Georgia State University Foundation

Financial Audit Report
June 30, 2020

GEORGIA STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT
JUNE 30, 2020

TABLE OF CONTENTS

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Georgia State University Foundation, Inc.
Atlanta, Georgia

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GA 30339-5946 • 770-955-8600 • 800-277-0080 • FAX 770-980-4489 • www.mjcpa.com
Members of The American Institute of Certified Public Accountants

Opinion

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 17, 2020

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	**$ 5,944,158**	$ 7,176,214
Pledges receivable, net	**10,393,531**	11,550,293
Accounts receivable and other assets	**790,995**	798,212
Investments	**241,100,026**	246,445,695
Net investment in direct financing leases	**113,915,087**	117,690,305
Restricted assets - deposits with bond trustee	**8,023,859**	8,422,673
Restricted assets - projects in progress	**1,352,012**	17,294
Cash surrender value of life insurance	**1,621,674**	1,567,998
Property, improvements and equipment, net	**14,606,183**	15,271,982
Deferred tax asset, net	**940,288**	992,214
Assets held for affiliates	**2,373,921**	2,344,706
Total assets	**$ 401,061,734**	$ 412,277,586
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 2,413,747**	$ 2,816,266
Deferred revenue	**1,265,757**	1,270,067
Deferred lease cost	**4,410,299**	5,434,495
Obligation under split-interest agreements	**1,153,932**	1,239,720
Bonds payable, net	**123,620,582**	129,377,927
Accrued interest on bonds payable	**1,364,586**	1,390,681
Assets held for affiliates	**2,373,921**	2,344,706
Total liabilities	**136,602,824**	143,873,862
Net assets		
Without donor restrictions	**40,865,159**	36,656,096
With donor restrictions	**223,593,751**	231,747,628
Total net assets	**264,458,910**	268,403,724
Total Liabilities and Net Assets	**$ 401,061,734**	$ 412,277,586

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	Without donor restrictions	With donor restrictions	Total 2020	Total 2019
Revenue, gains, and other support				
Contributions	$ 2,864,484	$ 12,338,130	$ 15,202,614	$ 20,275,927
Rental income	4,746,662	4,255,055	9,001,717	8,747,463
Income from investment in direct financing leases	8,036,830	-	8,036,830	9,254,341
Net investment return	2,223,004	(2,624,925)	(401,921)	13,328,582
Change in:				
Value of split-interest agreements	-	86,722	86,722	569,166
Cash surrender value of life insurance	416	53,259	53,675	43,806
Other income	52,164	961,807	1,013,971	1,497,843
Total revenues and gains	17,923,560	15,070,048	32,993,608	53,717,128
Net assets released from restrictions	23,223,925	(23,223,925)	-	-
Total revenues, gains, and other support	41,147,485	(8,153,877)	32,993,608	53,717,128
Expenses				
Program services				
Capital projects, equipment, and repairs	10,741,754	-	10,741,754	27,669,114
Operations	8,682,752	-	8,682,752	11,050,575
Faculty and staff	5,281,070	-	5,281,070	5,126,685
Scholarships and awards	7,718,200	-	7,718,200	7,994,573
Total program services	32,423,776	-	32,423,776	51,840,947
Management and general	3,738,610	-	3,738,610	3,903,888
Fundraising	724,110	-	724,110	1,020,436
Total expenses	36,886,496	-	36,886,496	56,765,271
Excess (deficit) of revenues over expenses	4,260,989	(8,153,877)	(3,892,888)	(3,048,143)
Change in value of deferred tax asset	(51,926)	-	(51,926)	992,214
Change in net assets	4,209,063	(8,153,877)	(3,944,814)	(2,055,929)
Net assets at beginning of year	36,656,096	231,747,628	268,403,724	270,459,653
Net assets at end of year	$ 40,865,159	$ 223,593,751	$ 264,458,910	$ 268,403,724

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue, gains, and other support			
Contributions	$ 2,629,598	$ 17,646,329	$ 20,275,927
Rental income	4,605,912	4,141,551	8,747,463
Income from investment in direct financing leases	9,254,341	-	9,254,341
Net investment return	3,851,082	9,477,500	13,328,582
Change in:			
Value of split-interest agreements	-	569,166	569,166
Cash surrender value of life insurance	446	43,360	43,806
Other income	487,339	1,010,504	1,497,843
Total revenues and gains	20,828,718	32,888,410	53,717,128
Net assets released from restrictions	30,149,265	(30,149,265)	-
Total revenues, gains, and other support	50,977,983	2,739,145	53,717,128
Expenses			
Program services			
Capital projects, equipment, and repairs	27,669,114	-	27,669,114
Operations	11,050,575	-	11,050,575
Faculty and staff	5,126,685	-	5,126,685
Scholarships and awards	7,994,573	-	7,994,573
Total program services	51,840,947	-	51,840,947
Management and general	3,903,888	-	3,903,888
Fundraising	1,020,436	-	1,020,436
Total expenses	56,765,271	-	56,765,271
Excess of revenues over expenses	(5,787,288)	2,739,145	(3,048,143)
Change in value of deferred tax asset	992,214	-	992,214
Change in net assets	(4,795,074)	2,739,145	(2,055,929)
Net assets at beginning of year	41,451,170	229,008,483	270,459,653
Net assets at end of year	$ 36,656,096	$ 231,747,628	$ 268,403,724

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	**$ (3,944,814)**	$ (2,055,929)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Facilities enhancement projects transferred to the University	**2,874,252**	2,736,253
Contributions restricted for investment endowment	**(2,659,273)**	(6,838,054)
Depreciation and amortization	**811,572**	745,206
Amortization of deferred revenue	**(4,310)**	20,067
Amortization of original bond issue premium/discount	**(1,793,118)**	(1,883,481)
Change in the value of split-interest agreements	**(139,464)**	(518,881)
Change in the value of deferred tax asset	**51,926**	(992,214)
Net realized and unrealized losses (gains) on investments	**6,290,744**	(5,839,244)
Decrease in pledges receivable	**1,156,762**	2,591,537
Decrease (increase) in accounts receivable and other assets	**7,217**	(288,922)
Increase in bond funded projects	**(4,208,970)**	(1,531,074)
(Decrease) increase in accounts payables and accrued expenses	**(428,614)**	297,971
Decrease in deferred lease cost	**(1,024,196)**	(912,044)
Net cash used in operating activities	**(3,010,286)**	(14,468,809)
INVESTING ACTIVITIES		
Principal received on net investments and direct financing leases	**3,775,218**	4,173,903
Proceeds on sale of investments	**103,226,587**	54,464,329
Purchases of investments	**(104,171,662)**	(56,161,149)
Purchases of property and equipment	**-**	(538,323)
Net cash provided by investing activities	**2,830,143**	1,938,760
FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	**2,659,273**	6,838,054
Payments on capital lease obligations	**-**	(617,900)
Payments on bonds payable	**(4,110,000)**	(5,090,000)
Net cash (used in) provided by financing activities	**(1,450,727)**	1,130,154
Net (decrease) in cash and cash equivalents	**(1,630,870)**	(11,399,895)
Cash and cash equivalents at beginning of year	**15,598,887**	26,998,782
Cash and cash equivalents at end of year	**$ 13,968,017**	$ 15,598,887
Operating	**$ 5,944,158**	$ 7,176,214
Restricted assets - deposits with bond trustee	**8,023,859**	8,422,673
	$ 13,968,017	$ 15,598,887
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the year	**$ 5,254,325**	$ 5,500,274

