ALBANY STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2017

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Albany State University
Foundation, Inc. and Subsidiaries
Albany, Georgia

We have audited the accompanying consolidated financial statements of **Albany State University Foundation, Inc. and Subsidiaries** (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Albany State University Foundation, Inc. and Subsidiaries as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As described in Note 15, the consolidated financial statements were adjusted for the year ended June 30, 2016 to reflect the net activity of the single member LLC's wholly owned by the Foundation as unrestricted net assets. In addition, the consolidated financial statements were adjusted for the year ending June 30, 2016 to reflect net assets by the appropriate donor-imposed restricted net asset classification as defined by Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. In addition, the consolidated financial statements were adjusted for the year ending June 30, 2016 to reflect the rental agreements entered into with the Board of Regents of the University System of Georgia (BOR) as net investments in direct financing leases. In addition, the consolidated financial statements were adjusted for the year ending June 30, 2016 to reflect the net bond issuance costs using the effective interest method. In addition, the consolidated financial statements were adjusted for the year ending June 30, 2016 to reflect the net bond original issued premium using the effective interest method. Our opinion in not modified with respect to these matters.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 24 - 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 22, 2017

ALBANY STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS	
Cash and cash equivalents	$ 1,874,381
Net investments in direct financing leases	64,010,243
Investments	1,760,685
Investments in real estate	470,000
Property and equipment, net	263,875
Assets limited as to use	14,394,096
Total assets	$ 82,773,280
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 150
Accounts payable - related party	86,781
Accrued interest payable	1,688,525
Line of credit	99,631
Bonds payable, net	69,835,581
Total liabilities	71,710,668
Net assets	
Unrestricted	8,702,342
Temporarily restricted	1,250,040
Permanently restricted	1,110,230
Total net assets	11,062,612
Total liabilities and net assets	$ 82,773,280

See Notes to Consolidated Financial Statements.

ALBANY STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions and special events	$ 925,668	$ 268,351	$ 40,403	$ 1,234,422
Investment income	277,643	50,063	-	327,706
Net realized and unrealized gains on investments	6,989	70,271	-	77,260
Donated goods and services	199,788	-	-	199,788
Leasing income:				
Rental income	401,005	-	-	401,005
Interest income on direct financing lease	3,798,913	-	-	3,798,913
Total leasing income	4,199,918	-	-	4,199,918
Net assets released from restrictions:				
Satisfaction of program restrictions	151,625	(151,625)	-	-
Total revenues and other support	5,761,631	237,060	40,403	6,039,094
EXPENSES				
Program services				
Academic and education	176,648	-	-	176,648
Student affairs	20,000	-	-	20,000
Other program support	320,291	-	-	320,291
Campus facilities:				
Insurance	104,193	-	-	104,193
Interest expense	3,410,661	-	-	3,410,661
Professional fees	73,000	-	-	73,000
Property operating expenses	1,279,105	-	-	1,279,105
Other operating expenses	25,467	-	-	25,467
Total campus facilities	4,892,426	-	-	4,892,426
Total program services	5,409,365	-	-	5,409,365
Support services				
Administration and general	510,819	-	-	510,819
Fundraising	156,495	-	-	156,495
Total support services	667,314	-	-	667,314
Total expenses	6,076,679	-	-	6,076,679
CHANGE IN NET ASSETS	(315,048)	237,060	40,403	(37,585)
NET ASSETS, BEGINNING (As previously stated)	98,945	5,169,343	2,083,699	7,351,987
PRIOR PERIOD ADJUSTMENTS (see Note 15)	8,918,445	(4,156,363)	(1,013,872)	3,748,210
NET ASSETS, BEGINNING (As restated)	9,017,390	1,012,980	1,069,827	11,100,197
NET ASSETS, ENDING	$ 8,702,342	$ 1,250,040	$ 1,110,230	$ 11,062,612

See Notes to Consolidated Financial Statements.

