

**GEORGIA SOUTHERN UNIVERSITY  
HOUSING FOUNDATION, INC. AND SUBSIDIARIES  
(A Nonprofit Organization)**

**FINANCIAL REPORT**

**JUNE 30, 2017 AND 2016**

## CONTENTS

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to the financial statements	7
<b>Supplementary Data</b>	
Consolidating statements of financial position	23
Consolidating statements of activities	25

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Georgia Southern University  
Housing Foundation, Inc. and Subsidiaries

We have audited the accompanying financial statements of the Georgia Southern University Housing Foundation, Inc. and Subsidiaries (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Southern University Housing Foundation, Inc. and Subsidiaries, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Georgia Southern University Housing Foundation, Inc. and Subsidiaries 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 30, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

Our audit was made for the purpose of forming an opinion on the financial statements of the Georgia Southern University Housing Foundation, Inc. and Subsidiaries as a whole. The accompanying information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Foundation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Reddick, Riggs and Hunter, P. C.*

Statesboro, Georgia  
August 29, 2017

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Statements of Financial Position*  
*June 30, 2017 and 2016*

	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
Cash	\$ 2,918,837	\$ 2,910,536
Restricted cash	34,321,466	32,419,646
Accrued interest receivable	128,732	128,904
Investments	5,446,272	4,000,797
Prepaid expenses	15,598	15,598
Net investment in direct financing leases	198,294,056	204,950,891
Property, plant and equipment, net of accumulated depreciation	436,692	429,942
<b>Total Assets</b>	<b>\$ 241,561,653</b>	<b>\$ 244,856,314</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,277,141	\$ 16,604
Accrued interest payable	4,353,214	4,450,308
Due to Georgia Southern University	3,629,199	3,892,925
Deferred gains on capital leases	4,911,828	5,140,455
Bonds payable	202,113,870	208,652,633
Total liabilities	216,285,252	222,152,925
<b>Net Assets</b>		
Unrestricted	(6,724,846)	(6,600,380)
Temporarily restricted	32,001,247	29,303,769
Total net assets	25,276,401	22,703,389
<b>Total Liabilities and Net Assets</b>	<b>\$ 241,561,653</b>	<b>\$ 244,856,314</b>

The Notes to Financial Statements are an integral part of these statements.

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Statements of Activities*  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Capital lease income				
Gain on capital leases	\$ 228,627	\$ -	\$ 228,627	\$ 322,682
Lease interest	-	10,543,159	10,543,159	10,946,900
Replacement Reserve income	-	1,510,286	1,510,286	1,532,724
Interest and dividends, net of investment expenses of \$8,133 and \$5,906, respectively	95,522	295,687	391,209	403,504
Realized gains (losses) on investments	(1,877)	-	(1,877)	33,237
Unrealized gains (losses) on investments	363,613	-	363,613	(9,628)
Other revenues	1,863	-	1,863	213,864
Gain on refinance	-	-	-	1,554,173
	<u>687,748</u>	<u>12,349,132</u>	<u>13,036,880</u>	<u>14,997,456</u>
Total revenues, gains and support				
<b>OPERATING EXPENSES</b>				
Amortization of prepaid rent	-	-	-	63,880
Dues and fees	56,630	-	56,630	58,610
Insurance	9,184	-	9,184	9,187
Interest expense				
Interest on bonds	-	9,206,505	9,206,505	9,571,399
Amortization of original issue discount	-	16,212	16,212	17,775
Accretion of original issue premium	-	(539,413)	(539,413)	(500,100)
Amortization of cost of issuance	-	194,437	194,437	188,527
Professional services	128,753	72,950	201,703	203,349
Repair and replacement expenses	539,244	700,963	1,240,207	178,498
Other administrative expenses	4,403	-	4,403	2,083
Gift / Transfer to Georgia Southern University	74,000	-	74,000	59,926
Loss on lease modification	-	-	-	3,121,234
	<u>812,214</u>	<u>9,651,654</u>	<u>10,463,868</u>	<u>12,974,368</u>
Total expenses				
<b>CHANGE IN NET ASSETS</b>	(124,466)	2,697,478	2,573,012	2,023,088
<b>NET ASSETS, beginning of year</b>	<u>(6,600,380)</u>	<u>29,303,769</u>	<u>22,703,389</u>	<u>20,680,301</u>
<b>NET ASSETS, end of year</b>	<u>\$ (6,724,846)</u>	<u>\$ 32,001,247</u>	<u>\$ 25,276,401</u>	<u>\$ 22,703,389</u>

The Notes to Financial Statements are an integral part of these statements.

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Statements of Cash Flows*  
For the Years Ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Lease interest received	\$ 10,543,159	\$ 10,946,900
Replacement reserve income received	1,510,286	1,532,724
Cash paid to suppliers	(325,591)	(518,835)
Interest paid (net of amount capitalized)	(9,303,599)	(9,837,159)
Interest and investment income	391,381	364,737
Other income received	1,864	3,351
Net cash provided by operating activities	2,817,500	2,491,718
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(1,083,738)	(1,469,894)
Additions to property, plant and equipment	(6,750)	-
Principal payments on net investments in direct financing leases	6,656,835	6,368,870
Net cash provided by investing activities	5,566,347	4,898,976
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of bond issuance costs	-	(460,324)
Proceeds from issuance of long-term debt	-	28,588,531
Principal payments on bond obligations	(6,210,000)	(37,790,000)
Payment of amounts due to Georgia Southern University	(263,726)	(440,178)
Net cash used by financing activities	(6,473,726)	(10,101,971)
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	1,910,121	(2,711,277)
<b>CASH AND EQUIVALENTS, beginning of year</b>	35,330,182	38,041,459
<b>CASH AND EQUIVALENTS, end of year</b>	\$ 37,240,303	\$ 35,330,182

The Notes to Financial Statements are an integral part of these statements.

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Statements of Cash Flows*  
For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>Change in net assets</b>	\$ 2,573,012	\$ 2,023,088
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Amortization of bond issuance costs	194,437	188,527
Amortization of bond premium (discount)	(523,201)	(482,325)
Realized gains on investments	1,877	(33,237)
Unrealized gains on investments	(363,613)	9,628
Gain on refinance	-	(1,554,173)
Loss on lease modification	-	3,121,234
Decrease (increase) in operating assets:		
Interest income receivable	172	(38,767)
Prepaid expenses	-	807
Prepaid rent	-	63,880
Increase (decrease) in operating liabilities:		
Accounts payable	1,260,537	(6,595)
Accrued interest	(97,094)	(265,760)
Other liabilities	-	(211,907)
Deferred gain on capital lease	(228,627)	(322,682)
Total adjustments	244,488	468,630
Net cash provided by operating activities	\$ 2,817,500	\$ 2,491,718

The Notes to Financial Statements are an integral part of these statements.



**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

**Note 1. Organization**

Georgia Southern University Housing Foundation, Inc. and Subsidiaries (the Foundation) is an independent nonprofit organization located in Statesboro, Georgia whose purpose is to acquire, construct or improve student housing and other student facilities. The construction projects completed include acquisition, construction and/or renovation of six housing facilities, containing approximately 4,348 beds, as well as other student facilities including expansion of the Recreation Athletic Complex, construction of a new track and a soccer field, a weight room renovation and expansion, a baseball stadium renovation and expansion, and two dining facilities, located on land owned by Georgia Southern University (the University).