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

		Supporting services		
	Program services	Management and general	Fundraising	Total expenses
Grants and other assistance to University	$ 16,088,139	$ -	$ -	$ 16,088,139
Salaries and benefits	100,760	2,631,477	-	2,732,237
Professional fees	448,690	190,233	141,334	780,257
Advertising and promotion	65,640	175,340	61,567	302,547
Office expenses	1,618,646	124,337	53,682	1,796,665
Information technology	-	59,306	-	59,306
Facilities	7,673,227	1,630	9,250	7,684,107
Travel	587,778	73,108	56,656	717,542
Conferences, conventions and meetings	396,953	201,195	315,103	913,251
Interest	3,580,884	-	-	3,580,884
Depreciation	665,798	-	-	665,798
Insurance	36,308	75,484	-	111,792
Events	526,189	108,072	81,253	715,514
Minor equipment	435,906	2,084	-	437,990
Dues and professional memberships	59,684	96,344	5,265	161,293
Gift annuity benefit payments	139,174	-	-	139,174
Total expenses	$ 32,423,776	$ 3,738,610	$ 724,110	$ 36,886,496

See Notes to Consolidated Financial Statements.

GEORGIA STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

		Supporting Services		
	Program services	Management and general	Fundraising	Total expenses
Grants and other assistance to University	$ 33,523,343	$ -	$ -	$ 33,523,343
Salaries and benefits	-	2,436,678	-	2,436,678
Professional fees	807,429	276,354	366,240	1,450,023
Advertising and promotion	201,569	305,733	78,663	585,965
Office expenses	1,584,572	125,023	53,056	1,762,651
Information technology	-	50,363	-	50,363
Facilities	7,458,771	2,757	16,424	7,477,952
Travel	1,271,759	70,182	71,192	1,413,133
Conferences, conventions and meetings	741,648	342,273	284,840	1,368,761
Interest	3,770,674	-	-	3,770,674
Depreciation	647,101	-	-	647,101
Insurance	68,887	29,795	-	98,682
Events	773,223	145,294	145,133	1,063,650
Minor equipment	297,612	9,878	-	307,490
Dues and professional memberships	71,991	109,558	4,888	186,437
Gift annuity benefit payments	622,368	-	-	622,368
Total expenses	$ 51,840,947	$ 3,903,888	$ 1,020,436	$ 56,765,271

See Notes to Consolidated Financial Statements.

NOTE 1. ORGANIZATION

The Georgia State University Foundation, Inc. (the "Foundation") was incorporated in the State of Georgia in 1958 as a non-profit corporation and a 501(c)(3) tax exempt organization. The Foundation serves as the official fund-raising and fund-management organization for Georgia State University (the "University") and is committed to supporting and assisting the University in achieving its mission through the identification, cultivation, solicitation and stewardship of gifts, and by collaborating and advising on activities for the benefit and advancement of the University.

During the fiscal year 2001, the Foundation formed the University Lofts, LLC (the "Lofts"), with the Foundation as the sole member. The Lofts were created for the purpose of building a student housing facility for the University.

During the fiscal year 2004, the Foundation formed Rialto Center, LLC, (the "Rialto") with the Foundation as the sole member. The Rialto was formed to purchase and renovate the Rialto Theater for the benefit of and use by the University.

During the fiscal year 2007, the Foundation formed Panther Place, LLC ("Panther Place"), with the Foundation as the sole member. Panther Place was formed for the purpose of purchasing the SunTrust building and related property in downtown Atlanta, Georgia, to provide office and classroom facilities for the University and the Foundation.

During the fiscal year 2009, the Foundation formed, as the sole member, Panther Lot, LLC ("Panther Lot") for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

During the fiscal year 2010, the Foundation formed, as the sole member, Panther Real Estate, LLC ("Panther Real Estate") for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

During the fiscal year 2014, the Foundation formed, as the sole member, Panther Land, LLC ("Panther Land") for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

During the fiscal year 2016, the Foundation formed, as the sole member, Panther Holdings, LLC ("Panther Holdings") for the purpose of acquiring, developing, operating and managing real property for the benefit of and use by the University.

GPC Real Estate Student Support I, LLC ("Student Support I") and GPC Foundation Real Estate Newton, LLC ("Newton") are sole member LLCs organized in the state of Georgia, and were formed for the purpose of acquiring, developing, operating and managing real property for the benefit and use by Georgia Perimeter College. Student Support I and Newton became wholly owned subsidiaries, with the Foundation as the sole member, on April 1, 2016 upon the acquisition of and dissolution of the Georgia Perimeter College Foundation, Inc. As subsidiaries of the Foundation, all real property in Student Support I and Newton is managed for the benefit of and use by the University.

NOTE 1. ORGANIZATION (Continued)

Cooperative Agreement - The Foundation entered into a Memorandum of Understanding Agreement (the "Agreement") with the University to operate as a Cooperative Organization under the guiding principles of that Agreement. The Agreement signed on October 7, 2013 expired and was replaced with a new five year Agreement on October 1, 2018.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Foundation qualifies as a tax-exempt organization, exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from federal and state income taxes. The Foundation is classified as a public charity under sections 509(a)(1) and 170(b)(1)(A)(iv) of the Code, and therefore the Foundation is not classified as a private foundation nor a supporting organization. Contributions to the Foundation qualify for the charitable contribution deduction under section 170 of the Code, and bequests, legacies, devises, transfers, or gifts to the Foundation are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2005, 2106, and 2522 of the Code.

The Foundation received rental income which is considered unrelated business income subject to federal and state income taxes. During the year ended June 30, 2020 and 2019, the net operating loss carryforward was used to offset revenue that exceeded expenses associated with the generation of such income and no taxes were due.

Deferred tax assets, net of a valuation allowance, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered and settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The income tax benefit represents the change in the deferred tax asset during the period.

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2020 and, accordingly, no liability has been accrued.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Foundation, the Lofts, the Rialto, Panther Place, Panther Lot, Panther Real Estate, Panther Land, Newton, Student Support I and Panther Holdings (collectively referred to as, the Foundation). All of the financial activities and balances of these organizations are included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

The Foundation classifies net assets, revenues, and gains and losses on investments based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and are at the discretion of the Foundation's Board of Trustees.

Net assets with donor restrictions - Net assets from contributions and other inflows of assets limited by donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, and are subject to the fluctuation of investments and periodic allocations made for spending specified by donor stipulations and applicable law. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Expenditures that relate to the fulfillment of the temporary restriction are shown as a reduction in revenue with donor restrictions as net assets released from restrictions.

Unrealized and realized gains and losses, and dividends and interest from investing activities may be included in either of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of financial instruments such as cash and cash equivalents, other receivables, due to/from related organizations, accounts payable and accruals approximate fair value because of the terms and relative short maturity of the financial instruments. The Foundation believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

In determining fair value, the Foundation uses various valuation approaches. The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is classified in one of the following three levels based on the inputs:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that the market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Revenue Recognition

Revenue from exchange transactions, investment activities, rental and property management activities, management fees, royalties, other fees and charges, and other non-contribution related revenue are recognized as earned.

Cash and Cash Equivalents

The Foundation's management considers cash and cash equivalents to include demand deposits, money market accounts and other assets of high liquidity except those amounts designated and classified as investments. The Federal Deposit Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits.

