

**UNIVERSITY OF GEORGIA
RESEARCH FOUNDATION, INC.**

FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2025

And Reports of Independent Auditor

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
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Report of Independent Auditor

To the Audit Committee of the Board of Directors
University of Georgia Research Foundation, Inc.
Athens, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the major fund of the University of Georgia Research Foundation, Inc. (the "Research Foundation"), a component unit of the state of Georgia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Research Foundation as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Research Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Research Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Research Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Research Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2025, on our consideration of the Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Research Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Research Foundation's internal control over financial reporting and compliance.

Augusta, Georgia
September 10, 2025

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Introduction

In compliance with reporting standards the University of Georgia Research Foundation, Inc. (the "Research Foundation") and the UGA Real Estate Foundation, Inc. (the "Real Estate Foundation") are treated as a single financial reporting entity and financial information is shown using a blended presentation. The Research Foundation and the Real Estate Foundation are referred to collectively as the "Foundations".

The Research Foundation was incorporated under the laws of the state of Georgia as a nonprofit corporation on November 17, 1978. The Research Foundation qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code ("IRC").

The Research Foundation fulfills broad scientific, literary, educational, and charitable purposes and operates to enhance the three-pronged mission of the University of Georgia (the "University") of teaching, research, and public service. The Research Foundation contributes to the research function of the University by securing research contracts, grants, and awards from individuals, institutions, private organizations, and government agencies for the performance of sponsored research in the various University colleges, schools, departments, and other units.

In the Intellectual Property Administration Agreement dated November 8, 1995, the Board of Regents of the University System of Georgia (the "Board of Regents") authorized the Research Foundation to serve as the official recipient of all research contracts, grants, and awards for the conduct of sponsored research at the University. The Intellectual Property Administration Agreement also assigned to the Research Foundation all the Board of Regents' rights, title, and interest in intellectual property developed by University personnel. In addition, the Research Foundation administers, protects, and licenses this intellectual property.

The Research Foundation is the sole member of the Real Estate Foundation, which was incorporated under the laws of the state of Georgia as a nonprofit corporation in 1999 and qualifies as a tax-exempt corporation under Section 501(c)(3) of the IRC. The Real Estate Foundation manages and improves various real estate assets for the benefit of the University, governed by the Board of Regents. The Real Estate Foundation may also provide support to the Board of Regents and colleges and universities of the University System of Georgia. The Real Estate Foundation has created multiple limited liability companies of which it is the sole member. These entities are set up in order to construct, finance, own, and lease real estate projects.

Description of the Financial Statements

The statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows are designed to provide information which will assist in understanding the financial condition and performance of the Foundations. The Foundations' net position is one indicator of the Foundations' financial health. Over time, increases or decreases in net position are one indicator of the changes in financial condition when considered with other non-financial facts.

The *Statement of Net Position* presents information on the Foundations' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

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

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

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Financial Highlights

Condensed financial statements are presented for the year ended June 30, 2025, and one prior fiscal year. In the following discussion, Fiscal 2025 and Fiscal 2024 refer to the years ended June 30, 2025 and 2024, respectively.

University of Georgia Research Foundation, Inc.
Condensed Statements of Net Position

	June 30,		Change	%
	2025	2024		
ASSETS				
Current Assets	\$ 197,326,534	\$ 175,549,249	\$ 21,777,285	12%
Capital Assets, net	89,857,458	35,384,806	54,472,652	154%
Other Noncurrent Assets	294,556,722	209,895,674	84,661,048	40%
Total Assets	581,740,714	420,829,729	160,910,985	38%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refundings, net	9,439,913	11,030,668	(1,590,755)	-14%
LIABILITIES				
Current Liabilities	108,176,510	87,816,659	20,359,851	23%
Noncurrent Liabilities	330,063,540	214,029,538	116,034,002	54%
Total Liabilities	438,240,050	301,846,197	136,393,853	45%
DEFERRED INFLOWS OF RESOURCES				
Deferred Gains on Refundings	285,928	-	285,928	100%
Deferred Inflows from Leases	16,643,975	4,962,373	\$ 11,681,602	235%
Total deferred inflows of resources	16,929,903	4,962,373	11,967,530	241%
NET POSITION				
Net Investment in Capital Assets	17,015,272	16,350,104	665,168	4%
Unrestricted	118,995,402	108,701,723	10,293,679	9%
Total Net Position	\$ 136,010,674	\$ 125,051,827	\$ 10,958,847	9%

Current assets increased by \$21,777,285 from Fiscal 2024 to Fiscal 2025. The increase was due to an increase in cash inflows from sponsored research, licensing, and royalties offset by a decrease in accounts receivable.

Capital assets include land, construction in progress, the library repository building, an easement, intangible right-of-use assets (net of applicable amortization), and buildings and improvements, and furniture equipment, (net of applicable depreciation). The increase of \$54,472,652 from Fiscal 2024 to Fiscal 2025 is due primarily to the Real Estate Foundation's construction in progress of a new residence hall and a dining, learning and well-being center.

Other noncurrent assets primarily include restricted bond proceeds, investments, and notes and leases receivable. Other noncurrent assets increased \$84,661,048 from Fiscal 2024 to Fiscal 2025. This increase is primarily due to an increase in bond proceeds following the issuance of Series 2024 bonds for a new residence hall and a new dining, learning, and well-being center and an increase in leases receivable due to the Real Estate Foundation lease restructuring.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Deferred outflows of resources include deferred loss on refundings that result from the advanced refunding of bond series. Deferred outflows of resources decreased \$1,590,755 from Fiscal 2024 to Fiscal 2025 due to the termination of a Real Estate Foundation's deferred loss on refunding following the early debt extinguishment of the Series 2017 Bonds and normal deferred loss amortization.

During the current year, it was determined that a portion of advance note payment receipts should be classified as noncurrent liabilities. Certain amounts were reclassified from current to noncurrent liabilities on the statement of net position for the year ended June 30, 2024.

Current liabilities increased by \$20,359,851 due primarily to the Real Estate Foundation's increase in construction related accounts payable and accrued projects costs.

Noncurrent liabilities increased by \$116,034,002 from Fiscal 2024 to Fiscal 2025. This increase is due primarily the issuance of Series 2024 bonds for the new residence hall and dining, learning and well-being center and an increase in Real Estate Foundation's lease obligation following its lease restructuring. Other increases include advance note payment receipt from the University related to its new projects. These increases are offset by a Real Estate Foundation bond refunding, repayment of the revolving credit agreement, annual payments of principal on noncurrent debt, and the reduction of advance note payment receipts due in accordance with the financing agreement.

Deferred inflows of resources include deferred inflows from leases resulting from a lessor's recognition of a lease. Deferred inflows of resources increased by \$11,967,530 from Fiscal 2024 to Fiscal 2025 due to Real Estate Foundation's restructured lease, refunding of Series 2013 bonds offset by the recognition of interest income on the leases, and by normal deferred gain amortization.

Net position represents the difference between the Foundations' assets, liabilities, and deferred outflows/inflows of resources. Total net position at June 30, 2025 and 2024 was \$136,010,674 and \$125,051,827, respectively, which represents an increase of \$10,958,847 (9%).

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

University of Georgia Research Foundation, Inc.
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30,		Change	%
	2025	2024		
Operating Revenues				
Sponsored Research	\$ 325,886,126	\$ 304,480,776	\$ 21,405,350	7%
Licensing and Royalties	19,216,931	13,238,547	5,978,384	45%
Lease Income	3,983,563	3,912,090	71,473	2%
Repair and Restoration Income	1,549,888	1,526,648	23,240	2%
Financing and Lease Interest Income	9,323,155	9,495,337	(172,182)	-2%
Miscellaneous Operating Income	173,260	169,702	3,558	2%
Total Operating Revenues	360,132,923	332,823,100	27,309,823	8%
Operating Expenses				
Research Subcontracted to the University	318,603,455	297,627,557	20,975,898	7%
Licensing	15,930,803	12,353,706	3,577,097	29%
Support to the University	7,566,091	6,660,176	905,915	14%
Project Expenses	4,252,725	4,948,560	(695,835)	-14%
Management and General	833,326	769,586	63,740	8%
Total Operating Expenses	347,186,400	322,359,585	24,826,815	8%
Operating Income	12,946,523	10,463,515	2,483,008	24%
Non-operating Revenues (Expenses)	(1,987,676)	(211,236)	(1,776,440)	-841%
Change in Net Position	10,958,847	10,252,279	706,568	7%
Net Position – Beginning of Year	125,051,827	114,799,548	10,252,279	9%
Net Position – End of Year	<u>\$ 136,010,674</u>	<u>\$ 125,051,827</u>	<u>\$ 10,958,847</u>	9%

Operating revenues consist primarily of sponsored research, licensing and royalties, interest earned on notes, repair and restoration income, and lease income. During Fiscal 2025, operating revenues increased \$27,309,823 due to increases in sponsored research, licensing, and royalty revenue offset by reduced income attributed to annual amortization of interest income on the notes and leases receivable.