ALBANY STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

OPERATING ACTIVITIES	
Change in net assets	$ (37,585)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized (gains) on investments	(77,260)
Depreciation expense	10,193
Amortization of bond issuance costs	251,512
Amortization of original bond issue net (premium) discount	(86,885)
Contributions restricted for long-term investments	(40,403)
Contribution of land held for investment	(300,000)
Decrease in accounts payable	(105,416)
Increase in accounts payable - related party	86,781
Decrease in accrued interest payable	(28,444)
Net cash used in operating activities	(327,507)
INVESTING ACTIVITIES	
Principal received on net investments in direct financing leases	1,407,734
Proceeds from the sale of investments	134,274
Net cash provided by investing activities	1,542,008
FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in endowment	40,403
Bond redemption	(1,705,000)
Net proceeds from funds held by Trustee	1,900,483
Net cash provided by financing activities	235,886
Net increase in cash and cash equivalents	1,450,387
Cash and cash equivalents, at beginning of year	423,994
Cash and cash equivalents, at end of year	$ 1,874,381
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid	$ 3,405,494

See Notes to Consolidated Financial Statements.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

Albany State University Foundation, Inc. and Subsidiaries (the "Foundation") is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Foundation was formed and incorporated under the laws of the state of Georgia in 1969. The purpose of the Foundation is to support Albany State University (the "University") located in Albany, Georgia. The Foundation's support comes primarily from contributions and grants from alumni, corporations, foundations, other individuals and from leasing activities with Albany State University.

Significant accounting policies:

Basis of presentation:

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

The Foundation presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of the Foundation in accordance with the limitations of its bylaws. Board designated net assets are unrestricted but are designated by the Board to be spent for specific purposes. Temporarily restricted net assets are subject to donor-imposed restrictions that may be met either by the actions of the Foundation or the passage of time. Permanently restricted net assets are permanently subject to donor imposed restrictions.

Basis of consolidation:

The consolidated financial statements of Albany State University Foundation, Inc. and Subsidiaries include the accounts of the Albany State University Foundation, Inc., the ASU Real Estate Foundation, LLC (incorporated in February 2005 for the purpose of constructing student housing on the East Campus), and the Campus Facilities I, LLC (incorporated in April 2010 for the purpose of constructing student housing and a student center on the East Campus). The Foundation is the sole member of the LLC's. Intercompany accounts and all significant intercompany transactions have been eliminated.

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

Significant accounting policies: (Continued)

Contributions:

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value. Conditional promises to give are recognized when the conditions are substantially met. The allowance for doubtful pledges is based on specifically identified amounts that the Foundation believes to be uncollectible, plus certain percentages of aged pledged receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's donor base. If actual collection experience changes, revisions to the allowance may be required.

Cash and cash equivalents:

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased.

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

Property and equipment:

Property and equipment are stated at historical cost. Substantially all property is made up of rental property and golf cart vehicles that range in useful lives from five to thirty years. Depreciation is computed on the straight-line method over the estimated useful lives.

Maintenance and repair items are charged to operations and major improvements are capitalized.

Donor imposed restrictions:

The Foundation recognizes the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Temporarily restricted accounting:

Endowment and other income, including investment returns, along with private gifts which have donor stipulations that limit their use, are recorded as revenue under temporarily restricted net assets and released from restrictions when a stipulated time restriction ends or purpose restriction expires or is satisfied. The related expenses are presented as changes in unrestricted net assets.

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

Significant accounting policies: (Continued)

Endowment accounting:

Permanent endowment funds are subject to the restrictions of the gift instruments which require that the principal be invested in perpetuity. Unless explicitly stated in the gift instrument, accumulated investment income and realized and unrealized gains of the permanent endowment funds have been classified as temporarily restricted net assets. See Note 13 for discussion on endowment accounting.

Donated goods and services:

Donated goods and services are reflected as contributions in the accompanying consolidated financial statements at their estimated values at the date of receipt. Donated goods and service expense, which primarily represents salaries, supplies, and rents paid by the University on behalf of the Foundation, is reflected under supporting services as administration and general and fundraising expenses in the accompanying consolidated statement of activities. Donated goods and services totaled $199,788 for the year ended June 30, 2017.