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments. Management recognizes this risk as a cost of doing business and manages risk through the investment policy objectives and asset allocation strategy as adopted by the Foundation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Donor

As of June 30, 2020 and 2019, 40% and 36%, respectively, of the outstanding pledges receivable balance was due from a single donor.

Investments

All investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the consolidated statements of activities based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by external investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in estimating the fair value of the alternative investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated in the values of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

The Foundation's Board of Trustees approved investment policy defines the asset allocation for the operating and endowment investment pools and also the spending allocation from the endowment investment pool. With the exception of certain restricted contributions that are separately invested, all restricted endowment contributions are invested on a pooled accounting basis.

Based on the interpretation of donor-imposed restrictions and applicable state law, the endowment investment pool total investment return including appreciation, depreciation, income, expenses and fees is allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment investment pool. The approved endowment spending allocation is defined in greater detail in Note 5.

The Foundation has ownership of certain cash equivalents that are not in the possession of the Foundation but are held, along with other investment securities, by outside investment managers. Although these cash equivalents are readily available, it is the intent of the Foundation to hold these cash equivalents for investment purposes and therefore has classified them as investments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Direct Financing Lease

The Foundation leases real estate to the Board of Regents of University System of Georgia. The present value of the minimum lease payments is recorded as an asset and is amortized as payments are received. The difference between gross minimum lease payments and the present value of the gross minimum lease payments is netted 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 provided all renewal terms are exercised. The terms of these lease agreements are considered more favorable than commercial terms on similar facilities. The lessees are responsible for the payment of property taxes, routine maintenance, insurance, and other costs incidental to the use of the facilities. These lease agreements generally provide for an initial rental period with renewable terms that extend over the term of the debt financing for the leased property. The lease agreements are cancelable by the lessees at specified times during the lives of the leases. Leases with agencies of the State of Georgia are for no longer than one year, with renewable options.

Administrative Fees

Administrative fees are utilized to cover operating costs of the Foundation, assist with development activities and provide additional funds to the University. The fees are calculated as to include 1% of the fair value of endowments annually plus the net income earned from the operating investment portfolio.

Contributions

Contributions received are recorded as without donor restrictions support or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

From time to time the Foundation may make a contribution to the University. During the fiscal year 2020, the Foundation contributed $1,719,539 of completed renovations projects for the Student Recreation Center recreation facilities, the Panther Place office and classroom facilities and the Panther Holdings stadium renovations. During the fiscal year 2019, the Foundation contributed $18,742,686 of completed renovations projects for the Student Recreation Center recreation facilities, the Panther Place office and classroom facilities and the Panther Holdings stadium renovations. These contributions are included in the operations line item of program services expense in the accompanying Consolidated Statement of Activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenue and assets in the period the promise is received. Pledges receivable are recorded at their net realizable value. Pledges expected to be collected in future years are discounted based on the present value of the estimated future cash flows. The discounts on those amounts are computed using estimated risk-free interest rates. An allowance for uncollectable pledges is estimated based on the Foundation's collection history and is netted against the gross pledges receivable.

Contributed Goods and Services

Contributions of securities, land, buildings and other nonmonetary assets which can be objectively measured are recorded at their fair value at the date of contribution. Certain nonmonetary assets such as art objects, equipment and books that are donor designated for the direct use by the University or one of its departments are not included in the Foundation's consolidated financial statements.

Contributed services which represents salaries and benefits paid by the University on behalf of the Foundation, are included in the contribution revenue and in management and general expenses in the consolidated statement of activities. Contributed services totaled $2,732,237 and $2,436,678 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. The consolidated statements of functional expenses present the natural classification detail of expense by function. Directly identifiable expenses are charged to programs and supporting services. Furthermore, all other costs have been allocated among the programs and supporting services benefited as required by FASB's Not-for-Profit presentation and disclosure guidance. Salaries, benefits and supplies are allocated based on the department and the percentage of time that the department supports program, administration, and/or fundraising for the Foundation.

Life Insurance

Life insurance consists of life insurance policies purchased by the donor where the Foundation is named as owner and beneficiary of the policy. The assets contributed under these life insurance policies are carried at fair value approximated by the cash surrender value, net of any policy loans.

The life insurance policy cash surrender value is updated annually and changes in value are recorded as a change in cash surrender value of life insurance in the consolidated statements of activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

In accordance with the provisions of ASC 820 – Fair Value Measurements and Disclosures, purchased property and equipment is recorded at fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Equipment, betterments or renewals in excess of $10,000 are capitalized. Normal repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Foundation reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. Management does not believe there are any indications of impairment of any long-lived property and equipment at June 30, 2020.

Reclassification of Donor Intent

At times the Foundation receives requests by donors or their designees to change the use for which the donor’s original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between net assets without donor restrictions and net assets with donor restrictions.

Split-Interest Agreements

The Foundation is trustee for three types of split-interest agreements, irrevocable charitable remainder trusts, charitable gift annuities, and an irrevocable trust, whereby donors contribute assets to the Foundation in exchange for the right of a named beneficiary to receive a fixed dollar amount or a specific percentage of the fair value of the trust assets during the beneficiary’s lifetime.

The contributed assets are recorded at fair value when received and a liability is recognized at the present value of future cash flows expected to be paid to the beneficiary. The amount in which the fair value of assets at the date received exceeds the payment liability is recognized as a contribution in accordance with the intent expressed in the agreement.

The assets in the split-interest agreements are invested in common trust funds classified as Level 2 investments stated at fair value and included in investments in the consolidated statements of financial position. The liability in the split-interest agreements is reviewed and revalued annually based on actuarially computed present values and reported as obligation under split-interest agreements in the consolidated statement of financial position, with the resulting actuarial gain (loss) recorded as a change in value of split-interest agreements in the consolidated statements of activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements (Continued)

The assets of each charitable remainder trust and irrevocable trust may be invaded in cases where investment earnings are not sufficient to make the required periodic payments. If the assets of the charitable remainder trust are invaded to the extent that it is depleted, the Foundation has no further financial obligation to the donors, beneficiaries or other remaindermen, if any. When the trust matures, any remaining assets of the trust revert to the Foundation as specified in each agreement.

The charitable gift annuities consist of assets donated to the Foundation through an agreement under which the Foundation is obligated to pay the beneficiary a fixed amount for the remainder of their lives even if the assets of the charitable gift annuity have been depleted.

Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606), which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. For the year ending June 30, 2020, the Foundation adopted ASU 2014-09 and has adjusted the presentation in these financial statements accordingly.

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

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

In November 2016, the Financial Accounting Standards Board (FASB) issues Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows* (Topic 230*). Restricted Cash*. The Foundation adopted the provisions of this new standard during the year ended June 30, 2020. The update requires that the statement of cash flows explains the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning of year and end of year cash total amounts shown on the statement of cash flows.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

The accompanying information from the 2019 financial statements has been adjusted to conform to the 2020 presentation and disclosure requirements of ASU 2016-18. This adjustment did not have an effect on total net assets or the change in net assets for 2019.

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2020 and 2019 consists of the following:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	**$ 3,841,340**	$ 5,477,396
Two to five years	**7,039,897**	6,823,492
More than five years	**25,750**	-
Total unconditional promises to give	**10,906,987**	12,300,888
Less discounts to net present value		
(rate 2.00% in 2020, 2.00% in 2019)	**(86,036)**	(303,432)
Less allowance for uncollectible promises to give	**(427,420)**	(447,163)
Net pledges receivable	**$ 10,393,531**	$ 11,550,293

The Foundation's pledges receivables recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2). All valuations are classified as Level 3 within the fair value hierarchy based on observable and unobservable inputs. The Foundation took into account historical and projected cash flow, collectability and default rates.