**Note 2. Significant Accounting Policies**

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

*Basis of Accounting:*

The Foundation utilizes the accrual method of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred. The financial statements include the financial position and activities of the Georgia Southern University Housing Foundation, Inc. as well as its subsidiaries.

*Cash and Cash Equivalents:*

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with a maturity date of three months or less to be cash equivalents.

*Investments:*

Investments are reported at fair value based on the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 investments are investments for which fair value is derived from quoted prices in active markets for identical assets the Foundation has the ability to access at the measurement date. Level 2 investments are investments for which fair value is derived from other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 3 investments are investments for which fair value is derived from significant unobservable inputs.

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

**Note 2. Significant Accounting Policies (continued)**

*Investments: (continued)*

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

*Income Taxes:*

The Foundation is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation adopted the income tax standard for uncertain tax positions on January 1, 2009. As a result of the implementation, the Foundation evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2017. The years ended June 30, 2014, 2015, 2016 and 2017 are open for potential review and adjustment by the Internal Revenue Service or the Georgia Department of Revenue under the statute of limitations. The organization has no unrelated business income that could produce tax liabilities under the Internal Revenue Code or the laws of the State of Georgia. Therefore, no tax liability has been reflected in the financial statements.

*Use of Estimates:*

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

*Recent Accounting Pronouncements:*

During the year ended June 30, 2017, the Foundation adopted the provisions of ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The provisions of ASU 2015-03 require that unamortized debt issuance costs be presented as a direct deduction from the associated outstanding debt liability on the financial statements. Also, amortization expense of the debt issuance costs is classified with interest expense in the financial statements in accordance with ASU 2015-03. The effects of the application of ASU 2015-03 have also been applied retrospectively as of and for the year ended June 30, 2016. Bonds payable as of June 30, 2016 were previously reported on the statement of financial position as \$212,250,721 with the associated \$3,598,088 unamortized debt issuance costs included as a line item asset titled bond issuance costs, net of accumulated amortization.

*Others:*

Management has evaluated subsequent events through August 29, 2017, the date the financial statements were available to be issued.

**Note 3. Restricted Cash Balance Funds**

Restricted cash balances as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Replacement	\$ 12,075,801	\$ 10,813,018
Principal	6,922,815	6,210,503
Interest	4,640,860	4,675,218
Debt service reserve	10,681,979	10,712,886
Other	11	8,021
	<u>34,321,466</u>	<u>32,419,646</u>
Total	<u>\$ 34,321,466</u>	<u>\$ 32,419,646</u>

**Note 4. Temporarily Restricted Net Assets**

Net assets, made up of investment income from the loan proceeds, were temporarily restricted for the purpose of future bond obligations. When the bond obligations are all met, the temporarily restricted net assets will be released.

**Note 5. Investments**

A summary of the aggregate cost and fair value of investment securities as of June 30, 2017 and 2016 is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
BOR Investment Pools:				
Cash and equivalents	\$ 5,389	\$ 5,390	\$ 3,895	\$ 3,895
Money market funds	294,726	289,031	125,329	119,170
Equity securities	2,023,294	2,356,544	1,689,046	1,849,193
Mutual funds	2,701,115	2,795,307	2,124,342	2,028,539
	<u>5,024,524</u>	<u>5,446,272</u>	<u>3,942,612</u>	<u>4,000,797</u>
Total	<u>\$ 5,024,524</u>	<u>\$ 5,446,272</u>	<u>\$ 3,942,612</u>	<u>\$ 4,000,797</u>

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2) as of June 30, 2017 and 2016 as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Level 1</u>	<u>Total</u>	<u>Level 1</u>	<u>Total</u>
BOR Investment Pools:				
Cash and equivalents	\$ 5,390	\$ 5,390	\$ 3,895	\$ 3,895
Money market funds	289,031	289,031	119,170	119,170
Equity securities	2,356,544	2,356,544	1,849,193	1,849,193
Mutual funds	2,795,307	2,795,307	2,028,539	2,028,539
	<u>5,446,272</u>	<u>5,446,272</u>	<u>4,000,797</u>	<u>4,000,797</u>
Total	<u>\$ 5,446,272</u>	<u>\$ 5,446,272</u>	<u>\$ 4,000,797</u>	<u>\$ 4,000,797</u>

**Note 5. Investments (continued)**

The Foundation has invested in various funds through the pooled investment program of the Board of Regents of the University System of Georgia managed through Suntrust through its Foundations and Endowments Specialty Practice. The Funds consisted of blended instruments, including large cap domestic equities, small cap domestic equities, mid cap domestic equities, international and emerging markets equity, real estate, high yield fixed income, global fixed income and alternative investments. The investment pool does not issue shares. Each participant enters the investment pool voluntarily and is allocated a pro rata share of each investment held by the pool, along with a pro rata share of the income each investment earns. The amounts presented are broken out by natural classification.

The fair value of the investment pool is determined daily. There are no unfunded commitments, lockout periods, or redemption terms as of June 30, 2017 and 2016, respectively. The pooled funds are considered to mature within a year.

**Note 6. Property, Plant and Equipment, net**

The following is a summary of property, plant and equipment at cost, less accumulated depreciation:

	<u>2017</u>	<u>2016</u>
Land	\$ 436,692	\$ 429,942
Net property, plant and equipment	<u>\$ 436,692</u>	<u>\$ 429,942</u>

## Note 7. Lease Agreements

The Foundation's net investment in direct financing leases as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
GSUHF1		
Capital lease of student housing facilities (Southern Courtyard and Southern Pines) to Georgia Southern University, in the original amount of \$42,668,051, commencing in September, 2003, renewable annually up to 30 years	\$ 27,511,309	\$ 28,965,126
GSUHF2		
Capital lease of student housing facilities (Eagle Village) to Georgia Southern University, in the original amount of \$30,179,998, commencing in August, 2005, renewable annually up to 30 years	19,907,068	20,998,634
Capital lease of an athletic training facility to Georgia Southern University, in the original amount of \$694,056, commencing in August, 2005, renewable annually up to 30 years	449,530	475,944
Capital lease of the J I Clements Baseball Stadium to Georgia Southern University, in the original amount of \$2,230,350, commencing in August, 2005, renewable annually up to 30 years	1,445,403	1,530,198
Capital lease of the soccer and track stadium to Georgia Southern University, in the original amount of \$1,677,441, commencing in August, 2005, renewable annually up to 30 years	1,085,703	1,149,275
GSUHF3		
Capital lease of the Recreational Activities Complex (RAC) to Georgia Southern University, in the original amount of \$40,264,057, commencing in August, 2006, modified in November, 2015, renewable up to 14 years	26,037,794	27,642,602
GSUHF4		
Capital lease of student housing facilities (Centennial Place) to Georgia Southern University, in the original amount of \$56,096,073, commencing in August, 2009, renewable annually up to 30 years	50,787,774	51,945,580
Capital lease of student housing facilities (University Villas) to Georgia Southern University, in the original amount of \$13,385,741, commencing in August, 2008, renewable annually up to 29 years	12,355,383	12,647,961
GSUHF5		
Capital lease of student housing facilities (Freedom's Landing) to Georgia Southern University, in the original amount of \$34,599,940, commencing in August, 2012, renewable annually up to 28 years	33,590,877	34,037,617
GSUHF6		
Capital lease of student dining facilities (Dining Commons) to Georgia Southern University, in the original amount of \$18,321,141, commencing in August, 2013, renewable annually up to 29 years	17,546,921	17,858,660
Capital lease of student dining facilities (Lakeside Dining) to Georgia Southern University, in the original amount of \$7,851,917, commencing in August, 2013, renewable annually up to 29 years	<u>7,576,294</u>	<u>7,699,294</u>
Total net investment in direct financing leases	<u>\$ 198,294,056</u>	<u>\$ 204,950,891</u>

**Note 7. Lease Agreements (continued)**

*A. Georgia Southern University Housing Foundation One, LLC*

Georgia Southern University Housing Foundation One, LLC (*GSUHFI*) has a direct financing lease agreement with the Board of Regents of the University System of Georgia (the Board of Regents) for two student housing facilities, Southern Courtyard and Southern Pines. The lease began upon construction completion and the receipt of a certificate of occupancy, commencing September, 2003. The monthly lease payment amount is \$236,493. This amount will be utilized to maintain the housing facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund. This lease is renewable annually up to 30 years.

