

**AUGUSTA UNIVERSITY RESEARCH
INSTITUTE, INC.**

FINANCIAL STATEMENTS AND COMPLIANCE

***As of and for the Years Ended June 30, 2017 and 2016
EIN #1-58-1418202A1***

And Report of Independent Auditor

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

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Report of Independent Auditor

To the Board of Directors
Augusta University Research Institute, Inc.
Augusta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Augusta University Research Institute, Inc., (the "Institute") which comprise the statements of net position as of and for the years ended June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2017 and 2016, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the 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 audits of the 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 Information

Our audits were conducted for the purpose of forming an opinion on the Institute's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017 on our consideration of the Institute'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 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.



Augusta, Georgia
August, 30, 2017

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016

Introduction

The Augusta University Research Institute, Inc. (the "Institute") was incorporated under the laws of the State of Georgia as a non-profit corporation on July 31, 1980 under the name The Medical College of Georgia Research Institute, Inc. The Institute qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Service Code. The purpose of the Institute is to serve Augusta University (the "University") and enhance its excellence as a research institution. The Institute contributes to the research function of the University by securing gifts, contributions, and grants from individuals, industries, private organizations, and government agencies and by obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs in the various University schools, departments, and other units.

In a Memorandum of Understanding ("MOU") dated April 1, 1981, the Board of Regents of the University System of Georgia authorized the Institute to serve as the official grantee for all contracts, grants, and gifts for the conduct of sponsored research at the University. The MOU also assigned all intellectual property developed through the research programs or by the University personnel to the Institute. In addition, the Institute is the administrative organization for employee-related discoveries, innovations, inventions, patents, and copyrights. The ongoing objective of the Institute is to provide services to the University and, through those services, to enhance the University's programs and goals as a research institution.

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 that will assist in understanding the financial condition and performance of the Institute. The Institute's net position is one indicator of the Institute's financial health. Over time, increases or decreases in net position are one indicator of the changes in the Institute's financial condition when considered with other non-financial facts.

The *Statement of Net Position* presents the assets, liabilities, and net position of the Institute.

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 nonoperating. The financial reporting model classifies investment earnings and changes in the fair value of investments as nonoperating revenues. As a result, the financial statements may show operating losses that are then offset by nonoperating 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.

In the following discussion, Fiscal 2017 and Fiscal 2016 refer to the years ended June 30, 2017 and June 30, 2016, respectively.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016

Financial Highlights

The condensed statements of net position are shown below:

Augusta University Research Institute, Inc.
Condensed Statements of Net Position
June 30, 2017, 2016, and 2015

	2017	2016	2015	2017 - 2016		2016 - 2015	
				Dollars	%	Dollars	%
ASSETS							
Current assets	\$ 13,650,325	\$ 12,987,173	\$ 12,628,762	\$ 663,152	5%	\$ 358,411	3%
Noncurrent assets	361,075	496,464	470,976	(135,389)	-27%	25,488	5%
Total Assets	14,011,400	13,483,637	13,099,738				
LIABILITIES							
Current liabilities	5,547,787	5,247,199	5,636,708	300,588	6%	(389,509)	-7%
Total Liabilities	5,547,787	5,247,199	5,636,708				
NET POSITION							
Restricted for program services	69,973	77,275	77,275				
Unrestricted	8,393,640	8,159,163	7,385,755				
Total Net Position	\$ 8,463,613	\$ 8,236,438	\$ 7,463,030	227,175	3%	773,408	10%

Fiscal 2017

Current assets increased by \$663,152 or 5% from Fiscal 2016 to Fiscal 2017, primarily due to an increase in cash and cash equivalents.

Noncurrent assets include restricted cash and investments in a corporation and a limited liability company which are accounted for using the cost method. The balance at June 30, 2017 includes restricted cash of \$69,973 and investments of \$291,102. The decrease during Fiscal 2017 is attributed to net distributions of investments accounted for using the cost method of approximately \$28,500.