Investments:

Investments, including investments held by trustees, consist primarily of money market accounts, mutual funds, fixed income securities, and equity securities and are carried at fair value. Investment expenses incurred totaled $25,213 for the year ended June 30, 2017.

Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as income or loss. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying consolidated financial statements.

Investments in real estate:

Investment in real estate consists of donated real estate property that the Foundation has received and intends to sell. Donated investments in real estate are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as income or loss.

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

Significant accounting policies: (Continued)

Investments in direct financing-type leases:

The Foundation leases real estate to the Board of Regents, a related party. The leases are accounted for as direct financing-type leases. The present value of the minimum lease payments is recorded as an asset and is amortized using the effective interest method as payments are received. The difference between gross minimum lease payments and the present value of the gross minimum lease payments is recorded as unearned income and is amortized as payments are received. In accordance with its stated purpose as a not-for-profit organization, the Foundation structures its lease agreements to provide rental proceeds to meet related debt service, interest expenses, and administrative and operating expenses. The terms of this lease agreement are considered more favorable than commercial terms on similar facilities and equipment. The lessee is responsible for the payment of property taxes, routine maintenance, insurance, and other costs incidental to the use of the facilities. The lease agreements generally provide for an initial rental period with renewable terms that extend over the term of the debt financing the leased property. The lease agreements are cancelable by the lessee at specified times during the lives of the leases. Leases with agencies of the State of Georgia are for no longer than one year, with renewable options.

Lease payments are structured, together with debt service reserves included in assets limited as to use, to provide sufficient funds to meet the debt service provided all renewal terms are exercised.

Debt issuance costs:

Debt issuance costs, comprised principally of underwriting, legal, accounting, and printing fees, are recorded as a decrease of the face amount of bonds payable and amortized over the term of the debt using the effective interest method. As of June 30, 2017, the accumulated amortization totaled $1,173,865.

Bond premiums and discounts:

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

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

Significant accounting policies: (Continued)

Use of estimates:

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

Fair value of financial instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents - The carrying amount approximates fair value because of the short-term maturity of these instruments.

Investments - Investments are carried at fair value based on quoted market prices for those or similar investments.

Bond proceeds restricted for debt service and reserves - Funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

Operating funds held by trustee - Funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

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

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

The Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

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

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

For the year ended June 30, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

Income tax status:

The Foundation qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a publicly supported organization and not as a private foundation. However, income from certain activities not directly related to the Foundation’s tax-exempt purpose is subject to taxation as unrelated business income.

ASU Real Estate Foundation, LLC and Campus Facilities I, LLC are both treated as single member LLC’s for federal and state income tax purposes. Since the Foundation is the sole member of these LLC’s, all income, losses, and credits are reported on the Foundation’s income tax returns.

The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation’s tax-exempt status would not have a material effect on the Foundation’s consolidated financial statements.

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

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as required by FASB's *Not-for-Profit* presentation and disclosure guidance.

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

Significant accounting policies: (Continued)

New accounting pronouncements:

In 2017, the Foundation adopted Accounting Standards Update 2015-03, which is available to not-for-profit organizations to simplify the presentation of debt issuance costs. Under the newly adopted standard, the Foundation now presents debt issuance costs as a direct deduction from the applicable debt liability. The effect of adopting the new standard changes the presentation of the statement of financial position and the details in Note 9.

NOTE 2. CONCENTRATION OF CREDIT RISK

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

At times, the balance of the Foundation's accounts may exceed the federally insured limits. As of June 30, 2017, the Foundation's uninsured cash balances totaled $1,522,413. The Foundation has not experienced any losses on its cash balances and believes it is not exposed to any significant credit risk on cash.