*GSUHFI* is the lessee of the land upon which the housing facilities are located. This lease is payable to the Board of Regents at \$10 per year for a primary term of 27 years, subject to a 5 year extension. This lease commenced after the receipt of the certificate of occupancy.

The following is a summary of the components of *GSUHFI's* net investment in the direct financing lease at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total minimum lease payments to be received	\$ 37,365,894	\$ 40,203,809
Unearned interest income	<u>(9,854,585)</u>	<u>(11,238,683)</u>
Net investment in direct financing lease	<u>\$ 27,511,309</u>	<u>\$ 28,965,126</u>

Minimum lease payments to be received for each of the next five years and thereafter are as follows:

June 30, 2018	\$ 2,837,916
2019	2,837,916
2020	2,837,916
2021	2,837,916
2022	2,837,916
Thereafter	<u>23,176,314</u>
Total	<u>\$ 37,365,894</u>

*B. Georgia Southern University Housing Foundation Two, LLC*

Georgia Southern University Housing Foundation Two, LLC (*GSUHFI2*) has four rental agreements with the Board of Regents for a student housing facility, Eagle Village, as well as a soccer and track stadium, the J I Clements baseball stadium, and an athletic training center. The leases began upon construction completion and the receipt of a certificate of occupancy in August, 2005. The monthly rental amounts vary each year. The student housing lease monthly income amounts vary from \$182,297 to \$192,682. The weight room lease monthly income amounts vary from \$4,091 to \$4,149. The soccer field lease monthly income amounts vary from \$9,892 to \$9,999. The baseball facilities lease monthly income amounts vary from \$13,140 to \$13,333. These amounts will be utilized to maintain the facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund. These leases are renewable annually up to 30 years.

**Note 7. Lease Agreements (continued)**

*B. Georgia Southern University Housing Foundation Two, LLC (continued)*

*GSUHF2* is the lessee of the land upon which the facilities are located. This lease is payable to the Board of Regents at \$10 per year for a primary term of 25 years, subject to a 5 year extension. This lease commenced after the receipt of the certificate of occupancy.

The following is a summary of the components of *GSUHF2's* net investment in the direct financing leases at June 30, 2017 and 2016:

	<u>Eagle Village</u>	<u>Athletic Training Center</u>	<u>J I Clements Baseball Stadium</u>	<u>Soccer and Track Stadium</u>	<u>Total 2017</u>
Total minimum lease payments to be received	\$ 30,088,654	\$ 597,873	\$ 1,922,856	\$ 1,444,334	\$ 34,053,717
Unfunded replacement reserve	(3,070,438)	-	-	-	(3,070,438)
Unearned interest income	<u>(7,111,148)</u>	<u>(148,343)</u>	<u>(477,453)</u>	<u>(358,631)</u>	<u>(8,095,575)</u>
Net investment in direct financing lease	<u>\$ 19,907,068</u>	<u>\$ 449,530</u>	<u>\$ 1,445,403</u>	<u>\$ 1,085,703</u>	<u>\$ 22,887,704</u>
	<u>Eagle Village</u>	<u>Athletic Training Center</u>	<u>J I Clements Baseball Stadium</u>	<u>Soccer and Track Stadium</u>	<u>Total 2016</u>
Total minimum lease payments to be received	\$ 32,382,490	\$ 647,205	\$ 2,081,340	\$ 1,563,254	\$ 36,674,289
Unfunded replacement reserve	(3,259,870)	-	-	-	(3,259,870)
Unearned interest income	<u>(8,123,986)</u>	<u>(171,261)</u>	<u>(551,142)</u>	<u>(413,979)</u>	<u>(9,260,368)</u>
Net investment in direct financing lease	<u>\$ 20,998,634</u>	<u>\$ 475,944</u>	<u>\$ 1,530,198</u>	<u>\$ 1,149,275</u>	<u>\$ 24,154,051</u>

Minimum lease payments to be received for each of the next five years and thereafter are as follows:

	<u>Eagle Village</u>	<u>Athletic Training Center</u>	<u>J I Clements Baseball Stadium</u>	<u>Soccer and Track Stadium</u>	<u>Total</u>
June 30, 2018	\$ 2,295,888	\$ 49,500	\$ 159,024	\$ 119,292	\$ 2,623,704
2019	2,295,228	49,584	159,288	119,484	2,623,584
2020	2,291,856	49,584	159,312	118,496	2,619,248
2021	2,295,792	49,512	159,060	119,496	2,623,860
2022	2,296,512	49,356	158,544	119,328	2,623,740
Thereafter	<u>18,613,378</u>	<u>350,337</u>	<u>1,127,628</u>	<u>848,238</u>	<u>20,939,581</u>
Total	<u>\$ 30,088,654</u>	<u>\$ 597,873</u>	<u>\$ 1,922,856</u>	<u>\$ 1,444,334</u>	<u>\$ 34,053,717</u>

**Note 7. Lease Agreements (continued)**

*C. Georgia Southern University Housing Foundation Three, LLC*

Georgia Southern University Housing Foundation Three, LLC (*GSUHF3*) has a rental agreement with the Board of Regents for the Recreation Athletic Center, including outdoor amenities. The lease began upon construction completion and the receipt of a certificate of occupancy, commencing in August, 2006. The lease monthly income amounts varied from \$74,448 to \$266,095. These amounts will be utilized to maintain the facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund.

Upon the issuance of refunding bonds as described at Note 8.C. in November, 2015, Georgia Southern University Housing Foundation Three, LLC (*GSUHF3*) modified the rental agreement to pass-through the economic benefit of the refunding to the Board of Regents. The monthly rental income amounts vary each year. The modified lease monthly income amounts vary from \$246,292 to \$235,253. These amounts will be utilized to maintain the facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund. This lease is renewable annually up to 14 years.

*GSUHF3* is the lessee of the land upon which the additional facilities are located. This lease is payable to the Board of Regents at \$10 per year for a primary term of 25 years, subject to a 5 year extension. This lease commenced after the receipt of the certificate of occupancy. As additional consideration for the leasing of the existing Recreation Athletic Center for the term of the lease, the lessee paid to the lessor the sum of \$4,500,000, which was being amortized over the life of the lease. Upon modification of the lease as noted above, the ground lease was modified, and the remaining prepaid rent was recognized in the year ended June 30, 2016.