Operating expenses increased by \$24,826,815 due to an increase in the support to and subcontracted to the University, and an increase in overall licensing and royalty distributions.

Non-operating revenues and expenses consist mostly of investment income, the change in fair value of investments, and interest expense. For Fiscal 2025, non-operating expenses net of non-operating revenues increased \$1,776,440 due to cost of issuance fees paid on new bond issuances, and an increase interest expense related to annual bond amortization, which is offset by an increase in the fair value of investments, and investment income.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

University of Georgia Research Foundation, Inc.
Condensed Statements of Cash Flows

	<u>June 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2025</u>	<u>2024</u>		
Cash flows from operating activities	\$ 30,943,397	\$ 25,018,782	\$ 5,924,615	24%
Cash flows from capital and related financing activities	67,012,738	(21,628,090)	88,640,828	-410%
Cash flows from investing activities	<u>5,256,253</u>	<u>2,873,912</u>	<u>2,382,341</u>	83%
Net change in cash and cash equivalents	103,212,388	6,264,604	96,947,784	1548%
Cash and cash equivalents – beginning of year	<u>40,555,302</u>	<u>34,290,698</u>	<u>6,264,604</u>	18%
Cash and cash equivalents – end of year	<u>\$ 143,767,690</u>	<u>\$ 40,555,302</u>	<u>\$ 103,212,388</u>	254%

Cash flows from operations primarily include receipts from research sponsors and licensees, lease income, repair and restoration income, principal and interest payments on notes and leases receivable, and receipts on reimbursable project costs net of disbursements for operations. The increase in net cash flows from operating activities between Fiscal 2024 and Fiscal 2025 is the result of an increase in sponsored research and licensing and royalty activity and increased cash provided by receipt of accounts receivable. These increases were offset by the Real Estate Foundation's increased cash used in payment of the tenant improvement allowance to the University, decreased cash provided following a Real Estate Foundation lease termination after its sale of land to the University, and decreased cash provided following the Real Estate Foundation's restructured financing agreement with the Board of Regents.

Cash flows from capital and related financing activities are related to capital expenditures, proceeds for the sale of capital assets to the University, and bond, lease, revolving credit agreement liability payments of principal and interest. The increase in cash used from Fiscal 2024 to Fiscal 2025 is due primarily to increased cash provided by the issuance of Series 2024 bonds and increased cash provided by the board authorized termination of a financing agreements with the University. Other increases include increased cash provided by the advance note payment receipts received from the University for a new residence hall and a dining, learning, and well-being center. These increases were offset by the payment on the revolving credit agreement and cash used in construction in progress. Other offset include decreased cash provided by the Real Estate Foundation's Board authorized sale of land to the University in Fiscal 2024, increased cash used for cost of issuance on the new Series 2024 bonds, and increased cash used on debt and interest payments.

Cash flows from investing activities are comprised of proceeds from sales and maturities of investments, purchases of investments, and interest earned on investments. From Fiscal 2024 to Fiscal 2025, these activities reflect a decrease in cash resulting from the purchase of investments offset by increased investment income.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Economic Outlook

Nationally, research funding and specifically federal research funding remains competitive. The Research Foundation's sponsored research revenue increased slightly in Fiscal 2025, but the Foundation will continue to monitor any potential changes to the federal funding environment. University faculty are actively seeking new research award opportunities from a variety of funding sources and successfully compete for limited awards. Additionally, the Research Foundation continues to leverage commercialization opportunities with economic potential to provide new revenue streams.

The Real Estate Foundation ended Fiscal 2025 with a strong financial base and continues to support the real estate and facility needs of the University as evidenced in the number and broad spectrum focus of its construction and associated projects.

Questions concerning this report or requests for additional information should be directed to: University of Georgia Finance Division at (706) 542-6860 or at 324 Business Services Building, 456 E. Broad Street, Athens, Georgia 30602.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
STATEMENT OF NET POSITION

JUNE 30, 2025

	Research Foundation	Real Estate Foundation	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 28,135,929	\$ 22,502,163	\$ 50,638,092
Cash and Cash Equivalents - restricted	-	1,533,210	1,533,210
Investments	64,224,143	-	64,224,143
Sponsored Research, Licensing, and Royalties Receivable	65,748,866	-	65,748,866
Accounts Receivable	48,694	387,459	436,153
Accounts Receivable from the University and Affiliates	1,765,575	-	1,765,575
Interest Receivable	-	403,599	403,599
Lease Receivable, current portion	-	2,474,163	2,474,163
Notes Receivable, current portion	-	9,937,770	9,937,770
Prepaid Expenses and Other Current Assets	-	164,963	164,963
Total Current Assets	<u>159,923,207</u>	<u>37,403,327</u>	<u>197,326,534</u>
Noncurrent Assets			
Bond Proceeds Restricted for Construction and Debt Service	-	91,596,388	91,596,388
Investments Restricted for Debt Service	-	5,765,025	5,765,025
Investments held by University of Georgia Foundation	-	10,858,044	10,858,044
Investment in GRA Venture Fund	459,303	-	459,303
Lease Receivable, noncurrent portion	-	15,684,118	15,684,118
Notes Receivable, noncurrent portion	-	170,193,844	170,193,844
Capital Assets, not being depreciated:			
Land	107,629	26,748,393	26,856,022
Construction in Progress	-	43,709,896	43,709,896
Easement	-	1,835,296	1,835,296
Capital Assets, net of accumulated depreciation	-	917,132	917,132
Intangible Right-of-Use Assets, net of accumulated amortization	-	16,539,112	16,539,112
Total Noncurrent Assets	<u>566,932</u>	<u>383,847,248</u>	<u>384,414,180</u>
Total Assets	<u>160,490,139</u>	<u>421,250,575</u>	<u>581,740,714</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refundings, net	-	9,439,913	9,439,913

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

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2025

	<u>Research Foundation</u>	<u>Real Estate Foundation</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accounts Payable to the University and Affiliates	\$ 78,078,090	\$ 233,415	\$ 78,311,505
Accounts Payable and Accrued Liabilities	1,370,780	9,050,668	10,421,448
Accrued Interest Payable	-	875,365	875,365
Accrued Project Costs	-	3,968,146	3,968,146
Advance Note and Lease Payment Receipts	6,275	266,887	273,162
Advance Note Payment Receipts, current portion	-	1,782,420	1,782,420
Advance Repair and Restoration Receipts	-	124,497	124,497
Lease Obligations, current portion	-	2,354,967	2,354,967
Bonds Payable, current portion	-	10,065,000	10,065,000
Total Current Liabilities	<u>79,455,145</u>	<u>28,721,365</u>	<u>108,176,510</u>
Noncurrent Liabilities			
Lease Obligations, noncurrent portion	-	15,684,118	15,684,118
Advance Note Payment Receipts, noncurrent portion	-	25,257,321	25,257,321
Revolving Credit Agreement, noncurrent portion	-	13,659,438	13,659,438
Bonds Payable, net, noncurrent portion	-	275,462,663	275,462,663
Total Noncurrent Liabilities	<u>-</u>	<u>330,063,540</u>	<u>330,063,540</u>
Total Liabilities	<u>79,455,145</u>	<u>358,784,905</u>	<u>438,240,050</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows from Leases	-	16,643,975	16,643,975
Deferred Gain on Refundings, net	-	285,928	285,928
Total Deferred Inflows of Resources	<u>-</u>	<u>16,929,903</u>	<u>16,929,903</u>
NET POSITION			
Net Investment in Capital Assets	107,629	16,907,643	17,015,272
Unrestricted	80,927,365	38,068,037	118,995,402
Total Net Position	<u>\$ 81,034,994</u>	<u>\$ 54,975,680</u>	<u>\$ 136,010,674</u>