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2017, unconditional promises to give consisted of the following:

Unrestricted pledges	$	67,000
Less allowance for uncollectible pledges		67,000
	$	-

Amount due in:		
Less than one year	$	67,000

NOTE 4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 59,720	$ -	$ -	$ 59,720
Mutual funds	765,557	-	-	765,557
Equity securities	888,365	-	-	888,365
Fixed income securities	47,043	-	-	47,043
Investments in real estate	-	-	470,000	470,000
Total investments at fair value	$ 1,760,685	$ -	$ 470,000	$ 2,230,685

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2017:

	Level 3 Assets Year Ended June 30, 2017
Balance, beginning of year	$ 174,000
Contributions	300,000
Unrealized losses	(4,000)
Balance, end of year	$ 470,000

NOTE 5. INVESTMENTS IN DIRECT FINANCING LEASES

The Foundation's leasing operations consist of leasing real estate with the University and Board of Regents for the operation and management of student housing facilities and a student center facility, located on the East campus, under a direct financing-type lease expiring in June 2040.

Following is a summary of the Foundation's net investment in a direct financing-type lease at June 30, 2017:

Total minimum lease payments to be received	$ 109,758,416
Less unearned income	45,748,173
Net investment	$ 64,010,243

NOTE 5. INVESTMENTS IN DIRECT FINANCING LEASES (Continued)

Net minimum lease payments to be received as of June 30, 2017 for each of the next five years are:

June 30,		
2018	$	1,559,650
2019		1,727,985
2020		1,894,304
2021		2,095,151
2022		2,300,038
Thereafter		54,433,115
	$	64,010,243

NOTE 6. PROPERTY AND EQUIPMENT

As of June 30, 2017, property and equipment consists of the following:

	Life		
Land – rental property	-	$	47,923
Buildings – rental property	30		252,077
Golf carts	5		8,950
			308,950
Less accumulated depreciation			45,075
		$	263,875

For the year ending June 30, 2017, depreciation expense was $10,193.

NOTE 7. ASSETS LIMITED AS TO USE

The financing of the purchase of various facilities including student housing and a student center are subject to the terms of Trust Indentures between the Albany-Dougherty Inner City Authority and Trustees. Under the provisions of the Trust Indenture, Debt Service Reserve Funds will be used to pay principal of, premium, if any, and interest on the bonds if sufficient funds are on deposit with the Trustees on the date such payment is due. The Trust Indenture also provides for other funds, including the Replacement Funds.

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

Operating and Maintenance Funds were established to be used for budgeted operating expenses.

NOTE 7. ASSETS LIMITED AS TO USE (Continued)

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

Project Construction Funds were established to maintain bond proceeds that will be used to fund construction.

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

A summary of the assets limited as to use held by the Trustee under the Trust Indenture as of June 30, 2017 are as follows:

Debt Service Reserve Funds	$ 5,612,303
Interest Funds	713,610
Operating Reserve Funds	1,534,025
Principal Funds	860,313
Project Construction Funds	1,258,543
Replacement & Reserve Funds	2,470,153
Revenue Funds	1,945,149
	$ 14,394,096

NOTE 8. LINE OF CREDIT

During the year ended June 30, 2016, the Foundation entered into an open and revolving line of credit of $150,000 with a financial institution to provide financing for the Rams in the Roses campaign. The line of credit is unsecured, bears interest at the 30 day LIBOR plus 4.00% (5.05% at June 30, 2017), and is payable on demand. As of June 30, 2017, there was an outstanding borrowing of $99,631. Interest expense incurred from the line of credit totaled $4,383 for the year ended June 30, 2017.

NOTE 9. BONDS PAYABLE

Series 2005 ASU Real Estate Foundation Student Housing Project Bonds Payable:

During the year ended June 30, 2005, the Albany-Dougherty Inner City Authority issued revenue bonds and loaned the proceeds to the Foundation. The Series 2005A and B bonds were issued to finance the construction of student housing facilities located on the East campus. The bonds were issued in the aggregate principal amount of $34,230,000.

NOTE 9. BONDS PAYABLE (Continued)

The bonds consist of two series, the "Revenue Bonds 2005A" in the amount of $33,110,000, and the "Taxable Revenue Bonds 2005B" in the amount of $1,210,000.