The net present value capital lease calculations of the original lease resulted in the net present value exceeding the costs by \$6,625,678. This difference was being amortized over the life of the lease and is recognized annually as a gain on capital lease. The lease payments were determined in advance of the start of the project, therefore, the actual costs to complete the projects differed from the net present values. Upon modification of the lease, the remaining unamortized gain was recognized in the year ended June 30, 2016.

The following is a summary of the components of *GSUHF3's* net investment in the direct financing lease at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total minimum lease payments to be received	\$ 35,868,909	\$ 38,563,725
Unfunded replacement reserve	(4,266,761)	(4,532,002)
Unearned interest income	<u>(5,564,354)</u>	<u>(6,389,121)</u>
Net investment in direct financing lease	<u>\$ 26,037,794</u>	<u>\$ 27,642,602</u>

Minimum lease payments to be received for each of the next five years and thereafter are as follows:

June 30, 2018	\$ 2,704,480
2019	2,712,188
2020	2,718,448
2021	2,726,468
2022	2,741,955
Thereafter	<u>22,265,370</u>
Total	<u>\$ 35,868,909</u>



**Note 7. Lease Agreements (continued)**

*D. Georgia Southern University Housing Foundation Four, LLC*

Georgia Southern University Housing Foundation Four, LLC (*GSUHF4*) has two rental agreements with the Board of Regents for student housing facilities, University Villas (originally known as Campus Courtyard) and Centennial Place. The leases began upon acquisition/construction completion and the receipt of a certificate of occupancy, with the University Villas lease commencing August, 2008, and the Centennial Place lease commencing August, 2009. The monthly rental amounts vary each year. The University Villas lease monthly income amounts vary from \$41,573 to \$130,110. The Centennial Place lease monthly income amounts vary from \$211,312 to \$370,066. These amounts will be utilized to maintain the facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund. The University Villas lease is renewable annually up to 29 years, while the Centennial Place lease is renewable up to 30 years.

*GSUHF4* is the lessee of the land upon which the additional facilities are located. This lease is payable to the Board of Regents at \$10 per year for a primary term of 30 years, subject to a 5 year extension. This lease commenced after the receipt of the certificate of occupancy.

The net present value capital lease calculations of this project resulted in the net present value exceeding the costs by \$6,819,148. This difference is being amortized over the life of the lease and is recognized annually as a gain on capital lease. The lease payments were determined in advance of the start of the project, therefore, the actual costs to complete the projects differed from the net present values.

The following is a summary of the components of *GSUHF4's* net investment in the direct financing leases at June 30, 2017 and 2016:

	<u>Centennial Place</u>	<u>University Villas</u>	<u>Total 2017</u>
Total minimum lease payments to be received	\$ 93,740,074	\$ 29,364,543	\$ 123,104,617
Unfunded replacement reserve	(7,744,350)	(8,830,247)	(16,574,597)
Unearned interest income	<u>(35,207,950)</u>	<u>(8,178,913)</u>	<u>(43,386,863)</u>
Net investment in direct financing lease	<u>\$ 50,787,774</u>	<u>\$ 12,355,383</u>	<u>\$ 63,143,157</u>
	<u>Centennial Place</u>	<u>University Villas</u>	<u>Total 2016</u>
Total minimum lease payments to be received	\$ 97,846,967	\$ 30,613,931	\$ 128,460,898
Unfunded replacement reserve	(7,990,571)	(9,129,205)	(17,119,776)
Unearned interest income	<u>(37,910,816)</u>	<u>(8,836,765)</u>	<u>(46,747,581)</u>
Net investment in direct financing lease	<u>\$ 51,945,580</u>	<u>\$ 12,647,961</u>	<u>\$ 64,593,541</u>

**Note 7. Lease Agreements (continued)**

*D. Georgia Southern University Housing Foundation Four, LLC (continued)*

Minimum lease payments to be received for each of the next five years and thereafter are as follows:

	<u>Centennial Place</u>	<u>University Villas</u>	<u>Total</u>
June 30, 2018	\$ 4,127,638	\$ 1,259,635	\$ 5,387,273
2019	4,135,247	1,269,410	5,404,657
2020	4,144,855	1,283,721	5,428,576
2021	4,156,613	1,297,316	5,453,929
2022	4,165,138	1,310,203	5,475,341
Thereafter	<u>73,010,583</u>	<u>22,944,258</u>	<u>95,954,841</u>
Total	<u>\$ 93,740,074</u>	<u>\$ 29,364,543</u>	<u>\$ 123,104,617</u>

*E. Georgia Southern University Housing Foundation Five, LLC*

Georgia Southern University Housing Foundation Five, LLC (*GSUHF5*) has a rental agreement with the Board of Regents for student housing facilities, Freedom's Landing (originally known as Campus Club), including amenities to include a pool and surface parking. The lease began upon renovation completion and the receipt of a certificate of occupancy, commencing in August, 2012. The monthly rental income amounts vary each year. The lease monthly income amounts vary from \$205,245 to \$325,099. These amounts will be utilized to maintain the facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund. This lease is renewable annually up to 30 years.

*GSUHF5* is the lessee of the land upon which the housing facilities are located. This lease is payable to the Board of Regents at \$10 per year for a primary term of 30 years, subject to a 5 year extension. This lease commenced after the receipt of the certificate of occupancy.

The following is a summary of the components of *GSUHF5's* net investment in the direct financing lease at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total minimum lease payments to be received	\$ 86,796,119	\$ 90,165,087
Unfunded replacement reserve	(14,157,253)	(14,556,507)
Unearned interest income	<u>(39,047,989)</u>	<u>(41,570,963)</u>
Net investment in direct financing lease	<u>\$ 33,590,877</u>	<u>\$ 34,037,617</u>

Minimum lease payments to be received for each of the next five years and thereafter are as follows:

June 30, 2018	\$ 3,387,274
2019	3,402,805
2020	3,420,602
2021	3,437,240
2022	3,451,886
Thereafter	<u>69,696,312</u>
Total	<u>\$ 86,796,119</u>

**Note 7. Lease Agreements (continued)**

*F. Georgia Southern University Housing Foundation Six, LLC*

Georgia Southern University Housing Foundation Six, LLC (*GSUHF6*) has two rental agreements with the Board of Regents for student dining facilities, Dining Commons and Lakeside Dining. The leases began upon construction completion and the receipt of a certificate of occupancy, commencing August, 2013. The monthly rental amounts vary each year. The Dining Commons lease monthly income amounts vary from \$67,126 to \$123,027. The Lakeside Dining lease monthly income amounts vary from \$28,658 to \$55,892. These amounts will be utilized to maintain the facilities, and to pay the debt service on the bonds and any amounts required to be deposited to the Replacement Fund. These leases are renewable annually up to 30 years.

*GSUHF6* is the lessee of the land upon which the dining facilities are located. This lease is payable to the Board of Regents at \$10 per year for a primary term of 30 years, subject to a 5 year extension. This lease commenced after the receipt of the certificate of occupancy.