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

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2025

	<u>Research Foundation</u>	<u>Real Estate Foundation</u>	<u>Total</u>
Operating Revenues			
Sponsored Research	\$ 325,886,126	\$ -	\$ 325,886,126
Licensing and Royalties	19,216,931	-	19,216,931
Lease Income	72,822	3,910,741	3,983,563
Repair and Restoration Income	-	1,549,888	1,549,888
Lease Interest Income	556	441,237	441,793
Financing Interest Income	-	8,881,362	8,881,362
Miscellaneous Operating Income	166,060	7,200	173,260
Total Operating Revenues	<u>345,342,495</u>	<u>14,790,428</u>	<u>360,132,923</u>
Operating Expenses			
Research Subcontracted to the University (including facilities and administrative cost reimbursements)	318,603,455	-	318,603,455
Licensing and Royalty Distributions	13,574,986	-	13,574,986
Licenses and Intellectual Property	2,355,817	-	2,355,817
Support to the University	7,566,091	-	7,566,091
Project Expenses	-	4,252,725	4,252,725
Management and General	400,695	432,631	833,326
Total Operating Expenses	<u>342,501,044</u>	<u>4,685,356</u>	<u>347,186,400</u>
Operating Income	<u>2,841,451</u>	<u>10,105,072</u>	<u>12,946,523</u>
Non-operating Revenue (Expenses)			
Investment Income	2,644,764	5,368,610	8,013,374
Change in Fair Value of Investments	5,453,884	-	5,453,884
Other Income	-	15,153	15,153
Interest Expense, net	-	(13,525,152)	(13,525,152)
Loss on Disposal of Assets	-	(1,122,363)	(1,122,363)
Loss on Extinguishment of Debt	-	(822,572)	(822,572)
Total Non-operating Revenue (Expenses)	<u>8,098,648</u>	<u>(10,086,324)</u>	<u>(1,987,676)</u>
Change in Net Position	10,940,099	18,748	10,958,847
Net Position			
Beginning of Year	70,094,895	54,956,932	125,051,827
End of Year	<u>\$ 81,034,994</u>	<u>\$ 54,975,680</u>	<u>\$ 136,010,674</u>

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

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

	Research Foundation	Real Estate Foundation	Total
Cash Flows from Operating Activities			
Receipts from Research Sponsors	\$ 325,464,803	\$ -	\$ 325,464,803
Receipts from Licensing, Royalties, and Other Income	19,382,991	-	19,382,991
Receipts from the University	14,237,770	-	14,237,770
Receipts from Lease Income	-	894,767	894,767
Receipts from Repair and Restoration Income	-	1,545,227	1,545,227
Receipts of Principal on Leases Receivable	74,744	1,910,570	1,985,314
Receipts of Interest on Leases Receivable	556	58,169	58,725
Receipts of Principal on Notes Receivable	-	9,695,279	9,695,279
Receipts of Financing Interest Income	-	8,601,309	8,601,309
Receipts for Payments Reimbursable by the University and Affiliates	-	2,149,807	2,149,807
Other Operating Receipts	(47,727)	7,200	(40,527)
Sponsored Research Payments to the University	(323,519,700)	-	(323,519,700)
Payments for Licensing and Royalty Distributions	(14,842,370)	-	(14,842,370)
Payments to the University	(8,596,948)	-	(8,596,948)
Payments to Suppliers	(362,404)	(1,664,239)	(2,026,643)
Payments Reimbursable by the University and Affiliates	-	(4,046,407)	(4,046,407)
Net Cash Flows from Operating Activities	11,791,715	19,151,682	30,943,397
Cash Flows from Capital and Related Financing Activities			
Capital Assets	-	(32,083,475)	(32,083,475)
Proceeds from Insurance Recovery	-	1,533,210	1,533,210
Proceeds from UGA for Capital Assets	-	23,061,538	23,061,538
Borrowings on revolving credit agreement	-	-	-
Payments on Revolving Credit Agreement	-	(695,440)	(695,440)
Proceeds from Sale of Bonds	-	101,290,881	101,290,881
Proceeds from the University for Termination of Financing Agreements	-	7,516,766	7,516,766
Payments for Bond Issuance Costs	-	(1,429,755)	(1,429,755)
Interest payments on Long-term Liabilities	-	(11,010,311)	(11,010,311)
Principal Repayment on Lease Obligations	-	(1,796,045)	(1,796,045)
Principal Repayment on Bonds Payable	-	(10,470,000)	(10,470,000)
Payments on bond extinguishment	-	(8,904,631)	(8,904,631)
Net Cash Flows from Capital and Related Financing Activities	-	67,012,738	67,012,738
Cash Flows from Investing Activities			
Proceeds from Sales and Maturities of Investments	19,870,578	1,273,224	21,143,802
Purchases of Investments	(21,479,364)	(482,677)	(21,962,041)
Investment in GRA Venture Fund, Net of Distributions	(23,507)	-	(23,507)
Net payments for Foreign Currency Fluctuations	-	15,153	15,153
Investment Income	827,537	5,255,309	6,082,846
Net Cash Flows from Investing Activities	(804,756)	6,061,009	5,256,253
Net Change in Cash and Cash Equivalents	10,986,959	92,225,429	103,212,388
Cash and Cash Equivalents			
Beginning of Year	17,148,970	23,406,332	40,555,302
End of Year	<u>\$ 28,135,929</u>	<u>\$ 115,631,761</u>	<u>\$ 143,767,690</u>

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

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2025

	<u>Research Foundation</u>	<u>Real Estate Foundation</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating Income	\$ 2,841,451	\$ 10,105,072	\$ 12,946,523
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and Amortization	-	3,010,298	3,010,298
Accounts Receivable	(119,339)	-	(119,339)
Prepaid Expenses	-	11,664	11,664
Receipts of Principal on Leases Receivable	74,744	1,910,570	1,985,314
Receipts of Principal on Notes Receivable	-	9,695,279	9,695,279
Accounts Payable and Accrued Liabilities	(49,001)	(7,717)	(56,718)
Accounts Payable to the University and Affiliates	9,116,682	(1,889,729)	7,226,953
Advance Note and Lease Payment Receipts	-	(678,255)	(678,255)
Advance Repair and Restoration Receipts	-	(4,661)	(4,661)
Unearned Lease Income Adjustment	(72,822)	(3,000,839)	(3,073,661)
Net Cash from Operating Activities	<u>\$ 11,791,715</u>	<u>\$ 19,151,682</u>	<u>\$ 30,943,397</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents, per the Statement of Net Position	\$ 28,135,929	\$ 22,502,163	\$ 50,638,092
Cash and Cash Equivalents - restricted	-	1,533,210	1,533,210
Cash and Cash Equivalents Included in Bond Proceeds Restricted for Construction, Debt Service, and Reserves	-	91,596,388	\$ 91,596,388
Total Cash and Cash Equivalents	<u>\$ 28,135,929</u>	<u>\$ 115,631,761</u>	<u>\$ 143,767,690</u>
Schedule of Noncash Investing, Capital, and Related Financing Activities			
Increase in Fair Value of Investments	\$ 5,453,884	\$ -	\$ 5,453,884
Investment Income, Reinvested	\$ 2,644,764	\$ -	\$ 2,644,764
Bonds payable refunded through new bond issue less related cost of issuance	\$ -	\$ 16,812,742	\$ 16,812,742
Intangible Right-to-Use Asset	\$ -	\$ 14,755,263	\$ 14,755,263
Cost of Issuance Paid with Bond Proceeds	\$ -	\$ 482,278	\$ 482,278
Increase in Capital Assets for Payables	\$ -	\$ 10,642,206	\$ 10,642,206

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

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Organization

The University of Georgia Research Foundation, Inc. (the “Research Foundation”) was established in November 1978 to contribute to the educational, research, and service functions of the University of Georgia (the “University”) in securing gifts, contributions, and grants from individuals, private organizations, and public agencies and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments, or other units of the University.

All sponsored grants awarded to the Research Foundation are subcontracted to the University, which is responsible for the fiscal administration of the grants on behalf of the Research Foundation and the University.

Effective July 1, 2007, the Research Foundation became the sole member of the UGA Real Estate Foundation, Inc. (the “Real Estate Foundation”). The Real Estate Foundation is a not-for-profit corporation that was chartered in 1999 and manages and improves various real estate assets for the benefit of the University, governed by the Board of Regents of the University System of Georgia (the “Board of Regents”). The Real Estate Foundation may also provide support to the Board of Regents and colleges and universities of the University System of Georgia. The Real Estate Foundation has created several limited liability companies of which it is the sole member for various purposes including constructing, financing, owning, and leasing real estate projects.

The Real Estate Foundation is presented as a blended component unit. The Research Foundation and the Real Estate Foundation are collectively referred to as the “Foundations”.

Note 2—Summary of significant accounting policies

Basis of Presentation – The Foundations’ financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”).