The Series 2005A bonds will mature on July 1, 2034, subject to mandatory and optional redemption provisions. The Series 2005B bonds matured on July 1, 2012. The bonds bear interest, payable semiannually on January 1st and July 1st, commencing January 1, 2006, at a fixed interest rate set at issuance.

Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the University Facilities, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2005 non-taxable bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (July 1st of fiscal year,)	Principal	Interest	Total
2018	860,000	1,393,625	2,253,625
2019	955,000	1,355,425	2,310,425
2020	1,060,000	1,313,025	2,373,025
2021	1,170,000	1,266,225	2,436,225
2022	1,290,000	1,214,625	2,504,625
Thereafter	25,015,000	7,945,324	32,960,324
	$ 30,350,000	$ 14,488,249	$ 44,838,249

Series 2010 Campus Facilities I Student Housing and Student Center Project Bonds Payable:

During the year ended June 30, 2010, the Albany-Dougherty Inner City Authority issued revenue bonds and loaned the proceeds to the Foundation. The Series 2010 bonds were issued to finance the construction of student housing facilities and a student center located on the East campus. The bonds were issued in the aggregate principal amount of $45,520,000.

The Series 2010 bonds will mature on July 1, 2040, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 1st and July 1st, commencing January 1, 2011, at a fixed interest rate set at issuance.

NOTE 9. BONDS PAYABLE (Continued)

Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 2.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the University Facilities, such that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2010 non-taxable bonds redeemed in the principal and interest amounts set forth in the following table:

Redemption Date (July 1st of fiscal year,)	Principal	Interest	Total
2018	970,000	1,918,575	2,888,575
2019	1,000,000	1,873,575	2,873,575
2020	1,050,000	1,826,325	2,876,325
2021	1,090,000	1,777,275	2,867,275
2022	1,140,000	1,720,275	2,860,275
Thereafter	35,765,000	17,962,112	53,727,112
	$ 41,015,000	$ 27,078,137	$ 68,093,137

A summary of the components of bonds payable at June 30, 2017 are as follows:

Series 2005 Student Housing Facility bonds	**$ 30,350,000**
Series 2010 Student Housing & Student Center Facility bonds	**41,015,000**
Unamortized bond issuance costs, net	**(1,467,351)**
Unamortized original issue discount, net	**(62,068)**
	$ 69,835,581

Bond interest expense incurred totaled $3,410,661 for the year ended June 30, 2017.

NOTE 10. LEASES

The Foundation (the "Lessee") entered into a ground lease in June 2005 with the Board of Regents of the University System of Georgia (the "Lessor") for the purpose of erecting, operating, and maintaining student housing facilities located on the East campus. The primary term of the ground lease is twenty-eight years, with a Lessee option to extend for an additional five years. The Lessee agreed to pay the Lessor the sum of ten dollars per year in advance upon execution of the lease.

NOTE 10. LEASES (Continued)

The Foundation (the “Lessee”) entered into a ground lease in August 2010 with the Board of Regents of the University System of Georgia (the “Lessor”) for the purpose of erecting, operating, and maintaining student housing facilities and a student center facility located on the East campus. The primary term of the ground lease is thirty years, with a Lessee option to extend for an additional five years. The Lessee agreed to pay the Lessor the sum of ten dollars per year in advance upon execution of the lease.

NOTE 11. RESTRICTIONS ON NET ASSETS

At June 30, 2017, temporarily restricted net assets are available for the following purposes:

Program support	$	136,294
Scholarships		1,113,746
	$	1,250,040

At June 30, 2017, temporarily restricted net assets consist of the following:

Cash and cash equivalents	$	623,589
Due to the unrestricted operating account		(25,000)
Investments		651,451
	$	1,250,040

At June 30, 2017, permanently restricted net assets are available for the following purposes:

Chair & professorship support	$	9,452
Program support		22,961
Scholarships		1,077,817
	$	1,110,230

At June 30, 2017, permanently restricted net assets consist of the following:

Cash	$	239,094
Investments		871,136
	$	1,110,230

NOTE 12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2017 by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose restrictions accomplished:

University support	$	148,576
Scholarships		3,049
	$	151,625

NOTE 13. ENDOWMENT

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the Foundation, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

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

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. At June 30, 2017, the Foundation did not have any deficiencies in the endowment.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds.