The following is a summary of the components of *GSUHF6*'s net investment in the direct financing leases at June 30, 2017 and 2016:

	<u>Dining Commons</u>	<u>Lakeside Dining</u>	<u>Total 2017</u>
Total minimum lease payments to be received	\$ 33,963,187	\$ 15,069,489	\$ 49,032,676
Unfunded replacement reserve	(2,922,591)	(1,252,540)	(4,175,131)
Unearned interest income	<u>(13,493,675)</u>	<u>(6,240,655)</u>	<u>(19,734,330)</u>
Net investment in direct financing lease	<u>\$ 17,546,921</u>	<u>\$ 7,576,294</u>	<u>\$ 25,123,215</u>
	<u>Dining Commons</u>	<u>Lakeside Dining</u>	<u>Total 2016</u>
Total minimum lease payments to be received	\$ 35,237,343	\$ 15,627,060	\$ 50,864,403
Unfunded replacement reserve	(3,000,417)	(1,285,894)	(4,286,311)
Unearned interest income	<u>(14,378,266)</u>	<u>(6,641,872)</u>	<u>(21,020,138)</u>
Net investment in direct financing lease	<u>\$ 17,858,660</u>	<u>\$ 7,699,294</u>	<u>\$ 25,557,954</u>

Minimum lease payments to be received for each of the next five years and thereafter are as follows:

	<u>Dining Commons</u>	<u>Lakeside Dining</u>	<u>Total</u>
June 30, 2018	\$ 1,277,634	\$ 559,095	\$ 1,836,729
2019	1,280,711	560,442	1,841,153
2020	1,283,397	561,691	1,845,088
2021	1,290,701	565,584	1,856,285
2022	1,297,786	567,835	1,865,621
Thereafter	<u>27,532,958</u>	<u>12,254,842</u>	<u>39,787,800</u>
Total	<u>\$ 33,963,187</u>	<u>\$ 15,069,489</u>	<u>\$ 49,032,676</u>

**Note 8. Bond Obligations**

Bonds payable as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
GSUHF1		
Student Housing Refunding Revenue Bonds, Series 2012; issued November 29, 2012 in the original amount of \$27,590,000; consisting of Serial Bonds, maturing annually through 2028, with stated interest rates varying from 2% to 5% over the bond term	\$ 22,890,000	\$ 24,150,000
GSUHF2		
Refunding Revenue Bonds, Series 2013; dated March 14, 2013 in the original amount of \$27,800,000; consisting of \$23,970,000 Serial Bonds, maturing annually through 2028, and \$3,830,000 Term Bonds, due August 1, 2030, with stated interest rates varying from 2.00% to 5.00% over the obligation term	22,670,000	23,965,000
GSUHF3		
Refunding Revenue Bonds, Series 2015; issued November 17, 2015 in the original amount of \$26,270,000; maturing annually through 2030, with stated interest rates varying from 3.00% to 5.00% over the obligation term	25,355,000	26,270,000
GSUHF4		
Student Housing Lease Revenue Bonds, Series 2008; issued February 28, 2008 in the original amount of \$69,000,000; consisting of \$69,000,000 Serial Bonds, maturing annually through 2039, with stated interest rates varying from 3% to 5% over the obligation term	61,665,000	62,980,000
GSUHF5		
Student Housing Lease Revenue Bonds, Series 2011; issued May 19, 2011 in the original amount of \$42,770,000; consisting of \$42,770,000 Serial Bonds, maturing annually through 2041, with stated interest rates varying from 2% to 5.125% over the obligation term	40,270,000	41,140,000
GSUHF6		
Student Dining Revenue Bonds, Series 2012; issued August 22, 2012 in the original amount of \$27,280,000; consisting of \$10,270,000 Serial Bonds, maturing annually through 2028, \$3,870,000 Term I Bonds, due July 1, 2032, \$5,835,000 Term II Bonds, due July 1, 2037 and \$7,305,000 Term III Bonds, due July 1, 2042, with stated interest rates varying from 2% to 5% over the obligation term	<u>25,665,000</u>	<u>26,220,000</u>
Subtotal	198,515,000	204,725,000
Plus: Unamortized bond premium	7,316,659	7,856,071
Less: Unamortized bond discount	(314,138)	(330,350)
Less: Unamortized bond issuance cost	<u>(3,403,651)</u>	<u>(3,598,088)</u>
Total bond obligations	<u>\$ 202,113,870</u>	<u>\$ 208,652,633</u>

**Note 8. Bond Obligations (continued)**

*A. \$27,590,000 Student Housing Refunding Revenue Bonds, Series 2012*

On October 1, 2002 the Development Authority of Bulloch County issued \$38,180,000 of Student Housing Lease Revenue Bonds, Series 2002 on behalf of *GSUHF1* which were used for the construction of student housing facilities. During the fiscal year ended June 30, 2013, the Development Authority of Bulloch County issued \$27,590,000 of Student Housing Refunding Revenue Bonds, Series 2012, on behalf of *GSUHF1* which were used to retire the Series 2002 bonds. Principal payments on the refunding bonds are due annually on August 1, commencing August 1, 2013 with interest payments due semi-annually on February 1 and August 1, commencing February 1, 2013, in the amounts so as to enable the trustee, Branch Banking and Trust, to pay, on or before the dates due, the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the indenture. The bonds were secured by *GSUHF1's* interest in certain rents and leases derived from the facilities under a direct financing lease as described at Note 7.A.

*B. \$27,800,000 Refunding Revenue Bonds, Series 2013*

On May 3, 2004 the Development Authority of Bulloch County issued \$35,900,000 of Student Housing Lease Revenue Bonds, Series 2004 on behalf of *GSUHF2* which were used for the construction of student housing facilities, an athletic training facility, the J I Clements Baseball Stadium, and a soccer and track stadium. On March 14, 2013, the Development Authority of Bulloch County issued \$27,800,000 of Refunding Revenue Bonds, Series 2013, on behalf of *GSUHF2* which were used to defease the Series 2004 bonds, which were paid in full on August 1, 2014. Principal payments are due annually on August 1, commencing August 1, 2013, with interest payments due semi-annually on February 1 and August 1, commencing August 1, 2013, in the amounts so as to enable the trustee, Branch Banking and Trust, to pay, on or before the dates due, the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the indenture. The bonds are secured by *GSUHF2's* interest in certain rents and leases derived from the facilities under a direct financing lease as described at Note 7.B.

*C. \$26,270,000 Refunding Revenue Bonds, Series 2015*

On March 9, 2005, the Development Authority of Bulloch County issued \$40,540,000 of Student Housing Lease Revenue Bonds, Series 2005A (tax-exempt) and Series 2005B (non-exempt), on behalf of *GSUHF3* which were used for the construction of student recreation facilities. On November 17, 2015, the Development Authority of Bulloch County issued \$26,270,000 of Refunding Revenue Bonds, Series 2015, on behalf of *GSUHF3*, which were used to retire the Series 2005 bonds. Principal payments are due annually on August 1, commencing August 1, 2016, with interest payments due semi-annually on February 1 and August 1, commencing February 1, 2016, in the amounts so as to enable the trustee, Branch Banking and Trust, to pay, on or before the dates due, the debt service on the bonds and any amounts required to be deposited to the Replacement Fund, created pursuant to the provisions of the indenture. The bonds are secured by *GSUHF3's* interest in certain rents and leases derived from the facilities under a direct financing lease as described at Note 7.C.