The financial statement presentation provides a comprehensive, entity-wide perspective of the Foundations’ assets, liabilities, deferred inflows/outflows of resources, net position, revenues, expenses, changes in net position, and cash flows. As required by accounting principles generally accepted in the United States of America as prescribed by GASB, the financial position and activities of component units are shown using a blended presentation in the government-wide financial statements, which consist of the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. In addition, these standards require the presentation of Management’s Discussion and Analysis (“MD&A”). The MD&A is considered to be required supplementary information and precedes the financial statements.

Reporting Entity – The Research Foundation is a legally separate tax-exempt organization whose activities primarily support the University, a unit of the University System of Georgia (an organizational unit of the state of Georgia). The Research Foundation is considered an affiliated organization of the University and due to its financial significance, its financial activities are included in the University and University System of Georgia’s reports. The State Accounting Office determined component units of the state of Georgia, should not be assessed in relation to their significance to the University. Accordingly, the Research Foundation qualifies for treatment as a component unit of the state of Georgia.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

The Real Estate Foundation has been determined to be a component unit of the Research Foundation. The statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows of the Real Estate Foundation are shown using a blended presentation with the Research Foundation as required by government accounting standards.

These statements are the primary financial statements of the Research Foundation. Separately issued comparative financial statements for the Real Estate Foundation may be obtained at the following address: UGA Real Estate Foundation, Inc., c/o Finance Division, 324 Business Services Building, 456 E. Broad Street, Athens, Georgia 30602.

Basis of Accounting – For financial reporting purposes, the Foundations are considered special-purpose government entities engaged only in business-type activities. Accordingly, the Foundations' financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents – The Foundations consider all short-term investments with an original maturity of three months or less to be cash equivalents. Investments in the Board of Regents Short-Term Fund are carried at fair value. Short-term investments, which consist of money markets, certificates of deposit, and non-participating repurchase agreements, are carried at amortized cost.

Bond Proceeds Restricted for Construction and Debt Service – Proceeds from bond issuances are held by an independent trustee and are restricted for the purpose of funding construction costs, interest, administrative fees, and cost of issuance associated with the bond offering. Bond proceeds earn interest which is classified as investment income.

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

Investments Restricted for Debt Service – Proceeds from bond issuances are held by an independent trustee and are restricted for the purpose of funding interest, administrative fees, debt service reserves, and costs of issuance associated with the bond offerings. From time to time, investments are made by the trustee in accordance with the trust indenture. The fair values are measured using the net asset value per share (or its equivalent) provided by the trustees. There are no unfunded commitments. As such, these are not subject to fair value measurement disclosures included in Note 5.

Investments – The Foundations' investments are reported at fair value using quoted market price or other fair value. Interest and dividends are recognized when earned, realized gains and losses when sales occur, and unrealized gains or losses based on the change in fair value between reporting periods.

Investments in Affiliated Companies and Partnerships – The Research Foundation accounts for its interest in a limited liability company for which the Research Foundation does not have significant ownership or control, using the cost method. Contributions are shown at cost less distributions of return of initial investment. Revenue is recognized for dividends received that are distributed from net accumulated earnings of the company since the date of acquisition by the Research Foundation. Losses are recognized if losses incurred by the company are determined to be other than a temporary decrease in value of the investment.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

Leases Receivable – Leases are financings of the right to use an underlying leased or owned asset. The Foundations enter into lease and sublease agreements of real property with the University. The lease receivable is measured at the present value of future lease payments expected to be received during the lease term with a

corresponding deferred inflow. Collectability of these lease receivable payments is reasonably assured and no allowance for uncollectible amounts has been established.

Notes Receivable – The Real Estate Foundation enters into financing agreements of real property with the University. The initial recording of the note receivable is made on the day the real property is placed in service, with a corresponding entry to remove the capital asset using the lesser of the net present value of the note payments or the fair value of the purchased property. Note receivables are allocated between the principal and interest components in accordance with the payment schedule and terms included in the financing agreements. Notes receivable consist of note receivable payments due for real property owned by the University. Collectability of these note receivable payments is reasonably assured and no allowance for uncollectible amounts has been established.

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

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

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

Construction in progress is stated at cost and includes planning, development, and construction costs. When construction is complete and the asset is placed in service, assets are transferred at cost to real property or placed under a financing agreement with the Board of Regents.

Intangible right-of-use assets recognize the right to use an underlying tangible nonfinancial asset per a lease agreement. The corresponding liability is recorded as a lease obligation. The intangible right-of-use asset and lease obligation is measured at the present value of future lease payments expected to be made during the lease term.

Deferred Outflows/Inflows of Resources – The statement of net position reports a separate financial statement element, deferred outflows of resources, which represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources until that time. The Real Estate Foundation's deferred loss on refunding's qualifies for reporting in this category. The deferred loss on refunding's results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the straight-line method which approximates the effective interest method. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow until that time. The Foundations' deferred inflows from leasing qualifies for reporting in this category. Deferred inflows from leasing income results from a lessor's recording of a lease.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

Advance Note and Lease Payment Receipts – The Foundations receive note and lease payments in advance of the scheduled due dates and terms of the financing and lease agreements which may include principal and interest. The advance note and lease payments are applied to the related notes and leases receivable, and interest income in accordance with the payment schedules and terms, regardless of when the cash payment is received. Advance note and lease payments receipts and advance repair and restoration receipts represent payments received but not yet earned.

Lease Obligations – The Real Estate Foundation records a lease obligation for the right to use an underlying tangible nonfinancial asset per a lease agreement. The corresponding capital asset is recorded as an intangible right-of-use asset. The lease obligation and intangible right-of-use asset is measured at the present value of future lease payments expected to be made during the lease term.

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

Net Position – Net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Restricted net position includes amounts restricted by bond indentures for debt service, operating costs, and repair and restoration reserves. Restricted net position is \$0 at June 30, 2025. Unrestricted net position is not subject to donor or other stipulations imposed by outside sources. The Foundations consider several factors in determining whether to use restricted or unrestricted resources when restrictions are met.

Revenue Recognition – Revenue from sponsored research is recognized as expenditures are made for approved research activities, or the Research Foundation has been notified of approved research activities related to the funds received and all eligibility requirements have been met.

A sponsored research receivable is recorded for amounts expended for authorized purposes but not yet reimbursed by research sponsors. Payments by research sponsors in advance of research expenditures are recorded and classified as funds received for sponsored research in the statement of net position. Accounts receivable included amounts due from the University and affiliates. Management believes the amounts due are fully collectible.

Licensing revenues and royalties are derived from licensing of the Research Foundation's intellectual property rights and are generally computed as a royalty based upon a percentage of the licensee's sales of products incorporating the rights licensed from the Research Foundation. Such licensing and royalties are recognized over the term of the contract except those payments of royalties received in advance of actual sales are initially deferred and subsequently recognized on a straight-line basis over the expected royalty period.

The unrecognized portion of such advance payments is classified as unearned revenues in the statement of net position. The Research Foundation is obligated to distribute a portion of the licensing revenues and royalties pursuant to the University of Georgia Intellectual Property Policy. Such distributions are recorded as expenses when the related revenues are recognized.

The Real Estate Foundation enters financing agreements with the University that outline additional services, including repair and restoration, to be provided for certain real property. Repair and restoration income is recognized when earned and collectability of the associated receivable is reasonably assured and is recognized on a monthly basis in accordance with the related financing agreement.

Financing and lease interest income is recorded in accordance with the related financing and lease agreement.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

Operating and Non-Operating Revenues and Expenses – The financial statements distinguish between operating and non-operating revenues and expenses. Operating revenues result from transactions associated with sponsored research, and licensing and royalty agreements (the Research Foundation’s principal activities) and maintaining, financing, and leasing real property (the Real Estate Foundation’s principal activities). Non-operating revenues, including investment income and net unrealized and realized gains and losses on investments, are reported as non-operating revenues. Interest and financing costs are reported as non-operating expenses. Operating expenses are all expenses incurred in the course of obtaining sponsored research grants, licensing and royalty agreements, providing support to the University, and incurred to manage the financing agreement, and maintain and lease real property, other than financing costs.

Income Taxes – The Foundations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “IRC”), whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC, is subject to federal income tax. In addition, they are not classified as a private foundation under Section 509(a) of the IRC based on determinations received from the Internal Revenue Service.

New Accounting Pronouncement – During the year ended June 30, 2025, the Foundations implemented Statements of Governmental Accounting Standards (“SGAS”) No. 102, *Certain Risk Disclosures*. This standard provides updated guidance on improving transparency by requiring disclosures of significant risks related to concentrations and constraints. The implementation of SGAS No. 102 did not result in a change to beginning net position.