The following summarizes the activities in the Level 3 pledges receivable measured at fair value for the years ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	**$ 11,550,293**	$ 14,141,830
New pledges	**3,015,777**	4,603,965
Pledge payments	**(4,409,677)**	(6,974,119)
Net allowance adjustment	**19,742**	(331,433)
Net present value adjustment	**217,396**	110,050
Total Level 3 pledges receivable	**$ 10,393,531**	$ 11,550,293

NOTE 4. INVESTMENTS

Investments are comprised of the following balances as of June 30, 2020 and 2019:

	Fair Value				
	Endowment Pool	**Operating Pool**	**Other Investments**	**Total Fair Value**	**Cost**
June 30, 2020					
Money market funds	**$ 2,346,401**	**$ 15,775,435**	**$ 53,457**	**$ 18,175,293**	**$ 16,411,091**
U.S. equity funds	**45,550,646**	**10,543,813**	**1,460,180**	**57,554,639**	**58,618,278**
Non U.S. equity funds	**47,800,121**	**9,097,533**	**393,097**	**57,290,751**	**71,876,969**
Fixed income securities and funds	**39,622,000**	**39,650,720**	**664,340**	**79,937,060**	**66,580,337**
Hedge funds	**12,747,962**	**-**	**-**	**12,747,962**	**11,415,000**
Venture capital-private equity funds	**5,346,339**	**-**	**-**	**5,346,339**	**7,977,768**
Real estate investment trust funds	**2,711,414**	**648,175**	**37,118**	**3,396,707**	**9,468,910**
Commodity funds	**5,806,787**	**777,611**	**66,877**	**6,651,275**	**70,477**
Total investments	**$ 161,931,670**	**$ 76,493,287**	**$ 2,675,069**	**$ 241,100,026**	**$ 242,418,830**

	Fair Value				
	Endowment Pool	**Operating Pool**	**Other Investments**	**Total Fair Value**	**Cost**
June 30, 2019					
Money market funds	$ 3,558,547	$ 12,890,140	$ 153,622	$ 16,602,309	$ 16,411,091
U.S. equity funds	50,609,642	12,189,353	1,428,233	64,227,228	58,618,278
Non U.S. equity funds	56,699,901	12,545,398	390,551	69,635,850	71,876,969
Fixed income securities and funds	33,391,984	34,108,318	676,301	68,176,603	66,580,337
Hedge funds	12,719,775	-	-	12,719,775	11,415,000
Venture capital-private equity funds	5,149,614	-	-	5,149,614	7,977,768
Real estate investment trust funds	7,772,553	2,008,568	85,029	9,866,150	9,468,910
Commodity funds	-	-	68,166	68,166	70,477
Total investments	$ 169,902,016	$ 73,741,777	$ 2,801,902	$ 246,445,695	$ 242,418,830

NOTE 4. INVESTMENTS (Continued)

A summary of the net investment return which includes interest and dividends, realized and unrealized gains and losses as of June 30, 2020 and 2019 are as follows:

	Endowment Pool	Operating Pool	Other Investments	Total
June 30, 2020				
Dividends and interest income	**$ 4,250,469**	**$ 1,970,087**	**$ 69,379**	**$ 6,289,935**
Net realized gains (losses)	**(5,063,528)**	**(98,798)**	**56,141**	**(5,106,185)**
Net unrealized gains (losses)	**(1,572,976)**	**467,562**	**(79,145)**	**(1,184,559)**
Investment management fees	**(280,881)**	**(114,985)**	**(5,246)**	**(401,112)**
Total net investment return	**$ (2,666,916)**	**$ 2,223,866**	**$ 41,129**	**$ (401,921)**

	Endowment Pool	Operating Pool	Other Investments	Total
June 30, 2019				
Dividends and interest income	$ 4,408,220	$ 2,181,392	$ 243,304	$ 6,832,916
Net realized gains	337,772	(584,301)	50,677	(195,852)
Net unrealized gains (losses)	4,863,113	2,251,682	40,406	7,155,201
Investment management fees	(310,536)	(136,839)	(16,308)	(463,683)
Total net investment return	$ 9,298,569	$ 3,711,934	$ 318,079	$ 13,328,582

The following tables summarize the fair value measurements of certain investments that calculate net asset value per share (or its equivalent) as June 30, 2020 and 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
June 30, 2020				
Hedge funds (a)	**$ 12,747,962**	**$ -**	**Qtly, Annually**	**60 days**
Venture capital-private equity (b)	**5,346,339**	**6,949,658**	**None**	**-**
Real estate investment trust funds (c)	**14,800**	**221,910**	**None**	**-**
Total	**$ 18,109,101**	**$ 7,171,568**		

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
June 30, 2019				
Hedge funds (a)	12,719,775	-	Qtly, Annually	60 days
Venture capital-private equity (b)	5,149,614	608,445	None	-
Real estate investment trust funds (c)	16,004	221,910	None	-
Total	$ 17,885,393	$ 830,355		

NOTE 4. INVESTMENTS (Continued)

(a) This category employs a fund of hedge funds portfolio construction. This category invests in multiple strategy hedge funds to add diversification and reduce volatility of the portfolio. The fund of fund managers allocate across a broad range of hedge fund categories including long/short, event driven and arbitrage strategies that provide low correlation to other asset classes in the portfolio. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(b) This category includes several private equity funds that employ a fund of funds approach that invests both domestically and internationally in venture capital, buyouts, mezzanine, secondary markets and other areas within private equity. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2020, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation’s ownership interest in partner’ capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transaction information for similar investments.

(c) This category 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 Foundation’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.

Pursuant to the terms of the rental agreement with the Board of Regents on behalf of the University and the related capital lease arrangement, the Foundation is required to maintain amounts to fund repairs and replacements for the facilities under lease. The Alpharetta Campus Facilities lease terminated, and the facilities were transferred to the University on March 8, 2019. When the lease terminated, the obligation to maintain a repair and replacement fund for the facilities also terminated.

NOTE 4. INVESTMENTS (Continued)

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2). The following tables summarize the valuation of the Foundation's financial investment assets measured at fair value as of June 30, 2020 and 2019.

Fair Value Measurements at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	**$ 18,175,295**	**$ -**	**$ -**	**$ 18,175,295**
U.S. equity funds	**57,554,639**	**-**	**-**	**57,554,639**
Non U.S. equity funds	**57,290,751**	**-**	**-**	**57,290,751**
Fixed income securities and funds	**79,937,060**	**-**	**-**	**79,937,060**
Real estate investment trust funds	**3,381,906**	**-**	**-**	**3,381,906**
Commodity funds	**-**	**6,651,274**	**-**	**6,651,274**
Sub-total	**216,339,651**	**6,651,274**	**-**	**222,990,925**
Other investments measured at net asset value				**18,109,101**
Total	**$ 216,339,651**	**$ 6,651,274**	**$ -**	**$ 241,100,026**

Fair Value Measurements at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 16,602,309	$ -	$ -	$ 16,602,309
U.S. equity funds	64,227,228	-	-	64,227,228
Non U.S. equity funds	69,635,850	-	-	69,635,850
Fixed income securities and funds	68,176,603	-	-	68,176,603
Real estate investment trust funds	9,850,146	-	-	9,850,146
Commodity funds	-	68,166	-	68,166
Sub-total	228,492,136	68,166	-	228,560,302
Other investments measured at net asset value				17,885,393
Total	$ 228,492,136	$ 68,166	$ -	$ 246,445,695

In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

NOTE 4. INVESTMENTS (Continued)

Split-Interest Agreements

The Foundation is the trustee and remainder beneficiary of certain split-interest agreements. The assets of these split-interest agreements that are invested in equities and bonds and reported as Level 1 investments and are recorded at fair value. The value of the Level 1 split interest agreements as of June 30, 2020 and 2019 were $2,002,864 and $2,156,188, respectively.