**Note 8. Bond Obligations (continued)**

*D. \$69,000,000 Student Housing Lease Revenue Bonds, Series 2008*

On February 28, 2008, the Development Authority of Bulloch County issued \$69,000,000 of Student Housing Lease Revenue Bonds, Series 2008, on behalf of *GSUHF4* which were used for the acquisition of 472 beds of student housing and the construction of four new buildings to house 1,000 new beds of student housing. The project also included the design, development, and construction of approximately 8,700 square feet of retail space. Principal payments are due annually on July 1, commencing July 1, 2010 with interest payments due semi-annually on January 1 and July 1, commencing July 1, 2008, in the amounts so as to enable the trustee, Branch Banking and Trust, to pay, on or before the dates due, the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the indenture. The bonds are secured by *GSUHF4's* interest in certain rents and leases derived from the facilities under a direct financing lease as described at Note 7.D.

*E. \$42,770,000 Student Housing Lease Revenue Bonds, Series 2011*

On May 19, 2011 the Development Authority of Bulloch County issued \$42,770,000 of Student Housing Lease Revenue Bonds, Series 2011, on behalf of *GSUHF5* which were used for the acquisition of 276 units and 984 beds of student housing and amenities, including a swimming pool and surface parking. Principal payments are due annually on July 1, commencing July 1, 2014 with interest payments due semi-annually on January 1 and July 1, commencing July 1, 2011, in the amounts so as to enable the trustee, Branch Banking and Trust, to pay, on or before the dates due, the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the indenture. The bonds were secured by *GSUHF5's* interest in certain rents and leases derived from the facilities under a direct financing lease as described at Note 7.E.

*F. \$27,280,000 Student Dining Revenue Bonds, Series 2012*

On August 16, 2012 the Development Authority of Bulloch County issued \$27,280,000 of Student Dining Revenue, Series 2012, on behalf of *GSUHF6* which were used for the construction of replacements for the dining facilities currently known as "Dining Commons" and "Lakeside Dining Commons." Principal payments are due annually on July 1, commencing July 1, 2014 with interest payments due semi-annually on January 1 and July 1, commencing January 1, 2013, in the amounts so as to enable the trustee, Branch Banking and Trust, to pay, on or before the dates due, the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the indenture. The bonds are secured by *GSUHF6's* interest in certain rents and leases derived from the facilities under a direct financing lease as described at Note 7.F.

**Note 8. Bond Obligations (continued)***G. Maturities of Debt*

Approximate maturities of the bonds are as follows:

	Student Housing Lease Revenue Bonds						Total
	Series 2012 GSUHF1	Series 2013 GSUHF2	Series 2015 GSUHF3	Series 2008 GSUHF4	Series 2011 GSUHF5	Series 2012 GSUHF6	
June 30, 2018	\$ 1,295,000	\$ 1,325,000	\$ 1,340,000	\$ 1,485,000	\$ 905,000	\$ 570,000	\$ 6,920,000
2019	1,360,000	1,375,000	1,395,000	1,570,000	935,000	595,000	7,230,000
2020	1,425,000	1,415,000	1,450,000	1,645,000	965,000	615,000	7,515,000
2021	1,495,000	1,445,000	1,520,000	1,730,000	1,000,000	635,000	7,825,000
2022	1,570,000	1,475,000	1,595,000	1,820,000	1,055,000	665,000	8,180,000
Thereafter	15,745,000	15,635,000	18,055,000	53,415,000	35,410,000	22,585,000	160,845,000
Total	<u>\$ 22,890,000</u>	<u>\$ 22,670,000</u>	<u>\$ 25,355,000</u>	<u>\$ 61,665,000</u>	<u>\$ 40,270,000</u>	<u>\$ 25,665,000</u>	<u>\$ 198,515,000</u>

**Note 9. Uninsured Cash Balances**

The Foundation maintains operating cash balances at local financial institutions which were insured by the Federal Deposit Insurance Corporation up to \$250,000, respectively as of the fiscal year end. Amounts in excess of insured limits were approximately \$686,861 and \$1,509,358 at June 30, 2017 and 2016, respectively.

**Note 10. Gain on Capital Leases**

For *GSUHF2*, the gain on the capital lease was recognized based on the difference between the calculated net present value lease payments and the actual costs of the project. The gain is being amortized and recognized over the life of the lease. The total gain, net of certain additional project costs after inception of the lease, was \$155,651. The remaining deferral was \$81,457 and \$87,683 at June 30, 2017 and 2016, respectively.

For *GSUHF4*, the gain on the capital lease was recognized based on the difference between the calculated net present value lease payments and the actual costs of the project. The gain is being amortized and recognized over the life of the lease. The total gain was \$6,819,148. The remaining deferral was \$4,830,371 and \$5,052,771 at June 30, 2017 and 2016, respectively.

**Note 11. Remediation Expenses**

The two housing facilities constructed with the proceeds from *GSUHFI's* bond issue required some unexpected repairs. For one of the housing facilities, a mold problem was discovered, and the costs to repair the damage to the facility were \$1,941,164, recognized during the two fiscal years ending June 30, 2009 and 2008. Claims were filed by the Foundation's attorneys against the developer during a prior fiscal year. The court's initial ruling was to put the parties involved in mediation. Any amount expected to be recovered cannot be estimated at this time.

For the other housing facility, a mold problem was also discovered in May, 2009, and the costs to repair the damage to the facility were \$4,909,400, which were paid by the University. Claims were filed by the Foundation's attorneys against the developer during a prior fiscal year. The court's initial ruling was to put the parties involved in mediation. Any amount expected to be recovered cannot be estimated at this time.

A repayment plan has been established for the remaining amount payable to the University in the amount of \$3,451,400, as follows:

June 30, 2018	\$	355,000
2019		355,000
2020		355,000
2021		355,000
2022		355,000
Thereafter		<u>1,676,400</u>
Total	\$	<u><u>3,451,400</u></u>

**Note 12. Covenants**

The bond documents contain various covenants pertaining to funding of temporarily restricted cash accounts.

**Note 13. Subsequent Events**

Subsequent to June 30, 2017, the Development Authority of Bulloch County issued Refunding Revenue Bonds, Series 2017 on behalf of *GSUHFI* in the amount of \$48,755,000. The proceeds of the bond will refund *Student Housing Lease Revenue Bonds, Series 2008*, as well as pay the cost of issuing the Series 2017 Bonds. The Series 2017 Bonds bear interest at stated interest rates of 3% to 5% through their maturity on July 1, 2038. Upon the issuance of refunding bonds, Georgia Southern University Housing Foundation Four, LLC (*GSUHFI*) modified the rental agreement to pass-through the economic benefit of the refunding to the Board of Regents. These transactions will be reported in the financial statements for the fiscal year ended June 30, 2014.

On January 11, 2017, the University System of Georgia Board of Regents voted to consolidate Armstrong State University and Georgia Southern University. The consolidated university will be named Georgia Southern University and will be led by President Jaimie L. Hebert. Pursuant to this consolidation, it is anticipated that the Armstrong Educational Properties Foundation, Inc. will be consolidated with the Georgia Southern Housing Foundation, Inc. in January, 2018. The impact of this consolidation on the financial statements of the Georgia Southern Housing Foundation, Inc. has not yet been determined.