Future Accounting Pronouncements – SGAS 103, *Financial Reporting Model Improvements*, aims to enhance the effectiveness of the financial reporting model by improving key components and addressing certain application issues. This standard will be effective for the year ending June 30, 2026. The Foundations are currently in the process of evaluating the impact of this adoption on the financial statements.

Note 3—Deposits and investments

A. Deposits

At June 30, 2025, the bank and investment account values of the Foundations’ deposits, including interest bearing checking accounts, cash held in managed investment accounts were \$120,002,525.

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Foundations’ deposits may not be recovered. The Foundations do not have a deposit policy for custodial credit risk. The Foundations place their cash and cash equivalents on deposit with financial institutions in the United States and Italy. For deposits with financial institutions in the United States, the Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. The Foundations from time to time may have amounts on deposit in excess of these insured limits.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Deposits and investments (continued)

A. Deposits (continued)

As of June 30, 2025, the bank balance of the Foundations' deposits is presented below by category of risk.

	FDIC Insured	Collateralized by U.S. Securities	Uninsured and Uncollateralized	Total
Checking Accounts	\$ 25,849,720	\$ -	\$ 142,688	\$ 25,992,408
Cash Held in Investments	-	-	94,010,117	94,010,117
Total Deposits	<u>\$ 25,849,720</u>	<u>\$ -</u>	<u>\$ 94,152,805</u>	<u>\$ 120,002,525</u>

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect a deposit. During the year ended June 30, 2025, the Foundations' deposits increased by \$15,153 due to foreign currency fluctuations between the euro and the dollar on cash balances held in banks. Amounts held in foreign currency denominations are valued at \$142,688 as of June 30, 2025.

B. Investments

The Foundations maintain separate investment policies. The Research Foundation's policy describes its investment objectives and risk posture, identifies a spending rate, establishes asset allocation and investment guidelines, and specifies investment performance criteria. The Real Estate Foundation's policy establishes objectives, specifies allowable investments, sets target investment mixes, and provides investment guidelines.

The Real Estate Foundation entered into agreements with the University of Georgia Foundation ("UGAF") in order to establish the UGA Real Estate Foundation Short-Term Holding Fund and the UGA Real Estate Foundation Cash and Cash Equivalents Fund (the "Funds") to be managed and held by UGAF. The Funds serve as depository accounts and are separately managed and accounted for by UGAF. The Real Estate Foundation's Board of Trustees is responsible for investing decisions. As of June 30, 2025, investments held by UGAF included fixed-income money market and mutual funds in the amount of \$10,858,044.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Deposits and investments (continued)

B. Investments (continued)

The Foundations' investments at June 30, 2025, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>			
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
Debt Securities					
U.S. Treasuries	\$ 4,611,170	\$ 602,593	\$ 3,271,847	\$ 335,065	\$ 401,665
Corporate Debt	14,555,810	774,615	7,047,265	5,775,622	958,308
Municipal Debt	66,770	-	35,608	-	31,162
Repurchase Agreements held by Trustee	5,765,025	-	5,765,025	-	-
	<u>24,998,775</u>	<u>\$ 1,377,208</u>	<u>\$ 16,119,745</u>	<u>\$ 6,110,687</u>	<u>\$ 1,391,135</u>
Other Investments					
Equity Mutual Funds - Domestic	33,528,187				
Equity Mutual Funds - International	7,011,157				
Commodity Futures ETF	4,436,877				
Equity Securities - Domestic	13,365				
Managed Futures / Hedge Funds	807				
Money Market Fund held by UGAF	4,198,682				
Mutual Funds held by UGAF	6,659,362				
Board of Regents Short-term Fund	13,539,396				
Total Investments	<u>\$ 94,386,608</u>				

The Board of Regents Short-Term Fund held by the Real Estate Foundation is included in Cash and Cash Equivalents on the statement of net position. Real Estate Foundation repurchase agreements held by the trustee of \$5,765,025 are included in Investments Restricted for Debt Service on the statement of net position. The investment is collateral to backstop the trustee's obligations under the repurchase agreement which ends June 2032. The trustee will deliver new collateral when the current investment matures in February 2030.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Research Foundation's policy for managing interest rate risk is to evaluate investments in light of their ability to provide needed cash flow while still preserving long-term earning and investment potential. The Real Estate Foundation's policy for managing interest rate risk is to invest primarily in short-term or intermediate-term investments.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Foundations will not be able to recover the value of the investment. The Foundations do not have a formal policy for managing custodial credit risk for investments.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Research Foundation's investment policy specifies acceptable categories of fixed income securities, the overall rating of bond portfolios, and specifies an investment limit for foreign securities. The Real Estate Foundation's policy is to invest primarily in a diversified portfolio of investment grade debt securities and fixed income mutual funds.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3-Deposits and investments (continued)

B. Investments (continued)

The Foundations' investments at June 30, 2025, are presented below. All investments are presented by investment type and fixed income securities are presented by credit quality ratings.

Quality Ratings	Total	Rated Investments			
		U.S. Agencies	Corporate & Municipal Bonds	Mutual Funds, Money Markets, & Commodity Futures ETF	Repurchase Agreements
Moody's					
Aaa	\$ 754,165	\$ -	\$ 754,165	\$ -	\$ -
Aaa - mf	4,198,682			4,198,682	
Aa1	6,662,972	862,339	35,608	-	5,765,025
Aa2	192,482	-	192,482	-	-
Aa3	2,293,445	-	2,293,445	-	-
A1	4,375,237	-	4,375,237	-	-
A2	3,217,744	-	3,217,744	-	-
A3	2,950,419	-	2,950,419	-	-
Baa1	406,097	-	406,097	-	-
Baa2	245,879	-	245,879	-	-
Baa3	120,380	-	120,380	-	-
Standard & Poor's					
A	31,124	-	31,124	-	-
Morningstar					
5-Star	13,096,900	-	-	13,096,900	-
4-Star	12,329,354	-	-	12,329,354	-
3-Star	18,542,971	-	-	18,542,971	-
2-Star	2,006,421	-	-	2,006,421	-
1-Star	27,731	-	-	27,731	-
Unrated	5,632,206	-	-	5,632,206	-
	<u>77,084,209</u>	<u>\$ 862,339</u>	<u>\$ 14,622,580</u>	<u>\$ 55,834,265</u>	<u>\$ 5,765,025</u>
Exempt Investments					
U.S. Treasuries	3,748,831				
Equity Securities - Domestic	13,365				
Managed Futures/Hedge Funds	807				
Board of Regents Short-term Fund	13,539,396				
Total Investments	<u>\$ 94,386,608</u>				

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Deposits and investments (continued)

B. Investments (continued)

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. The Research Foundation manages concentration of credit risk by including limits in its investment policy on holdings of individual classes of investments, holdings with a single manager, and the diversity of individual portfolios. For short-term investments, the investment security mix is driven by the management of investments to meet cash needs. For long-term investments, equities comprise 30% to 70%, bonds 20% to 70%, and alternative investments can range 0% to 40%.

The Real Estate Foundation’s policy for managing concentration of credit risk is to invest primarily in a diversified portfolio of investment grade debt securities and fixed-income mutual funds.

As of June 30, 2025, investments and repurchase agreement-underlying securities in a single issuer where those investments are 5% or more of total investments were as follows:

Federal Home Loan Bank	6%
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Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are exempt from concentration of credit risk disclosure.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundations do not have a formal policy for managing foreign currency risk; however, investments do not include securities denominated in currencies other than the U.S. dollar.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 4—Other investments – cost method

During 2009, the Research Foundation made a commitment to invest \$1,000,000 in GRA Venture Fund (T. E.), LLC, (the “GRA Fund”). The GRA Fund was created by the Georgia legislature whereby state funds and funds from profit and not-for-profit entities will be combined to provide seed and early-stage venture financing for businesses formed around intellectual property resulting from Georgia Research Alliance (the “GRA”) universities. In July 2015, the Research Foundation made an additional commitment to invest \$1,000,000.

During fiscal year 2025, the Research Foundation made total contributions of \$24,966.

The Research Foundation’s interest in the GRA Fund is measured using the cost method. The Research Foundation recognizes its share of losses realized by the GRA Fund; no losses were reported as of June 30, 2025. The total investment by the Research Foundation is shown at cost less distributions of return of initial investment and other than temporary losses.