NOTE 13. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation's Board of Trustees determines the method to be used to appropriate endowment funds for expenditure. The Foundation has a spending policy whereby a certain percentage (generally not to exceed 5% of the fair value of endowment net assets each year) may be distributed for purposes of supporting unrestricted and temporarily restricted activities.

The Endowment Net Asset Composition by type of Fund as of June 30, 2017 are:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 710,687	$ 1,110,230	$ 1,820,917
Board-designated endowment funds	197,902	-	-	197,902
	$ 197,902	$ 710,687	$ 1,110,230	$ 2,018,819

The Changes in Endowment Net Assets for the year ended June 30, 2017 are:

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 179,408	$ 551,077	$ 1,069,827	$ 1,800,312
Investment return (including investment income, realized and unrealized gains)	18,494	120,334	-	138,828
Contributions	-	39,276	40,403	79,679
Endowment net assets, end of year	$ 197,902	$ 710,687	$ 1,110,230	$ 2,018,819

NOTE 13. ENDOWMENT (Continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently Restricted Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	$ 1,110,230
Total endowment funds classified as permanently restricted net assets	$ 1,110,230
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
With purpose restrictions	$ 710,687
Total endowment funds classified as temporarily restricted net assets	$ 710,687

NOTE 14. RELATED PARTY TRANSACTIONS

At June 30, 2017, the Foundation had payables to the University for awarded scholarship and department reimbursement payments in the amount of $86,781.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

The consolidated financial statements were adjusted for the year ended June 30, 2016 to reflect net activity of ASU Real Estate Foundation, LLC and Campus Facilities I, LLC (the single member LLCs wholly-owned by the Foundation) as unrestricted net assets as defined by FASB's *Not-For-Profit* presentation and disclosure guidance. This adjustment had the effect of decreasing temporarily restricted net assets by $4,592,338, and increasing unrestricted net assets by $4,592,338 at June 30, 2016. This adjustment had no effect on the change in net assets for the year ending June 30, 2016.

The consolidated financial statements were adjusted for the year ended June 30, 2016 to reflect net assets by the appropriate donor-imposed restricted net asset classification as defined by FASB's *Not-For-Profit* presentation and disclosure guidance. This adjustment had the effect of decreasing permanently restricted net assets by $1,013,872, increasing unrestricted net assets by $577,897, and increasing temporarily restricted net assets by $435,975 at June 30, 2016. This adjustment had no effect on the change in net assets for the year ending June 30, 2016.

The consolidated financial statements were adjusted for the year ended June 30, 2016 to reflect the rental agreements entered into with the System of Georgia's Board of Regents (and Albany State University) as investments in direct financing leases. The rental agreements were not originally cast using actual construction costs. Furthermore, the rental agreements were not being amortized using the effective interest method. This adjustment had the effect of increasing unrestricted net assets by $3,106,966 at June 30, 2016. This adjustment also had the effect of increasing the change in net assets by $627,530 for the year ending June 30, 2016.

NOTE 15. PRIOR PERIOD ADJUSTMENTS (Continued)

The consolidated financial statements were adjusted for the year ended June 30, 2016 to reflect the bond issuance costs being amortized using the effective interest method. This adjustment had the effect of decreasing unrestricted net assets by $223,011 at June 30, 2016. This adjustment also had the effect of decreasing the change in net assets by $32,743 for the year ending June 30, 2016.

The consolidated financial statements were adjusted for the year ended June 30, 2016 to reflect the bond original issued premiums (discounts) being amortized using the effective interest method. This adjustment had the effect of increasing unrestricted net assets by $864,255 at June 30, 2016. This adjustment also had the effect of increasing the change in net assets by $43,900 for the year ending June 30, 2016.

NOTE 16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through December 22, 2017, the date on which the financial statements were available to be issued.