Total net position at June 30, 2017 and 2016 was \$8,463,613 and \$8,236,438, respectively, which represents an increase of \$227,175. The increase in net position is attributable primarily to a slight increase in indirect revenue as a percent of total revenue maintained by the Institute in Fiscal 2017, as well as rental income and licensing and royalty income.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016

Fiscal 2016

Current assets increased by \$358,411 or 3% from Fiscal 2015 to Fiscal 2016, primarily due to an increase in cash and cash equivalents and grants and contracts receivable and a decrease in short-term investments.

Noncurrent assets include restricted cash and investments in a corporation and a limited liability company which are accounted for using the cost method. The balance at June 30, 2016 includes restricted cash of \$77,275 and investments of \$419,189. The increase during Fiscal 2016 is attributed to net purchases of investments accounted for using the cost method approximating \$25,000.

Total net position at June 30, 2016 and 2015 was \$8,236,438 and \$7,463,030, respectively, which represents an increase of \$773,408. The increase in net position is attributable primarily to an increase in licensing and royalties income during Fiscal 2016.

The condensed statements of revenues, expenses, and changes in net position are shown below:

Augusta University Research Institute, Inc.
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2017, 2016, and 2015

	2017	2016	2015	2017 - 2016		2016 - 2015	
				Dollars	%	Dollars	%
Operating Revenues:							
Research programs	\$ 60,166,858	\$ 62,324,357	\$ 62,894,362	\$ (2,157,499)	-3%	\$ (570,005)	-1%
Licensing and royalties	379,227	2,133,289	601,691	(1,754,062)	-82%	1,531,598	255%
Other operating revenue	222,221	154,564	379,964	67,657	44%	(225,400)	-59%
Total Operating Revenues	<u>60,768,306</u>	<u>64,612,210</u>	<u>63,876,017</u>	<u>(3,843,904)</u>	<u>-6%</u>	<u>736,193</u>	<u>1%</u>
Operating Expenses:							
Grants and contracts	56,764,724	58,937,555	59,484,688	(2,172,831)	-4%	(547,133)	-1%
Programs to support AU	2,223,905	2,175,908	2,663,395	47,997	2%	(487,487)	-18%
Licensing and royalty distributions	313,305	1,738,264	575,979	(1,424,959)	-82%	1,162,285	202%
Technology transfer operations	832,339	823,470	637,217	8,869	1%	186,253	29%
Management and general	362,523	211,050	209,833	151,473	72%	1,217	1%
Total Operating Expenses	<u>60,496,796</u>	<u>63,886,247</u>	<u>63,571,112</u>	<u>(3,389,451)</u>	<u>-5%</u>	<u>315,135</u>	<u>0%</u>
Operating income	271,510	725,963	304,905	(454,453)	-63%	421,058	138%
Nonoperating revenues	(44,335)	47,445	155,411	(91,780)	-193%	(107,966)	-69%
Increase in net position	227,175	773,408	460,316	(546,233)	-71%	313,092	68%
Net position, beginning of year	8,236,438	7,463,030	7,002,714				
Net position, end of year	<u>\$ 8,463,613</u>	<u>\$ 8,236,438</u>	<u>\$ 7,463,030</u>				

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016

Fiscal 2017

Operating revenues consist primarily of research grant and licensing fees and royalty revenues. Operating revenues decreased \$3,843,904 or 6% primarily due to a decrease in licensing and royalties income, a decrease in federal grants, and a decrease in foundation grants.

Operating expenses decreased \$3,389,451 or 5% primarily due to a decrease in licensing and royalty distributions associated with the decrease in income and a decrease in payments to the University associated with the decrease in grants.

Fiscal 2016

Operating revenues consist primarily of research grant and licensing fees and royalty revenues. Operating revenues increased \$736,193 or 1% primarily due to an increase in licensing and royalties income and a decrease in foundation grants and other research grants.

Operating expenses increased \$315,135 or 0.5% primarily due to an increase in licensing and royalty distributions associated with the increase in income and a decrease in payments to the University associated with the decrease in grants.