**SUPPLEMENTARY INFORMATION**

**GEORGIA SOUTHERN UNIVERSITY  
HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Consolidating Statements of Financial Position*  
*June 30, 2017*

	<b>Georgia Southern University Housing Foundation, Inc.</b>	<b>Georgia Southern University Housing Foundation One, LLC</b>	<b>Georgia Southern University Housing Foundation Two, LLC</b>	<b>Georgia Southern University Housing Foundation Three, LLC</b>	<b>Georgia Southern University Housing Foundation Four, LLC</b>	<b>Georgia Southern University Housing Foundation Five, LLC</b>	<b>Georgia Southern University Housing Foundation Six, LLC</b>	<b>Eliminating Entries</b>	<b>Consolidated Georgia Southern University Housing Foundation, Inc.</b>
<b>ASSETS</b>									
Cash	\$ 1,167,355	\$ 684,300	\$ 372,761	\$ 126,248	\$ 228,218	\$ 239,427	\$ 100,528	\$ -	\$ 2,918,837
Restricted cash	-	6,827,375	4,785,377	3,750,575	11,618,563	4,980,914	2,358,662	-	34,321,466
Accrued interest receivable	-	32,078	-	-	96,654	-	-	-	128,732
Due from other related parties	2,439,480	-	-	-	4,478	-	-	(2,443,958)	-
Investments	5,446,272	-	-	-	-	-	-	-	5,446,272
Prepaid expenses	1,453	1,406	2,283	2,136	3,177	3,831	1,312	-	15,598
Investment in subsidiary	697,666	-	-	-	-	-	-	(697,666)	-
Net investment in direct financing leases	-	27,511,309	22,887,704	26,037,794	63,143,157	33,590,877	25,123,215	-	198,294,056
Property, plant and equipment, net of accumulated depreciation	436,692	-	-	-	-	-	-	-	436,692
<b>Total Assets</b>	<b><u>\$ 10,188,918</u></b>	<b><u>\$ 35,056,468</u></b>	<b><u>\$ 28,048,125</u></b>	<b><u>\$ 29,916,753</u></b>	<b><u>\$ 75,094,247</u></b>	<b><u>\$ 38,815,049</u></b>	<b><u>\$ 27,583,717</u></b>	<b><u>\$ (3,141,624)</u></b>	<b><u>\$ 241,561,653</u></b>

**GEORGIA SOUTHERN UNIVERSITY  
HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Consolidating Statements of Financial Position*  
*June 30, 2017*

	<b>Georgia Southern University Housing Foundation, Inc.</b>	<b>Georgia Southern University Housing Foundation One, LLC</b>	<b>Georgia Southern University Housing Foundation Two, LLC</b>	<b>Georgia Southern University Housing Foundation Three, LLC</b>	<b>Georgia Southern University Housing Foundation Four, LLC</b>	<b>Georgia Southern University Housing Foundation Five, LLC</b>	<b>Georgia Southern University Housing Foundation Six, LLC</b>	<b>Eliminating Entries</b>	<b>Consolidated Georgia Southern University Housing Foundation, Inc.</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Liabilities</b>									
Accounts payable	\$ 512,225	\$ 313,798	\$ 253,634	\$ -	\$ 197,484	\$ -	\$ -	\$ -	\$ 1,277,141
Accrued interest payable	-	436,667	348,492	443,341	1,622,380	966,616	535,718	-	4,353,214
Due to Georgia Southern University	-	3,460,823	11,742	2,415	135,572	18,647	-	-	3,629,199
Due to related parties	-	33,766	2,097,652	15,300	126,677	115,927	54,636	(2,443,958)	-
Deferred gains on capital leases	-	-	81,458	-	4,830,370	-	-	-	4,911,828
Bonds payable	-	24,875,940	23,443,759	27,002,048	61,454,750	39,465,437	25,871,936	-	202,113,870
Total liabilities	<u>512,225</u>	<u>29,120,994</u>	<u>26,236,737</u>	<u>27,463,104</u>	<u>68,367,233</u>	<u>40,566,627</u>	<u>26,462,290</u>	<u>(2,443,958)</u>	<u>216,285,252</u>
<b>Net Assets</b>									
Unrestricted	9,676,693	(8,471,366)	(3,385,109)	78,722	401,752	(4,070,833)	(257,039)	(697,666)	(6,724,846)
Temporarily restricted	-	14,406,840	5,196,497	2,374,927	6,325,262	2,319,255	1,378,466	-	32,001,247
Total net assets	<u>9,676,693</u>	<u>5,935,474</u>	<u>1,811,388</u>	<u>2,453,649</u>	<u>6,727,014</u>	<u>(1,751,578)</u>	<u>1,121,427</u>	<u>(697,666)</u>	<u>25,276,401</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 10,188,918</u>	<u>\$ 35,056,468</u>	<u>\$ 28,048,125</u>	<u>\$ 29,916,753</u>	<u>\$ 75,094,247</u>	<u>\$ 38,815,049</u>	<u>\$ 27,583,717</u>	<u>\$ (3,141,624)</u>	<u>\$ 241,561,653</u>

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Consolidating Statements of Activities*  
*For the Year Ended June 30, 2017*

	<u>Georgia Southern University Housing Foundation, Inc.</u>			<u>Georgia Southern University Housing Foundation One, LLC</u>			<u>Georgia Southern University Housing Foundation Two, LLC</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>									
Fee income	\$ 361,305	\$ -	\$ 361,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital lease income									
Gain on capital leases	-	-	-	-	-	-	6,226	-	6,226
Lease interest	-	-	-	-	1,384,098	1,384,098	-	1,164,793	1,164,793
Replacement Reserve income	-	-	-	-	-	-	-	189,432	189,432
Interest and dividends, net of investment expenses	91,889	-	91,889	722	78,443	79,165	549	10,048	10,597
Realized gains (losses) on investments	(1,877)	-	(1,877)	-	-	-	-	-	-
Unrealized gains (losses) on investments	363,613	-	363,613	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
	<u>814,930</u>	<u>-</u>	<u>814,930</u>	<u>722</u>	<u>1,462,541</u>	<u>1,463,263</u>	<u>6,775</u>	<u>1,364,273</u>	<u>1,371,048</u>
Total revenues, gains and other support									
<b>EXPENSES</b>									
Dues and fees	330	-	330	3,541	-	3,541	3,540	-	3,540
Foundation fees	-	-	-	33,765	-	33,765	15,000	-	15,000
Insurance	9,184	-	9,184	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	1,051,150	1,051,150	-	839,625	839,625
Amortization of original issue discount	-	-	-	-	-	-	-	-	-
Accretion of original issue premium	-	-	-	-	(222,535)	(222,535)	-	(85,179)	(85,179)
Amortization of cost of issuance	-	-	-	-	44,689	44,689	-	26,038	26,038
Professional services	85,657	-	85,657	33,596	27,630	61,226	1,400	12,365	13,765
Repair and replacement expenses	-	-	-	-	-	-	539,244	-	539,244
Other administrative expenses	4,403	-	4,403	-	-	-	-	-	-
Gift / Transfer to Georgia Southern University	74,000	-	74,000	-	-	-	-	-	-
	<u>173,574</u>	<u>-</u>	<u>173,574</u>	<u>70,902</u>	<u>900,934</u>	<u>971,836</u>	<u>559,184</u>	<u>792,849</u>	<u>1,352,033</u>
Total expenses									
<b>CHANGE IN NET ASSETS</b>	641,356	-	641,356	(70,180)	561,607	491,427	(552,409)	571,424	19,015
<b>NET ASSETS, beginning of year</b>	7,181,460	-	7,181,460	(8,401,186)	13,845,233	5,444,047	(3,042,294)	4,625,073	1,582,779
<b>CONTRIBUTED CAPITAL</b>	-	-	-	-	-	-	539,244	-	539,244
<b>DISTRIBUTIONS</b>	1,853,877	-	1,853,877	-	-	-	(329,650)	-	(329,650)
<b>NET ASSETS, end of year</b>	<u>\$ 9,676,693</u>	<u>\$ -</u>	<u>\$ 9,676,693</u>	<u>\$ (8,471,366)</u>	<u>\$ 14,406,840</u>	<u>\$ 5,935,474</u>	<u>\$ (3,385,109)</u>	<u>\$ 5,196,497</u>	<u>\$ 1,811,388</u>