Business Student Trust Fund

During 1972, a trust fund was established to allow business students regularly enrolled at the University to gain practical experience in the fields of investment analysis and management, fund management and related areas. An initial contribution of $5,000 and supplemental contributions of $15,000 were made from resources without donor restrictions of the Foundation for this purpose. No further contributions to this trust are required. If this trust was terminated, any funds remaining after payment of all debts would be returned to the Foundation to be used for educational purposes. The value of the trust fund as of June 30, 2020 and 2019 was $672,157 and $645,713, respectively.

NOTE 5. ENDOWMENTS

The Foundation’s endowment consists of approximately 780 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) of 2008 as requiring the assets of an endowment fund be donor restricted until allocated for spending, unless otherwise specifically stated in the gift instrument.

The Board believes this interpretation is consistent with the long established Board approved investment and spending policy which is specifically referenced in the Foundation’s endowed gift instrument. In accordance with the investment policy and UPMIFA, with the exception of certain restricted assets that are separately invested, all restricted endowment assets are invested in the endowment pool on a pooled basis until allocated for spending.

NOTE 5. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Foundation classifies, under the terms of the gift instrument, endowment earnings not wholly expendable by the Foundation on a current basis until a portion is allocated for spending with the net assets with donor restrictions. Net assets with perpetual donor restrictions are invested in perpetuity in the endowment investment pool subject to periodic spending allocations where a portion of the donor-restricted endowment fund in nets assets with donor restrictions is allocated and classified as net assets with donor restrictions available for spending.

The endowment investment pool also includes donor-restricted funds classified as net assets with donor restrictions, not specifically designated as perpetual endowment funds but they are restricted and designated for a particular college or unit of the University. From time to time the Foundation will approve requests from a college or unit to invest a portion of these funds in the endowment investment pool. These funds are designated as quasi endowments or funds functioning as endowments. The Foundation classifies these funds and the related investment return and spending allocation as net assets with donor restrictions. There are no net assets without donor restrictions invested in the endowment investment pool.

Based on the interpretation of the investment policy and UPMIFA, the total return of the endowment investment pool including appreciation/inflation, depreciation/deflation, income, expenses and fees shall be allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment pool and included as part of the endowment net asset classification.

Endowment Spending Policy

In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distant programmatic priorities, the Board has adopted the following spending policy.

NOTE 5. ENDOWMENTS (Continued)

Endowment Spending Policy (Continued)

The allocation for spending in any given fiscal year shall equal:

- 70% of spending for the prior year, adjusted for cumulative changes in inflation (as measured by CPI), plus
- 30% of Foundation's long-term spending rate (currently 4.5%) applied to the endowment's market value at the beginning of the year.

This amount is divided by the endowment market value at the beginning of the year to calculate the spending allocation rate, which was 4.03% for the year ended June 30, 2019. The spending allocation rate for the year ended June 30, 2020 of 4.32% was applied to each individual endowment based on its average market value during the year. The total endowment spending allocation distributed for the years ended June 30, 2020 and 2019 was $7,239,715 and $6,380,200, respectively. To the extent that the endowment investment pool's total return is greater or less than the allocations made for spending, the fair value of each endowment increases or decreases accordingly.

Return Objectives and Risk Parameters

The Foundation's primary long-term objective of the endowment pool is to earn an average annual total return net of fees and expenses (including advisor and Foundation fees), through appreciation and income, equal to or greater than the spending allocation rate, plus the rate of inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U), over long time periods (rolling ten or fifteen-year periods).

The Foundation understands the long-term nature of the endowment pool and believes investing in assets with higher return expectations outweighs the short-term volatility risks. In order to achieve the objectives, historically funds have had to exceed the objective substantially during some periods in order to compensate for inevitable shortfalls during other periods. Hence, the evaluation of progress toward the objectives should be made with a long-term perspective. The Foundation also recognizes the objectives to grow the endowment, produce a predictable spending allocation, and to cover fees, involves tradeoffs that must be balanced in establishing the investment and spending policies.

The Foundation stands prepared to incur risks consistent with its pursuit of the return objective set forth above, subject to two overarching limits. Its endowment pool should be deployed in a manner that reduces to tolerable levels (defined as 25% or below) the probabilities that it will suffer (1) peak-to-trough declines in endowment purchasing power exceeding 20% or (2) a shortfall exceeding 3% annualized total return relative to those of an approved peer group measured over rolling five-year periods.

NOTE 5. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	**$ -**	**$ 133,701,643**	**$ 133,701,643**
Quasi-endowment funds	**-**	**30,679,902**	**30,679,902**
Total endowment net assets	**$ -**	**$ 164,381,545**	**$ 164,381,545**

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 140,353,645	$ 140,353,645
Quasi-endowment funds	-	32,631,321	32,631,321
Total endowment net assets	$ -	$ 172,984,966	$ 172,984,966

Endowment Related Activities by Type of Fund as of June 30, 2020:

	Donor Restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2019	**$ 140,353,645**	**$ 32,631,321**	**$ 172,984,966**
Contributions	**2,659,273**	**302,818**	**2,962,091**
Net realized and unrealized gains	**(1,904,654)**	**(762,263)**	**(2,666,917)**
Allocation of endowment assets for expenditure	**(5,888,375)**	**(1,351,340)**	**(7,239,715)**
Transfers to comply with donor intent	**(1,518,246)**	**(140,634)**	**(1,658,880)**
Endowment net assets, June 30, 2020	**$ 133,701,643**	**$ 30,679,902**	**$ 164,381,545**

Endowment Related Activities by Type of Fund as of June 30, 2019:

	Donor Restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2018	$ 131,812,577	$ 32,396,750	$ 164,209,327
Contributions	6,838,054	144,138	6,982,192
Net realized and unrealized gains	7,926,673	1,371,895	9,298,568
Allocation of endowment assets for expenditure	(5,132,077)	(1,248,123)	(6,380,200)
Transfers to comply with donor intent	(1,091,582)	(33,339)	(1,124,921)
Endowment net assets, June 30, 2019	$ 140,353,645	$ 32,631,321	$ 172,984,966

NOTE 6. NET INVESTMENT IN DIRECT FINANCING LEASES

The components of the net investment in direct financing leases at June 30, 2020 and 2019 are as follows:

	2020	2019
Future minimum lease receipts - Panther Place	**$ 89,803,926**	$ 95,234,738
Future minimum lease receipts - Student Support I	**73,471,699**	77,569,453
Future minimum lease receipts - Newton	**19,763,103**	21,082,669
Gross investment in direct financing leases	**183,038,728**	193,886,860
Less unearned interest income	**(69,123,641)**	(76,196,555)
Net investment in direct financing leases	**$ 113,915,087**	$ 117,690,305

Future minimum net amounts receivable under direct financing leases at June 30, 2020 are as follows:

Year Ending June 30,	
2021	**$ 10,677,207**
2022	**10,924,457**
2023	**10,925,330**
2024	**10,948,530**
2025	**10,960,805**
2026-2030	**55,066,059**
2031-2035	**55,520,753**
2036-2040	**18,015,587**
Gross investment in direct financing leases	**183,038,728**
Less unearned interest income	**(69,123,641)**
Net investment in direct financing leases	**$ 113,915,087**

For the years ending June 30, 2020 and 2019, the Foundation received the rent in advance and therefore recorded deferred revenue of $1,265,757 and $1,270,067, respectively.