The condensed statements of cash flows are shown below:

Augusta University Research Institute, Inc.
Condensed Statements of Cash Flows
Years Ended June 30, 2017, 2016, and 2015

	2017	2016	2015	2017 - 2016		2016 - 2015	
				Dollars	%	Dollars	%
Net cash flows from operating activities	\$ 579,744	\$ 161,375	\$ 106,486	\$ 418,369	259%	\$ 54,889	52%
Net cash flows from investing activities	83,752	338,132	(25,633)	(254,380)	-75%	363,765	-1419%
Net change in cash and cash equivalents	663,496	499,507	80,853	163,989	33%	418,654	518%
Cash and cash equivalents, beginning of year	7,802,184	7,302,677	7,221,824				
Cash and cash equivalents, end of year	<u>\$ 8,465,680</u>	<u>\$ 7,802,184</u>	<u>\$ 7,302,677</u>				

Fiscal 2017

Cash flows from operations primarily include receipts from grantors and licenses. The increase in cash flow from operating activities in 2017 is attributable to decreased net grant payments to the University and payments for Augusta University programs.

The decrease in cash flow from investing activities is attributable to an increase in investment income and distributions from to the Georgia Research Alliance Capital Venture Fund in Fiscal 2017 along with a decrease in distributions related to the NewLink, Inc. stock.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016

Fiscal 2016

Cash flows from operations primarily include receipts from grantors and licenses. The increase in cash flow from operating activities in 2016 is attributable to decreased net grant payments to the University.

The increase in cash flow from investing activities is attributable to distributions related to the NewLink, Inc. stock in Fiscal 2016, which was obtained in a royalty and licensing agreement in Fiscal 2015.

Economic Outlook

The Institute is entering Fiscal 2018 projecting that grant and contract growth will remain relatively static with some minor increases. In Fiscal 2017, the University obligated \$1,000,000 for Institute investment in faculty startup ventures. This commitment will continue into FY18. The consideration being given currently by the White House to cap F&A rates at 20% would have a debilitating effect on the Institute and all research organizations nationally.

Questions concerning this report or requests for additional information should be directed to Betty Aldridge, Interim Executive Director, at (706) 721-2592 or at 1120 15th Street, CJ 3301, Augusta, Georgia 30912.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,395,707	\$ 7,724,909
Grants and contracts receivable	5,254,618	5,261,161
Other receivables due from Augusta University ("AU")	-	1,103
Total Current Assets	13,650,325	12,987,173
Noncurrent Assets:		
Restricted assets - cash and cash equivalents	69,973	77,275
Other investments	291,102	419,189
Total Noncurrent Assets	361,075	496,464
Total Assets	\$ 14,011,400	\$ 13,483,637
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 57,120	\$ 53,247
Grants and contracts payable to AU	5,367,271	5,177,656
Other liabilities payable to AU	106,860	-
Other liabilities	16,536	16,296
Total Current Liabilities	5,547,787	5,247,199
NET POSITION		
Restricted for program services	69,973	77,275
Unrestricted	8,393,640	8,159,163
Total Net Position	\$ 8,463,613	\$ 8,236,438