GRA Venture Fund (T. E.), LLC – capital contribution, at cost, net of distributions and losses

2009 commitment	\$	4,085
2015 commitment		<u>455,218</u>
	\$	<u><u>459,303</u></u>

Note 5—Fair value measurements of assets and liabilities

The Foundations fair value measurement be classified and disclosed in one of the following three Fair Value Hierarchy categories.

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which would generally be included in Level 1 include listed equity securities and mutual funds.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies. The types of investments which would generally be included in this category include publicly-traded securities with restrictions on disposition, corporate obligations, and U.S. government and Agency Treasury securities.

Level 3 – Pricing inputs are unobservable for the investments and include situations where there is little, if any, market activity for the investments. The types of investments which would generally be included in this category include debt and equity securities issued by private entities and partnerships. The inputs into the determination of fair value require significant judgment or estimation. Inputs include recent transactions, earnings forecasts, market multiples, and future cash flows.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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

The table below summarizes the valuation techniques of the Foundations' financial assets and liabilities measured at fair value on a recurring basis and at net asset value as of June 30, 2025:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Investments by Fair Value Level				
Equity Securities				
Stocks (by sector)				
Health Care	\$ 13,365	\$ -	\$ -	\$ 13,365
Commodity Futures ETF	4,436,877	-	-	4,436,877
Mutual Funds				
Domestic	33,528,187	-	-	33,528,187
International	7,011,157	-	-	7,011,157
Total Equities	44,989,586	-	-	44,989,586
Investment Pools				
Board of Regents Short-Term Fund	-	13,539,396	-	13,539,396
Total Investment Pools	-	13,539,396	-	13,539,396
Fixed Income				
U.S. Treasuries	-	4,611,170	-	4,611,170
Bonds				
Corporate	-	14,555,810	-	14,555,810
Municipal	-	66,770	-	66,770
Mutual Funds held by UGAF	6,659,362	-	-	6,659,362
Total Fixed Income	6,659,362	19,233,750	-	25,893,112
Investments Measured at Net Asset Value ^(*)				
Multi-Strategy Hedge Funds	-	-	-	807
Total Investments Measured at Net Asset Value ^(*)	-	-	-	807
Total Investments, Recurring Basis	\$ 51,648,948	\$ 32,773,146	\$ -	\$ 84,422,901

(*) Certain investments that are measured at fair value using the net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts on the statement of net position.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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

The Foundations' assets where fair value is measured by net asset value of the entity are as follows:

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-Strategy Hedge Funds ^(a)	\$ 807	\$ -	Quarterly	65 days

^(a) *Multi-Strategy Hedge Funds* – This category includes investments in multi-strategy, off-shore funds. Strategies primarily focus on long/short credit strategies which generally take both long and short positions in credit related instruments, such as corporate bonds, bank loans, traded claims, emerging market debt and credit derivatives, and multi-strategy opportunistic strategies which generally involve portfolio managers exercising discretion in allocating capital among several types of arbitrage, event driven, and directional strategies.

Note 6—Restricted and real estate board designated assets

Assets included in cash and cash equivalents – restricted and bond proceeds restricted for constructions and debt service are as follows:

Restricted for:

Debt Service	\$ 12,132,082
Construction	85,229,331
Future Repairs and Restorations	<u>1,533,210</u>
Total Restricted	<u><u>\$ 98,894,623</u></u>

The carrying values of the restricted cash and cash equivalents and investment balances, and bond proceeds restricted for construction and debt service are included in the statements of net position as follows:

Cash and cash equivalents - restricted	\$ 1,533,210
Bond proceeds restricted for construction and debt service	91,596,388
Investment restricted for debt service	<u>5,765,025</u>
Total Restricted	<u><u>\$ 98,894,623</u></u>

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

	<u>Research Foundation</u>	<u>Real Estate Foundation</u>	<u>Total</u>
Designated for:			
Debt Service	\$ -	\$ 3,505,662	\$ 3,505,662
Future Repairs and Replacements	-	13,031,945	13,031,945
General Operations of the Real Estate Foundation	-	<u>400,000</u>	<u>400,000</u>
Total Designated	-	16,937,607	16,937,607
Undesignated Cash and Cash Equivalents	<u>28,135,929</u>	<u>5,564,556</u>	<u>33,700,485</u>
Total Cash and Cash Equivalents	<u><u>\$ 28,135,929</u></u>	<u><u>\$ 22,502,163</u></u>	<u><u>\$ 50,638,092</u></u>

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Leases receivable

The Foundations have entered into multiple lease and sublease agreements with the Board of Regents to occupy the Foundations' facilities.

As of June 30, 2025, the lease receivable balance was \$18,158,281. These amounts include future minimum lease payments to be received of \$21,120,084 as of June 30, 2025, of which \$2,474,163 is unearned interest.

As of June 30, 2025, lease payments are as follows:

2026	\$ 3,011,060
2027	3,180,935
2028	1,689,543
2029	1,731,782
2030	1,775,076
2031-2035	9,563,644
2036	<u>168,044</u>
Total Payments to be Received	21,120,084
Less Amounts Representing Interest	<u>(2,961,803)</u>
Total Leases Receivable	18,158,281
Less Current Portion	<u>(2,474,163)</u>
Noncurrent Leases Receivable	<u><u>\$ 15,684,118</u></u>

Note 8—Notes receivable

As of June 30, 2025, the notes receivable balance was \$180,131,614. These amounts include future minimum note receivable payments to be received of \$249,220,620 of which \$69,091,006 is unearned interest.

As of June 30, 2025, notes receivable payments are as follows:

2026	\$ 17,742,007
2027	17,722,008
2028	17,710,315
2029	17,687,155
2030	17,660,856
2031 - 2035	81,071,576
2036 - 2040	47,843,222
2041 - 2045	16,281,609
2046 - 2050	11,077,824
2051 - 2052	<u>4,426,048</u>
Total Payments to be Received	249,222,620
Less Amounts Representing Interest	<u>(69,091,006)</u>
Total Notes Receivable	180,131,614
Less Current Portion	<u>(9,937,770)</u>
Noncurrent Notes Receivable	<u><u>\$ 170,193,844</u></u>

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 9—Capital and intangible right-of-use assets

Capital assets consisted of the following:

	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2025</u>
Capital Assets not being Depreciated				
Land	\$ 26,856,022	\$ -	\$ -	\$ 26,856,022
Construction in progress	982,209	42,778,188	(50,501)	43,709,896
Easement	1,835,296	-	-	1,835,296
Total capital assets not being depreciated	<u>29,673,527</u>	<u>42,778,188</u>	<u>(50,501)</u>	<u>72,401,214</u>
Capital assets being depreciated:				
Furniture and equipment	197,392	-	-	197,392
Less accumulated depreciation	(197,392)	-	-	(197,392)
Library repository building	1,142,307	-	-	1,142,307
Less accumulated depreciation	(1,142,307)	-	-	(1,142,307)
Other buildings and improvements	3,179,498	-	-	3,179,498
Less accumulated depreciation	(2,148,043)	(114,323)	-	(2,262,366)
Intangible right-of-use assets	18,083,766	14,755,263	(5,649,252)	27,189,777
Less accumulated amortization	<u>(13,403,942)</u>	<u>(2,895,975)</u>	<u>5,649,252</u>	<u>(10,650,665)</u>
Total capital assets being depreciated, net	<u>5,711,279</u>	<u>11,744,965</u>	<u>-</u>	<u>17,456,244</u>
Capital assets, net	<u>\$ 35,384,806</u>	<u>\$ 54,523,153</u>	<u>\$ (50,501)</u>	<u>\$ 89,857,458</u>

Note 10—Long-term liabilities

A. Bonds payable

The Real Estate Foundation has entered into multiple loan agreements to borrow bond proceeds from the Development Authority of the Unified Government of Athens-Clarke County, Georgia or the Housing Authority of the city of Athens, Georgia. The Real Estate Foundation used the proceeds of these loans to fund construction, acquisition, renovation, and the equipping of various facilities located on the University's campus. These properties are secured by certain real properties and by the Real Estate Foundation's interest in certain rents and leases derived from these facilities. These financing agreements have been pledged to make debt service payments through fiscal year ending June 30, 2056. The amount of the remaining pledge is equal to the remaining principal and interest payments. Annual debt service requirements range from \$5.9 million to \$22.7 million. For the year ending June 30, 2025, bond principal and interest paid by the Real Estate Foundation and pledged amounts received were approximately \$20.7 million.