NOTE 7. RESTRICTED ASSETS

Pursuant to the terms of various bonds payable and capital lease arrangements for the construction of long-lived assets and debt services requirements, the Foundation is required to maintain amounts on deposit with a trustee. Renovation and repair projects for the facilities are in progress at June 30, 2020 and 2019, funded from the amounts on deposit with the trustee pursuant to the requirements contained in the related bond documents and in accordance with Foundation policies. When the projects are completed, each project will be gifted to the University for the use and benefit of the University at each facility respectively. As of June 30, 2020 and 2019 restricted assets consist of the following:

	2020	2019
Panther Place	**$ 5,880,637**	$ 6,433,891
Student Support I	**1,578,115**	1,461,104
Newton	**565,107**	527,678
Total restricted assets - deposits with bond trustee	**$ 8,023,859**	$ 8,422,673
University	**$ 52,347**	$ -
Panther Place	**1,239,050**	17,294
Student Support I	**60,615**	-
Total restricted assets - projects in progress	**$ 1,352,012**	$ 17,294

A summary of the assets limited as to use held by the Trustee under the Trust Indenture as of June 30, 2020 and 2019 is as follows:

	2020	2019
Interest Funds	**$ 1,124,794**	$ 1,144,143
Cost of issuance Funds	**13,293**	13,151
Principal Funds	**2,125,071**	1,913,695
Replacement Funds	**4,760,701**	5,351,684
Total restricted assets – deposits with trustee	**$ 8,023,859**	$ 8,422,673

NOTE 8. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation is the owner and beneficiary of numerous life insurance policies. As of June 30, 2020 and 2019, the total face value of the policies was $3,969,360 and $4,038,458, respectively. Premiums on some of the policies are paid by the Foundation with the corresponding amounts received back from the donors as contributions. While the cash surrender value of the policies has been recorded in the Foundation's consolidated statements of financial position, the face value of the policies will be recognized upon receipt of the insurance proceeds. The annual change in the cash surrender value of the life insurance policies are recorded in the consolidated statements of activities. The cash surrender value of the policies as of June 30, 2020 and 2019, was $1,621,674 and $1,567,998, respectively.

NOTE 9. PROPERTY AND EQUIPMENT

Property, improvements and equipment as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Land and land improvements	**$ 7,923,653**	$ 7,923,653
Equipment	**1,121,857**	1,121,857
Building	**5,796,210**	5,796,210
Tenant improvements	**4,085,307**	4,085,307
Property and equipment - at cost	**18,927,027**	18,927,027
Less accumulated depreciation	**(4,320,844)**	(3,655,045)
Property and equipment - net	**$ 14,606,183**	$ 15,271,982

Depreciation expense for both the years ended June 30, 2020 and 2019 was $665,798 and $647,101, respectively.

NOTE 10. ASSETS HELD FOR AFFILIATES

Georgia State University Alumni Association

During 1997, the Foundation entered into an agreement with the Georgia State University Alumni Association (the “Alumni Association”) to manage investments of the Alumni Association, consistent with investment policies of the Alumni Association. The Alumni Association’s investment balances under management as of June 30, 2020 and 2019 were $1,630,742 and $1,637,040, respectively.

NOTE 10. ASSETS HELD FOR AFFILIATES (Continued)

Panther Real Estate Lease (Panther Real Estate as Lessor)

Effective June 27, 2013, Panther Real Estate, LLC purchased an office building, located at 55 Park Place, Atlanta Georgia, and assumed various third party tenant leases. The building was purchased on behalf of the University for future use as classroom and academic office space. On July 31, 2014, Panther Real Estate, LLC sold the office building to the University and assumed a master lease from the University related only to the space subleased by the various third party tenants. Under the master lease, the Foundation manages the third party tenants on behalf of the University until their subleases expire. There are no rents due to the University under the master lease and the Foundation does not earn any rent or fee associated with the management of the third party tenant subleases. Pursuant to the master lease, the Foundation remits net rent, third party tenant rent collected less lease management and operations expenses, to the University. Panther Real Estate's asset balance under management as of June 30, 2020 and 2019 was $743,179 and $707,666, respectively.

The total fair value of assets held for affiliates is reported as an asset and a liability in the consolidated statements of financial position. The balances as of June 30, 2020 and 2019 were $2,373,921 and $2,344,706, respectively.

NOTE 11. OBLIGATIONS UNDER LEASES

Alpharetta Campus Facilities Lease

On September 23, 1998, $10,600,000 of revenue bonds were issued by the Development Authority of Alpharetta, Georgia, ("Development Authority") for the purpose of financing the costs of acquiring, constructing and installing educational facilities which are located in the City of Alpharetta and are leased by the Foundation. On May 12, 2009, the Series 1998 Bonds were refunded by a new lower fixed-rate bond issuance. The tax-exempt revenue bonds of $5,890,000 plus premium of $654,706 were issued by the Development Authority of Alpharetta, Georgia. Principal and interest payments schedule will remain in force as under the 1998 issuance. Interest payments will continue to be made semi-annually starting November 1, 2009 at a rate specified in the revenue bonds ranging from 3.0% to 5.0%. The 2009 series revenue bonds matured on November 1, 2019, and the final debt service was paid discharging the debt. The Foundation lease with the City of Alpharetta terminated when the bonds matured, and the facilities became the property of the Foundation. The Foundation sublease with the Board of Regents also terminated when the bonds matured, and the Foundation transferred the facilities to the University on March 8, 2019.

Interest expense related to the capital lease obligation for the Alpharetta Campus for the year ended June 30, 2019 totaled $10,298.

NOTE 11. OBLIGATIONS UNDER LEASES (Continued)

Rialto Ground Lease

On December 1, 2009, TUFF Rialto, LLC transferred its interest in the Rialto Theater ground lease with Rialto Center, LLC to the Foundation (lessee).

Future minimum lease payments under the ground lease as of June 30, 2020, are as follows:

Year Ending June 30,		
2021	$	94,772
2022		94,772
2023		94,772
2024		94,772
2025 – 2029		473,860
2030 – 2033		473,860
2034 – 2038		473,860
2039 – 2043		473,860
2044 – 2046		189,544
Total	$	2,464,072

The Foundation sub-leases the Rialto Theater ground lease to the University. The sub-lease is renewable annually.

Lofts Lease

A rental agreement was entered into in January 2005 between the Foundation, the landlord, and the Board of Regents for and on the behalf of the University, tenant, for student housing known as the University Lofts. The lease is renewable annually through fiscal year 2033 and ends in September 2032.

Tower Place 200 Leases

The Foundation (lessee) entered into a lease July 26, 2013 with a third party for 50,676 square feet of office and classroom space located at 3348 Peachtree Road NE, Atlanta, Georgia. The leases for expansion of the original premises of 61,125 square feet commenced July 1, 2014 and of 23,323 square feet commenced January 1, 2015 at the same address. The leases for existing and expansion premises expire November 30, 2023.