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Consolidating Statements of Activities*  
*For the Year Ended June 30, 2017*

	<u>Georgia Southern University Housing Foundation Three, LLC</u>			<u>Georgia Southern University Housing Foundation Four, LLC</u>			<u>Georgia Southern University Housing Foundation Five, LLC</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>									
Fee income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital lease income									
Gain on capital leases	-	-	-	222,401	-	222,401	-	-	-
Lease interest	-	824,767	824,767	-	3,360,719	3,360,719	-	2,522,974	2,522,974
Replacement Reserve income	-	265,241	265,241	-	545,179	545,179	-	399,254	399,254
Interest and dividends, net of investment expenses	724	3,228	3,952	883	199,796	200,679	542	374	916
Realized gains (losses) on investments	-	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	1,863	-	1,863
	<u>724</u>	<u>1,093,236</u>	<u>1,093,960</u>	<u>223,284</u>	<u>4,105,694</u>	<u>4,328,978</u>	<u>2,405</u>	<u>2,922,602</u>	<u>2,925,007</u>
Total revenues, gains and other support									
<b>EXPENSES</b>									
Dues and fees	10,795	-	10,795	17,339	-	17,339	12,090	-	12,090
Foundation fees	15,300	-	15,300	126,677	-	126,677	115,927	-	115,927
Insurance	-	-	-	-	-	-	-	-	-
Interest expense									
Interest on bonds	-	1,066,306	1,066,306	-	3,244,756	3,244,756	-	1,933,233	1,933,233
Amortization of original issue discount	-	6,741	6,741	-	-	-	-	9,471	9,471
Accretion of original issue premium	-	(164,823)	(164,823)	-	(32,445)	(32,445)	-	-	-
Amortization of cost of issuance	-	31,386	31,386	-	42,001	42,001	-	24,170	24,170
Professional services	1,400	-	1,400	1,400	-	1,400	3,900	32,955	36,855
Repair and replacement expenses	-	-	-	-	700,963	700,963	-	-	-
Other administrative expenses	-	-	-	-	-	-	-	-	-
Gift / Transfer to Georgia Southern University	-	-	-	-	-	-	-	-	-
	<u>27,495</u>	<u>939,610</u>	<u>967,105</u>	<u>145,416</u>	<u>3,955,275</u>	<u>4,100,691</u>	<u>131,917</u>	<u>1,999,829</u>	<u>2,131,746</u>
Total expenses									
<b>CHANGE IN NET ASSETS</b>	(26,771)	153,626	126,855	77,868	150,419	228,287	(129,512)	922,773	793,261
<b>NET ASSETS, beginning of year</b>	784,189	2,221,301	3,005,490	998,054	6,174,843	7,172,897	(3,769,960)	1,396,482	(2,373,478)
<b>CONTRIBUTED CAPITAL</b>	-	-	-	-	-	-	-	-	-
<b>DISTRIBUTIONS</b>	(678,696)	-	(678,696)	(674,170)	-	(674,170)	(171,361)	-	(171,361)
<b>NET ASSETS, end of year</b>	<u>\$ 78,722</u>	<u>\$ 2,374,927</u>	<u>\$ 2,453,649</u>	<u>\$ 401,752</u>	<u>\$ 6,325,262</u>	<u>\$ 6,727,014</u>	<u>\$ (4,070,833)</u>	<u>\$ 2,319,255</u>	<u>\$ (1,751,578)</u>

**GEORGIA SOUTHERN UNIVERSITY**  
**HOUSING FOUNDATION, INC. AND SUBSIDIARIES**  
*Consolidating Statements of Activities*  
*For the Year Ended June 30, 2017*

	<u>Georgia Southern University Housing Foundation Six, LLC</u>			<u>Eliminating Entries</u>	<u>Consolidated Georgia Southern University Housing Foundation, Inc.</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>							
Fee income	\$ -	\$ -	\$ -	\$ (361,305)	\$ -	\$ -	\$ -
Capital lease income							
Gain on capital leases	-	-	-	-	228,627	-	228,627
Lease interest	-	1,285,808	1,285,808	-	-	10,543,159	10,543,159
Replacement Reserve income	-	111,180	111,180	-	-	1,510,286	1,510,286
Interest and dividends, net of investment expenses	213	3,798	4,011	-	95,522	295,687	391,209
Realized gains (losses) on investments	-	-	-	-	(1,877)	-	(1,877)
Unrealized gains (losses) on investments	-	-	-	-	363,613	-	363,613
Other revenues	-	-	-	-	1,863	-	1,863
	<u>213</u>	<u>1,400,786</u>	<u>1,400,999</u>	<u>(361,305)</u>	<u>687,748</u>	<u>12,349,132</u>	<u>13,036,880</u>
Total revenues, gains and other support							
<b>EXPENSES</b>							
Dues and fees	8,995	-	8,995	-	56,630	-	56,630
Foundation fees	54,636	-	54,636	(361,305)	-	-	-
Insurance	-	-	-	-	9,184	-	9,184
Interest expense							
Interest on bonds	-	1,071,435	1,071,435	-	-	9,206,505	9,206,505
Amortization of original issue discount	-	-	-	-	-	16,212	16,212
Accretion of original issue premium	-	(34,431)	(34,431)	-	-	(539,413)	(539,413)
Amortization of cost of issuance	-	26,153	26,153	-	-	194,437	194,437
Professional services	1,400	-	1,400	-	128,753	72,950	201,703
Repair and replacement expenses	-	-	-	-	539,244	700,963	1,240,207
Other administrative expenses	-	-	-	-	4,403	-	4,403
Gift / Transfer to Georgia Southern University	-	-	-	-	74,000	-	74,000
	<u>65,031</u>	<u>1,063,157</u>	<u>1,128,188</u>	<u>(361,305)</u>	<u>812,214</u>	<u>9,651,654</u>	<u>10,463,868</u>
Total expenses							
<b>CHANGE IN NET ASSETS</b>	(64,818)	337,629	272,811	-	(124,466)	2,697,478	2,573,012
<b>NET ASSETS, beginning of year</b>	(192,221)	1,040,837	848,616	(158,422)	(6,600,380)	29,303,769	22,703,389
<b>CONTRIBUTED CAPITAL</b>	-	-	-	(539,244)	-	-	-
<b>DISTRIBUTIONS</b>	-	-	-	-	-	-	-
<b>NET ASSETS, end of year</b>	<u>\$ (257,039)</u>	<u>\$ 1,378,466</u>	<u>\$ 1,121,427</u>	<u>\$ (697,666)</u>	<u>\$ (6,724,846)</u>	<u>\$ 32,001,247</u>	<u>\$ 25,276,401</u>