At June 30, 2025, borrowings under the Real Estate Foundation's loan agreements bear interest payable semi-annually in December and June at rates ranging from 1.87% to 5.00% with maturity dates through fiscal year 2056.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Long-term liabilities (continued)

A. Bonds payable (continued)

Revenue Bonds	Original Issue Amount	Interest Rates	Maturing Through Year	Outstanding Balance 2025
Bolton Entity, Series 2024	\$ 16,020,000	3.00% - 5.00%	2044	\$ 15,280,000
Central Precinct Entity, Series 2016	54,025,000	2.00% - 5.00%	2038	36,100,000
Central Housing I Entity, Series 2020	38,970,000	2.00% - 5.00%	2052	36,855,000
EC Housing Entity, Series 2019	62,950,000	1.87% -3.07%	2033	42,845,000
EC Housing Phase II Entity, Series 2017	44,630,000	3.00% - 5.00%	2040	33,060,000
Lumpkin Housing I Entity, Series 2024	51,350,000	4.00% - 5.00%	2056	51,350,000
PAC Entity, Series 2017	15,215,000	2.00% - 5.00%	2039	10,875,000
West Precinct Entity, Series 2024	48,040,000	3.00% - 5.00%	2056	48,040,000
				<u>\$ 274,405,000</u>

New revenue bonds

Lumpkin Housing I Entity

On September 5, 2024, the Housing Authority issued Revenue Bonds (University of Georgia Project—UGAREF Lumpkin Street Housing Phase I, LLC), Tax-Exempt Series 2024 (the “2024 Lumpkin Housing I Bonds”), and entered into an agreement (the “2024 Lumpkin Housing I Loan Agreement”) to loan \$51,350,000 to the Lumpkin Housing I Entity. The Lumpkin Housing I Entity is using the proceeds of this loan to fund construction of a residence hall. The facility is reported as construction in progress as of June 30, 2025.

West Precinct Entity

On October 31, 2024, the Development Authority issued Revenue Bonds (University of Georgia Project—UGAREF West Precinct, LLC), Tax-Exempt Series 2024 (the “2024 West Precinct Bonds”), and entered into an agreement (the “2024 West Precinct Loan Agreement”) to loan \$48,040,000 to the West Precinct Entity. The West Precinct Entity is using the proceeds of this loan to fund construction of a dining, learning, and well-being center. The facility is reported as construction in progress as of June 30, 2025.

Defeasance and refunding of revenue bonds

Bolton Entity

On October 31, 2024, the Development Authority issued \$16,020,000 in Refunding Revenue Bonds (University of Georgia Project—UGAREF Bolton Commons, LLC), Tax-Exempt Series 2024 (the “2024 Bolton Bonds”) with interest rates ranging from 3.0% to 5.0% and entered into an agreement (the “2024 Bolton Loan Agreement”) with the Bolton Entity to current refund \$16,180,000 of outstanding 2013 Bolton Bonds with interest rates ranging from 4.0% to 5.0%.

The net proceeds of \$16,448,710 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and on December 15, 2024, the full principal and accrued interest of the refunded 2013 Bolton Bonds were paid. As a result, \$16,180,000 of outstanding 2013 Bolton Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position for the year ended June 30, 2025.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Long-term liabilities (continued)

A. Bonds payable (continued)

Defeasance and refunding of revenue bonds (continued)

Bolton Entity (continued)

The current refunding resulted in a gain which consisted of the difference between the reacquisition price and the net carrying amount of the old debt of \$295,983. This difference, reported in the accompanying statement of net position as a deferred inflow of resources, is being charged to operations as interest expense through June 15, 2044, using the straight-line method. The Bolton Entity completed the current refunding to reduce its total debt service payments over the next 20 years by \$1,415,344 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,046,897 at an effective interest rate of 3.25%.

Fraternity Row Entity

On June 16, 2025, the Housing Authority entered into an agreement with the Fraternity Row Entity to early extinguish \$8,820,000 of outstanding 2017 Fraternity Row Bonds with interest rates ranging from 3.55% to 4.45% pursuant to the financing agreements being terminated by the University.

A portion of the proceeds received from the University in the net amount of \$7,516,766 (after payment of \$44,331 in extinguishment costs) plus an additional \$1,388,865 from the Fraternity Row Entity's repair and restoration reserves was transferred from the Fraternity Row Entity and deposited into an irrevocable trust with an escrow agent and used to purchase U.S. government securities. Those securities are to provide for all future debt service payments on the extinguished portion of the 2017 Fraternity Row Bonds. As a result, \$8,820,000 of outstanding 2017 Fraternity Row Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position for the year ended June 30, 2025. The related \$736,837 of 2017 Fraternity Row Bonds deferred loss on refunding has been removed from the statement of net position for the year ended June 30, 2025.

The early extinguishment resulted in a loss consisting of the difference between the reacquisition price and the net carrying amount of the extinguished debt of \$1,944,935. This difference has been recorded as a \$1,122,363 ordinary loss on disposal of assets and a \$822,572 ordinary loss on extinguishment of debt during the year ended June 30, 2025. The Fraternity Row Entity completed the early extinguishment in order to repay the 2017 Fraternity Row Bonds and to reduce its total debt service payments on the 2017 Fraternity Row Bonds over the next 14 years by \$975,028. The resulting economic loss (difference between the present value of the extinguished debt and the cash amount transferred to escrow) is \$1,274,886 using an effective interest rate of 4.01%.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Long-term liabilities (continued)

A. Bonds payable (continued)

Real Estate Foundation – bonds payable

The bonds payable agreements require the Real Estate Foundation to meet certain covenants. At June 30, 2025, the Real Estate Foundation was not aware of any violations of the covenants.

Following is a summary as of June 30, 2025, of principal and interest payments for the face value of the bonds payable during each of the next five years ending June 30 and every five years thereafter:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 10,065,000	\$ 10,650,035
2027	11,990,000	10,281,217
2028	12,460,000	9,790,432
2029	12,955,000	9,275,018
2030	13,455,000	8,741,352
2031 - 2035	69,705,000	35,342,181
2036 - 2040	50,595,000	23,499,225
2041 - 2045	28,850,000	15,630,437
2046 - 2050	29,530,000	10,304,787
2051 - 2055	29,120,000	4,548,475
2056	5,680,000	230,938
	<u>\$ 274,405,000</u>	<u>\$ 138,294,097</u>

Changes in long-term liabilities for the fiscal year ended June 30, 2025 are shown below:

	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Disposals and Reductions</u>	<u>Balance at June 30, 2025</u>	<u>Current Portion</u>
Bonds Payable	\$ 194,465,000	\$ 115,410,000	\$ (35,470,000)	\$ 274,405,000	\$ 10,065,000
Net Premium	9,638,508	2,811,495	(1,327,340)	11,122,663	-
Total Long-term Liabilities	<u>\$ 204,103,508</u>	<u>\$ 118,221,495</u>	<u>\$ (36,797,340)</u>	<u>\$ 285,527,663</u>	<u>\$ 10,065,000</u>

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Long-term liabilities (continued)

B. Lease obligations

The Real Estate Foundation has entered into multiple lease agreements as the lessee. The interest rates on the leases are based on the state's annual borrowing rate of 1.37 to 3.402%. These leases are subleased to the University as described in Note 7.

Description	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Balances 2025
Gwinnett Intellicenter	\$ 15,122,755	124 months	Jan 2017	Apr 2027	\$ 3,283,822
Live Oak Square	14,755,263	131 months	Sep 2024	Jul 2035	14,755,263
					\$ 18,039,085

The Live Oak Square lease was restructured and renewed during the year ended June 30, 2025. The restructuring included 11 months of abated rent.

A summary of principal and interest amounts as of June 30, 2025, for the remaining leases are as follows:

	Principal	Interest
2026	\$ 2,354,967	\$ 536,009
2027	2,707,802	473,133
2028	1,267,635	421,908
2029	1,354,340	377,442
2030	1,445,113	329,963
2031-2035	8,741,659	821,986
2036	167,569	475
	\$ 18,039,085	\$ 2,960,916

Changes in lease obligations for the year ended June 30, 2025, are shown below:

	Balance at June 30, 2024	Additions	Disposals and Reductions	Balance at June 30, 2025	Current Portion
Lease Obligations	\$ 5,174,771	\$ 14,755,263	\$ (1,890,949)	\$ 18,039,085	\$ 2,354,967

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Long-term liabilities (continued)

C. Components of interest expense

A summary of the components of interest cost for the year ended June 30, 2025, is as follows:

Interest Expense	
Interest Expense	\$ 11,525,714
Amortization of Premiums and Deferred (Gain) Loss	(194,991)
Cost of Issuance	1,912,033
Fees	<u>282,396</u>
Total Interest Expense	<u>\$ 13,525,152</u>

Note 11—Line of credit

In November 2023, the Real Estate Foundation entered into a modification of the \$25 million revolving credit agreement for a five-year term to expires on November 30, 2028. A first amendment to the credit agreement was also entered into has an accordion feature whereby the Real Estate Foundation can request an increase in the revolving credit amount to an amount not greater than \$35 million. Credit available under the revolving credit agreement is reduced by outstanding borrowings. As of June 30, 2025, amounts outstanding and issued under this agreement includes a revolving credit amount of \$25,000,000, borrowings of \$13,659,438, and a borrowing capacity of \$11,340,562. Borrowings under the revolving credit agreement bear interest at the bank's One Month Term Secured Overnight Financing Rate (SOFR) plus 85.0 basis points (or 0.85%). At June 30, 2025, the rate applicable to the borrowings was 5.18%. Amounts available as borrowing capacity are subject to an unused commitment fee of 0.10%.