Escalating rental payments in the lease agreement resulted in deferred lease cost recorded in the consolidated statements of financial position. The unamortized balance of deferred lease cost as of June 30, 2020 and 2019 was $4,410,299 and $5,434,495, respectively.

NOTE 11. OBLIGATIONS UNDER LEASES (Continued)

Tower Place 200 Leases (Continued)

Future minimum lease payments required under the Tower Place 200 leases as of June 30, 2020, are as follows:

Year Ending June 30,		
2021	$	4,329,373
2022		4,448,282
2023		4,571,245
2024		1,957,046
Total	$	15,305,946

Lease expense related to the operating lease for the Tower Place 200 facilities for the year ended June 30, 2020 and 2019 totaled $4,213,166 and $4,101,013, respectively.

A rental agreement was entered into between the Foundation and the Board of Regents for and on behalf of the University (sub-lessee), for the University's College of Business programs. The lease is renewable annually through fiscal year 2024.

Panther Place Lease (Panther Place as Lessor)

Georgia State University Research Foundation, Inc.

Effective June 1, 2012, Panther Place, LLC (current Landlord) replaced SunTrust Bank (former Landlord) per the lease agreement between SunTrust Bank and Georgia State University Research Foundation, Inc. (the "Tenant") to lease certain premises consisting of approximately 18,257 square feet in the office building located at 58 Edgewood Avenue, Atlanta, Georgia, and more commonly known as the Tower Annex. Effective June 1, 2016, the Georgia State University Research Foundation, Inc. increased the leased space to approximately 45,591 square feet.

Future minimum lease receipts required under the lease as of June 30, 2020, are as follows:

Year Ending June 30,		
2021	$	173,328
Total	$	173,328

For the year ending June 30, 2020 and 2019, the rental income was $184,037 and $178,677, respectively.

NOTE 11. OBLIGATIONS UNDER LEASES (Continued)

Panther Holdings, LLC Ground Leases

On January 4, 2017, Panther Holdings, LLC (lessor) entered into a 33 year ground lease for parcel B1 with two 33 year extensions with COHW Summerhill GL, LLC as the lessee. Escalating rental payments in the lease agreement resulted in deferred lease asset recorded in the consolidated statements of financial position. The unamortized balance of deferred lease asset as of June 30, 2020 and 2019 was 136,111 and $137,417, respectively.

Future minimum lease receipts required under the lease as of June 30, 2020, are as follows:

Year Ending June 30,		
2021	$	141,100
2022		141,100
2023		141,100
2024		141,100
2025		141,100
2026-2030		705,501
2031-2035		705,501
2036-2040		705,501
2041-2045		705,501
2046-2050		634,951
Total	$	4,162,455

On March 1, 2018, Panther Holdings, LLC (lessor) entered into a 33 year ground lease for parcel B2 with two 33 year extensions with COHW Summerhill GL B2, LLC as the lessee. Breckenridge Group Atlanta Georgia, LLC took assignment and assumption of the ground lease dated May 16, 2018. Escalating rental payments in the lease agreement resulted in deferred lease asset recorded in the consolidated statements of financial position. The unamortized balance of deferred lease asset as of June 30, 2020 and 2019 was 55,200 and $55,731, respectively.

Future minimum lease receipts required under the lease as of June 30, 2020, are as follows:

Year Ending June 30,		
2021	$	57,224
2022		57,224
2023		57,224
2024		57,224
2025		57,224
2026-2030		286,118
2031-2035		286,118
2036-2040		286,118
2041-2045		286,118
2046-2050		257,506
Total	$	1,688,098

NOTE 11. OBLIGATIONS UNDER LEASES (Continued)

Panther Holdings, LLC Ground Leases (Continued)

On January 5, 2020, Panther Holdings, LLC (lessor) entered into a 33 year ground lease for parcel B3 with two 33 year extensions with COHW Summerhill GL B3, LLC as the lessee.

Future minimum lease receipts required under the lease as of June 30, 2020, are as follows:

Year Ending June 30,	
2021	$ 58,870
2022	58,870
2023	58,870
2024	58,870
2025	58,870
2026-2030	294,350
2031-2035	294,350
2036-2040	294,350
2041-2045	294,350
2046-2050	147,175
Total	$ 1,913,275

NOTE 12. BONDS PAYABLE

Bonds payable at June 30, 2020 and 2019 consisted of the following:

Series	Original Principal Issued	Balance June 30, 2020	Balance June 30, 2019
Panther Place Revenue Bonds (Series 2017)	57,040,000	$ **53,585,000**	$ 55,490,000
Real Estate Student Support I Bonds (Series 2018)	49,545,000	**46,520,000**	48,100,000
Newton Bonds (Series 2017)	15,865,000	**14,095,000**	14,720,000
Subtotal		**114,200,000**	118,310,000
Plus unamortized bond premium		**10,752,428**	12,545,546
Less unamortized debt issuance costs		**(1,331,846)**	(1,477,619)
Total		$ **123,620,582**	$ 129,377,927

Student Recreation Center

On January 31, 2011, revenue bonds (tax-exempt $16,035,000 plus premium of $1,065,413) were issued by the Development Authority of Fulton County. Proceeds of the series 2011 bonds were used to refund the series 1998 revenue bonds. Moody's Investor Services, Inc. has assigned the Series 2011 bonds the rating of Aa3. Interest expense on the series 2011 revenue bonds for the years ended June 30, 2020 and 2019 totaled $- and $19,375, respectively. The 2011 series revenue bonds matured on October 1, 2018, and the final debt service was paid discharging the debt. The lease with the Board of Regents terminated when the bonds matured, and the Foundation transferred the facilities to the University on April 2, 2019.

NOTE 12. BONDS PAYABLE (Continued)

Panther Place

On August 30, 2017, the outstanding balance of the Panther Place, LLC Series 2009 A & B bonds of $64,540,000 were refunded by a new fixed-rate bond issuance meeting the legal requirements for defeasance of the bond liability due to the issuance of the 2017 Series Bonds. Revenue bonds of $57,040,000 (tax-exempt $49,270,000 and taxable $7,770,000), plus a premium of $6,474,607, were issued by the Atlanta Development Authority on behalf of the Foundation. Principal payments are to be made annually starting July 1, 2018 and ending July 1, 2036. Interest is to be paid semi-annually starting January 1, 2018 at a rate specified in the revenue bonds ranging from 1.575% to 5.00%. Moody's Investors Services, Inc. has assigned the Series 2017 Bonds the rating of Aa3. Interest expense for the years ended June 30, 2020 and 2019 was $2,249,573 and $2,283,387, respectively.

The tax exempt bond documents require Panther Place to set the lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financing lease is in effect and the Series 2017 bonds are outstanding.

Newton

On August 30, 2017, the outstanding balance of the GPC Foundation Real Estate Newton, LLC Series 2005 bonds of $17,520,000 were refunded by a new fixed-rate bond issuance meeting the legal requirements for defeasance of the bond liability due to the issuance of the 2017 Series Bond. Revenue bonds of $15,865,000, plus a premium of $1,954,062, were issued by the Newton County Industrial Development Authority on behalf of the Foundation. Principal payments are to be made annually starting June 1, 2018 and ending June 1, 2035. Interest is to be paid semi-annually starting December 1, 2017 at a rate specified in the revenue bonds ranging from 3.125% to 5.00%. Moody's Investors Services, Inc. has assigned the Series 2017 Bonds the rating of Aa3. Interest expense for the years ending June 30, 2020 and 2019 was $641,940 and $672,044, respectively.

