914,322.29	4,914,322.29	—	4,914,322.29
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Total Veterinary Medicine Teaching Hospital	—	4,810,373.24	4,914,322.29	4,914,322.29	—	4,914,322.29
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Total Operating Activity	—	244,671,689.10	246,680,025.77	231,520,332.02	15,159,693.75	246,680,025.77
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Prior Year Reserves						
Not Available for Expenditure						
Inventories			1,487,000.00	1,487,000.00		1,487,000.00
Uncollectible Accounts Receivable			1,179,291.36	1,179,291.36		1,179,291.36
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Budget Unit Totals	\$ —	\$ 244,671,689.10	\$ 249,346,317.13	\$ 234,186,623.38	\$ 15,159,693.75	\$ 249,346,317.13
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		Capital Outlay	\$ 9,195,805.22	\$ —	\$ 9,195,805.22	
		Departmental Sales and Services	43,933,061.73	—	43,933,061.73	
		Indirect Cost Recovery	55,455,933.33	—	55,455,933.33	
		Technology Fees	12,690,940.44	—	12,690,940.44	
		Restricted/Sponsored Funds	97,407,297.65	—	97,407,297.65	
		Tuition Carry-Forward	12,837,293.65	—	12,837,293.65	
		Uncollectible Accounts Receivable	1,179,291.36	—	1,179,291.36	
		Inventories	1,487,000.00	—	1,487,000.00	
		Surplus	—	15,159,693.75	15,159,693.75	
			<hr/>	<hr/>	<hr/>	
			\$ 234,186,623.38	\$ 15,159,693.75	\$ 249,346,317.13	

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