ALBANY STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Albany State University Foundation, Inc.	ASU Real Estate Foundation, LLC	Campus Facilities I, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 1,874,381	$ -	$ -	$ -	$ 1,874,381
Inter-company receivables	-	858,870	266,199	1,125,069	-
Net investments in direct financing leases	-	27,685,343	36,324,900	-	64,010,243
Investments	1,760,685	-	-	-	1,760,685
Investments in real estate	470,000	-	-	-	470,000
Property and equipment, net	263,875	-	-	-	263,875
Assets limited as to use	-	7,367,218	7,026,878	-	14,394,096
Total assets	$ 4,368,941	$ 35,911,431	$ 43,617,977	$ 1,125,069	$ 82,773,280
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	$ 150	$ -	$ -	$ -	$ 150
Accounts payable - related party	86,781	-	-	-	86,781
Inter-company payables	1,125,069	-	-	1,125,069	-
Accrued interest payable	-	713,475	975,050	-	1,688,525
Line of credit	99,631	-	-	-	99,631
Bonds payable, net	-	29,790,126	40,045,455	-	69,835,581
Total liabilities	1,311,631	30,503,601	41,020,505	1,125,069	71,710,668
Net assets					
Unrestricted	697,040	5,407,830	2,597,472	-	8,702,342
Temporarily restricted	1,250,040	-	-	-	1,250,040
Permanently restricted	1,110,230	-	-	-	1,110,230
Total net assets	3,057,310	5,407,830	2,597,472	-	11,062,612
Total liabilities and net assets	$ 4,368,941	$ 35,911,431	$ 43,617,977	$ 1,125,069	$ 82,773,280

See Note to Supplemental Information.

ALBANY STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Albany State University Foundation, Inc.	ASU Real Estate Foundation, LLC	Campus Facilities I, LLC	Eliminations	Total
REVENUES AND OTHER SUPPORT					
Contributions and special events	$ 1,234,422	$ -	$ -	$ -	$ 1,234,422
Investment income	46,691	189,585	91,430	-	327,706
Net realized and unrealized gains (losses) on investments	114,822	(37,562)	-	-	77,260
Donated goods and services	199,788	-	-	-	199,788
Leasing income:					
Rental income	21,159	189,795	190,051	-	401,005
Interest income on direct financing leases	-	1,566,781	2,232,132	-	3,798,913
Total leasing income	21,159	1,756,576	2,422,183	-	4,199,918
Total revenues and other support	1,616,882	1,908,599	2,513,613	-	6,039,094
EXPENSES					
Program services					
Academic and education	176,648	-	-	-	176,648
Student affairs	20,000	-	-	-	20,000
Other program support	320,291	-	-	-	320,291
Campus facilities:					
Insurance	60,000	31,917	12,276	-	104,193
Interest expense	-	1,482,092	1,928,569	-	3,410,661
Professional fees	59,000	7,000	7,000	-	73,000
Property operating expenses	-	1,279,105	-	-	1,279,105
Other operating expenses	15,968	9,499	-	-	25,467
Total campus facilities	134,968	2,809,613	1,947,845	-	4,892,426
Total program services	651,907	2,809,613	1,947,845	-	5,409,365
Support services					
Administration and general	510,819	-	-	-	510,819
Fundraising	156,495	-	-	-	156,495
Total support services	667,314	-	-	-	667,314
Total expenses	1,319,221	2,809,613	1,947,845	-	6,076,679
CHANGE IN NET ASSETS	297,661	(901,014)	565,768	-	(37,585)
NET ASSETS, BEGINNING (As previously stated)	2,759,649	3,901,403	690,935	-	7,351,987
PRIOR PERIOD ADJUSTMENTS (see Note 15)	-	2,407,441	1,340,769	-	3,748,210
NET ASSETS, BEGINNING (As restated)	2,759,649	6,308,844	2,031,704	-	11,100,197
NET ASSETS, ENDING	$ 3,057,310	$ 5,407,830	$ 2,597,472	$ -	$ 11,062,612

See Note to Supplemental Information.

NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS

For the year ended June 30, 2017, the Foundation has presented the investment in subsidiaries at cost on the consolidating financial statements.