The revolving credit agreement requires the Real Estate Foundation to meet certain covenants. At June 30, 2025, the Real Estate Foundation was not aware of any violations of the covenants.

Note 12—Related party transactions

On July 23, 1991, the Research Foundation purchased a library storage facility and approximately four acres of land for approximately \$1.2 million and subsequently leased the 38,000 square-foot facility to the University. The lease is renewable annually, at the University's option, through June 30, 2025. The monthly rental for this lease agreement is \$6,275. The lease rental for the year ended June 30, 2025 was \$75,300. The library storage facility was being depreciated over 25 years and became fully depreciated during fiscal year 2016.

The Research Foundation receives reimbursement from research sponsors for facilities and administrative ("F&A") cost incurred. Of the total received, 78% is remitted to the University for reimbursement of F&A cost incurred by the University. Additionally, the Research Foundation remitted \$6,605,387 for the year ended June 30, 2025, to various departments of the University for F&A cost they incurred in the support of research.

In addition to the \$7,566,091 in support to the University shown on the statement of revenues, expenses, and changes in net position, the Research Foundation distributes a portion of license and royalties revenue on a quarterly basis. Distributions are made to parties according to the Intellectual Property Administration Agreement and other contractual provisions. During fiscal year 2025, \$13,574,986 of license and royalties revenue was distributed of which \$6,164,979 was paid to the University to support inventor's research and departmental research programs, and the Plant Cultivar program.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 12—Related party transactions (continued)

The Real Estate Foundation has multiple financing agreements, leases, and subleases of real property with the Board of Regents. The Real Estate Foundation also has one-year licensing agreements with the Board of Regents which provides for the operation of parking lots by the Board of Regents on the Real Estate Foundation's land located on Oconee Street in Athens, Georgia, in exchange for a fee adjusted at the end of the term to reflect actual costs incurred. For the year ended June 30, 2025, the amounts reported as Lease Income, Repair and Restoration Income, and Lease Interest Income in the statement of revenues, expenses, and changes in net position consist of revenue earned through financing and lease agreements. The financing and lease agreements with the Board of Regents are the primary source of revenue for the Real Estate Foundation, which constitutes a concentration of credit risk.

Additionally, the lease agreements provide that certain amounts paid by the Real Estate Foundation be reimbursed by the Board of Regents. Amounts reimbursed are primarily insurance and property taxes. For the year ended June 30, 2025, the expenses which were paid by the Real Estate Foundation and reimbursed by the University are reported as Receipts for Payments Reimbursable by the University and Affiliates and Payments Reimbursable by the University and Affiliates in the statement of cash flows.

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

The Real Estate Foundation has entered into an administrative services agreement with the University whereby the University provides project management, accounting, and other administrative services, as well as provisions for office space, maintenance, and utilities to be provided by the University to the Real Estate Foundation. During the year ended June 30, 2025, the Real Estate Foundation paid \$382,201 to the University under the terms of that agreement. The administrative services agreement is renewable on an annual basis.

During the year ended June 30, 2025, the Real Estate Foundation signed two financing agreements with the Board of Regents for a new residence hall and a dining, learning and well-being center and received \$23,061,538 from the University per the terms of the agreements. The \$23,061,538 is recorded as Advance Note Payment Receipts on the statement of net position.

On June 16, 2025, the Fraternity Row Entity terminated the financing agreement with the Board of Regents following early receipt of the related note receivable from the University. In connection with the termination, the Housing Authority entered into an agreement with the Fraternity Row Entity to early extinguish \$8,820,000 of outstanding 2017 Fraternity Row Entity Bonds. The loss on extinguishment of the bonds is \$822,572. The loss on disposal of assets is \$1,122,363. The loss is shown in the Loss on Disposal of Assets for the year ended June 30, 2025, in the statements of revenues, expenses, and changes in net position, and consisted of the following components:

Proceeds Received from University	\$ 7,516,766
Capital Lease Receivable at Time of Sale	<u>(8,639,129)</u>
Total Loss	<u><u>\$ (1,122,363)</u></u>

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 12—Related party transactions (continued)

The EC Housing Phase II Entity's financed residence hall sustained water damage and was completely restored during Fiscal 2025. As of June 30, 2025, the EC Housing Phase II Entity received insurance proceeds of \$1,533,210 and recorded an accounts receivable of \$387,459 for the remaining insurance proceeds to be recovered. The remaining insurance proceeds were received in July 2025, making the total reimbursements received from insurance \$1,920,669. As of June 30, 2025, the liabilities related to the damage are recorded as an accounts payable of \$1,712,289 to various vendors and an accounts payable to the University of \$222,880.

Note 13—Significant funding sources

For the fiscal year ended June 30, 2025, approximately \$205,600,000 (75%) of the Research Foundation's total federal expenditures and support were awarded by three agencies of the United States government. Changes in governmental spending could have a significant impact on the operations of the Research Foundation.

Note 14—Commitments and contingencies

In the normal course of business, there may be legal actions pending against the Research Foundation. At this time there are no such actions pending; therefore, no legal actions are expected to have a material effect on the Research Foundation's financial position, results of operations, or liquidity.

The Research Foundation has the following contractual commitments, in whole or in part, with parties other than the University:

The Georgia legislature passed legislation establishing the GRA Fund. The fund provides seed and early-stage venture financing for businesses formed around intellectual property resulting from GRA universities. The Research Foundation committed a total of \$1,000,000 at \$200,000 per year for five years beginning in fiscal year 2009. During fiscal year 2025, \$5,544 was requested and transferred to the GRA Fund. As of June 30, 2025, the Research Foundation's remaining commitment is \$61,668. In July 2015, the Research Foundation made an additional commitment of \$1,000,000 at \$200,000 per year for five years to the GRA Fund. During fiscal year 2025, \$19,421 was requested and transferred to the GRA Fund. As of June 30, 2025, the Research Foundation's remaining commitment is \$22,843.

The Research Foundation has committed to fund, in whole or in part, the following projects at the University:

The Research Foundation established the Special Research Hiring Initiative in fiscal year 2014 and the President's Extraordinary Research Faculty Hiring Initiative in fiscal year 2015. The fiscal year 2025 commitment for these initiatives is budgeted at approximately \$170,311.

During fiscal year 2024 the Research Foundation established a reserve to partially fund the University of Georgia Medical School. The remaining commitment for this reserve is \$10,000,000.

In May 2025, the Board approved maximum expenditures of \$115,700,000 related to the construction of a new first year residence hall on the University campus. The Real Estate Foundation expects to borrow tax exempt obligations in an amount not to exceed \$110,000,000.

In May 2025, the Board authorized the Hardin Entity to complete a no cost conveyance of fee simple title to approximately 36.87 acres of land that is adjacent to the University campus to the Board of Regents. The Easement on the statements of net position will be conveyed at the same time.

The Lumpkin Housing I Entity and West Precinct Entity have authorized commitments for construction contracts of \$34,685,554 and \$29,443,700, respectively, at June 30, 2025. These commitments are funded by Bond Proceeds Restricted for Construction and Debt Service on the statements of net position.

UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 14—Commitments and contingencies (continued)

The Research Foundation receives proceeds from federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. The Research Foundation believes any required refunds will be immaterial to the financial statements. No provision has been made in the accompanying financial statements for the refund of grant monies due to periodic audits by granting agencies.

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Audit Committee of the Board of Directors
University of Georgia Research Foundation, Inc.
Athens, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of the University of Georgia Research Foundation, Inc. (the “Research Foundation”), a component unit of the state of Georgia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Research Foundation’s basic financial statements, and have issued our report thereon dated September 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Research Foundation’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Research Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Research Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Augusta, Georgia
September 10, 2025