The tax exempt bond documents require Newton to set the lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financing lease is in effect and the bonds are outstanding.

NOTE 12. BONDS PAYABLE (Continued)

Student Support I

On May 22, 2018, the outstanding balance of the Series 2010 bonds of $49,615,000 were refunded by a new fixed-rate bond issuance meeting the legal requirements for defeasance of the bond liability due to the issuance of the 2018 Series Bond. Revenue bonds of $49,545,000, plus a premium of $6,851,735, were issued by the Joint Development Authority of DeKalb County, Newton County and Gwinnett County on behalf of the Foundation. Principal payments are to be made annually starting June 1, 2019 and ending June 1, 2038. Interest is to be paid semi-annually starting December 1, 2018 at a rate specified in the revenue bonds ranging from 4.00% to 5.00%. Moody's Investors Services, Inc. has assigned the Series 2017 Bonds the rating of Aa3. Interest expense for the years ending June 30, 2020 and 2019 was $2,336,717 and $2,459,853, respectively.

The tax exempt bond documents require Student Support I to set the lease rates so that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0 in any year while the direct financing lease is in effect and the bonds are outstanding.

Future maturities of the Panther Place, Newton and Student Support I revenue bonds at June 30, 2020 are as follows:

Year Ending June 30,	Tax-Exempt	Taxable	Total
2021	$ 2,315,000	$ 2,125,000	$ 4,440,000
2022	2,435,000	2,190,000	4,625,000
2023	4,870,000	-	4,870,000
2024	5,105,000	-	5,105,000
2025	5,370,000	-	5,370,000
2026 – 2030	31,125,000	-	31,125,000
2031 – 2035	39,405,000	-	39,405,000
2036 – 2040	19,260,000	-	19,260,000
Total	$ 109,885,000	$ 4,315,000	$ 114,200,000

The fair value of the bonds at June 30, 2020 and 2019 was $129,389,050 and $134,759,213, respectively.

NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions for the years ended June 30, 2020 and 2019 for the following purposes:

	2020	2019
Management fees	**$ 1,662,619**	$ 1,626,227
Program Service - General and departmental	**10,658,479**	16,368,829
Program Service - Fundraising expenses	**287,674**	328,982
Program Service - Faculty and staff expenses	**4,778,100**	4,626,685
Program Service - Scholarships and awards	**5,819,759**	5,647,788
Program Service – Renovations gifted to University	**17,294**	1,550,754
Total net assets released from restrictions	**$ 23,223,925**	$ 30,149,265

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Foundation has future commitments related to various limited partnership agreements with investment managers of real estate investment trusts and venture capital funds for the endowment portfolio. Payments under the various partnership agreements are made over a period of years based on specified capital calls by the respective partnerships. The purpose of these agreements is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make venture capital investments primarily in emerging growth companies, international private equity investments and in equity securities, warrants or other options that are generally not actively traded at the time of investment with the objective of obtaining long-term growth of capital. Capital calls are drawn from other liquid assets of the endowment investment pool as part of the asset allocation process. Starting in fiscal year 2016, there were similar future commitments for the operating pool. Investment commitments for the years ended June 30, 2020 and 2019 totaled $7,171,268 and $830,355, respectively.

NOTE 15. SUMMARY OF NET ASSETS

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

	2020	2019
Net Assets With Donor Restrictions:		
Subject to expenditure for specified purpose:		
Academic and program support and activities	**$ 65,890,530**	$ 67,266,381
Scholarships	**23,329,422**	23,481,889
Student investment portfolio	**672,157**	645,713
	89,892,109	91,393,983
Perpetual in nature:		
Scholarships	**48,802,571**	50,572,085
Program support	**84,899,071**	89,781,560
	133,701,642	140,353,645
Total net assets with donor restrictions	**$ 223,593,751**	$ 231,747,628

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

	2020	2019
Net Assets Without Donor Restrictions:		
Investments	**$ 24,862,019**	$ 24,857,320
Investment in land and buildings	**16,003,121**	11,794,006
Pledge receivables	**19**	4,770
Total net assets without donor restrictions	**40,865,159**	36,656,096
Net Assets With Donor Restrictions:		
Subject to expenditure for specified purpose:		
Investments	**81,734,978**	81,710,927
Pledge receivables	**8,157,131**	9,683,056
	89,892,109	91,393,983
Endowments:		
Investments	**131,465,262**	138,491,177
Pledge receivables	**2,236,380**	1,862,468
	133,701,642	140,353,645
Total net assets with donor restrictions	**223,593,751**	231,747,628
Total Net Assets	**$ 264,458,910**	$ 268,403,724

NOTE 16. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statement of financial position date as of June 30, 2020 and 2019, comprise the following:

	2020	2019
Cash and cash equivalents	$ 261,749	$ 2,339,608
Operating – unrestricted investments	25,068,691	21,395,017
	$ 25,330,440	$ 23,734,625

As part of the Foundation's liquidity plan, the Foundation's unrestricted reserve must be equal to 10% of the operating portfolios plus the current year total expense budget. The unrestricted reserve consists of the unrestricted investments and available unrestricted cash. The required minimum unrestricted reserve at June 30, 2020 and 2019 was $12,582,257 and $10,330,755, respectively, with the excess reserve balance at $12,748,184 and $13,403,870, respectively.

The Foundation's unrestricted investments represent non-endowed assets that are unrestricted, have not been designated to a specific college/unit or purpose, and can be used by the Foundation at any time. A portion of the assets in the unrestricted investments are invested in short term investments determined by the board pursuant to the Foundation Investment policy. While the remaining portion of the assets is invested in investment classes similar to those used for the endowment pool, it is expected that the underlying funds used will have sufficient liquidity in order to meet any unexpected cash needs.

NOTE 17. INCOME TAXES

During the year ended June 30, 2019, the Panther Holding's billboard was completed and the Foundation began collecting rental revenue under contractual agreements. Based on these agreements, the Foundation estimated the portion of the net operating loss carryforward that would be used to offset future billboard taxable income.

For the years ended June 30, 2020 and 2019, the deferred tax asset valuation allowance was (increased) decreased by estimated future net operating carryforward tax savings of ($51,926) and $992,214, respectively.

The components of net deferred tax asset as of June 30, 2020 and 2019 were as follows:

	2020	2019
Deferred tax asset:		
Realizable Deferred Tax Asset	$ 2,064,163	$ 2,088,381
(Total net operating loss carryforward x total effective tax rate)		
Valuation allowance	(1,123,875)	(1,096,167)
Deferred tax asset, net of valuation allowance	$ 940,288	$ 992,214

NOTE 17. INCOME TAXES (Continued)

As of June 30, 2020, the Foundation has $8,019,283 in federal and state net operating loss carryforwards. The net operating loss carryforwards, if not utilized, expire in tax years beginning in 2028.

NOTE 18. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through December 17, 2020, in connection with the preparation of these consolidated financial statements which is the date the consolidated financial statements were available to be issued.

In September 2020, the Foundation's Board of Trustees adopted a resolution to move $5,000,000 from unrestricted operating reserves into a quasi-endowment for the purpose of matching new endowed scholarships.