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Research programs:		
Federal	\$ 50,742,878	\$ 52,610,851
Business	5,824,196	5,493,720
Foundations	2,756,438	3,523,481
Other research grants	843,346	696,305
Total Research Revenue	<u>60,166,858</u>	<u>62,324,357</u>
Licensing and royalties	379,227	2,133,289
Rent	99,000	54,000
Teddy income	123,221	88,564
Cancer Center agreement income	-	12,000
Total Operating Revenues	<u>60,768,306</u>	<u>64,612,210</u>
Operating Expenses:		
Research subcontracted to AU (including indirect cost reimbursements):		
Federal	47,654,907	49,500,142
Business	5,561,656	5,269,820
Foundations	2,724,953	3,484,782
Other research grants	823,208	682,811
Total Research Subcontracted to AU	<u>56,764,724</u>	<u>58,937,555</u>
Licensing and royalty distributions	313,305	1,738,264
AURI grants program	15,300	-
Grant writing consultant	7,493	-
Research incentive program	1,402,237	1,369,225
Summerville research incentive program	-	512
Bridge funding program	254,987	199,371
Health Research Associates	77,093	76,983
Recruitment	1,472	4,351
Early retirement annuity	7,418	7,418
Council on government relations	10,500	9,500
School of Graduate Studies	86,887	90,084
Teddy project	124,222	88,564
Research awards banquet	18,464	15,558
Jinfiniti expenses	105,600	-
Georgia BIO expense	25,000	25,000
Varian medical systems expense	7,302	-
Fall Innovation Summit	-	6,000
Cancer Center agreement expense	-	12,000
Federal demonstration partnership	-	1,000
Technology transfer operations	593,618	601,950
Technology transfer legal	238,721	221,520
Life Science Business Development Center	10,735	19,980
Miscellaneous	-	209
AU support	69,195	250,153
Management and general	362,523	211,050
Total Operating Expenses	<u>60,496,796</u>	<u>63,886,247</u>
Operating income	<u>271,510</u>	<u>725,963</u>

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

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)***YEARS ENDED JUNE 30, 2017 AND 2016*

	<u>2017</u>	<u>2016</u>
Nonoperating Revenues (Expenses):		
Investment income	\$ 55,228	\$ 47,445
Loss on cost method investments	(99,563)	-
Total Nonoperating Revenues (Expenses)	<u>(44,335)</u>	<u>47,445</u>
Increase in net position	227,175	773,408
Net position, beginning of year	<u>8,236,438</u>	<u>7,463,030</u>
Net position, beginning of year	<u>\$ 8,463,613</u>	<u>\$ 8,236,438</u>

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from grantors	\$ 60,173,401	\$ 62,150,380
Receipts of licensing and royalties	379,227	2,133,290
Other receipts	222,221	154,564
Research grant payments disbursed to AU	(56,575,109)	(58,851,372)
Payments of royalties, licenses, patents, and copyright costs	(1,153,122)	(2,786,795)
Payments for AU programs	(2,105,207)	(2,394,030)
Payments to suppliers and others	(361,667)	(244,662)
Net cash from operating activities	<u>579,744</u>	<u>161,375</u>
Cash flows from investing activities:		
Investment income	55,228	23,859
Contributions to investments accounted for using the cost method	(13,406)	(25,488)
Distributions from GRA Venture Fund	44,930	-
Net maturities of investments	(3,000)	339,761
Net cash from investing activities	<u>83,752</u>	<u>338,132</u>
Net change in cash and cash equivalents	663,496	499,507
Cash and cash equivalents, beginning of year	<u>7,802,184</u>	<u>7,302,677</u>
Cash and cash equivalents, end of year	<u>\$ 8,465,680</u>	<u>\$ 7,802,184</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 271,510	\$ 725,963
Adjustments to reconcile operating income to net cash from operating activities:		
Changes in:		
Grants and contracts receivable	6,543	(173,977)
Accounts payable and grants and contracts payable	193,488	84,772
Other liabilities payable to AU	107,963	(473,043)
Other liabilities	240	(2,340)
Net cash from operating activities	<u>\$ 579,744</u>	<u>\$ 161,375</u>
Schedule of noncash activity:		
Loss on cost method investments	\$ (99,563)	\$ -
Unrealized gains included in investment income	-	23,586
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 8,395,707	\$ 7,724,909
Restricted assets - cash and cash equivalents	69,973	77,275
Cash and cash equivalents	<u>\$ 8,465,680</u>	<u>\$ 7,802,184</u>

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

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1—Organization

Augusta University Research Institute, Inc. (the "Institute") was established to contribute to the educational, research and service functions of Augusta University (the "University") in obtaining grants and contracts from individuals, industrial or other private organizations, government or other public agencies for the performance of sponsored research, development, or other programs by the various units of the University. The Institute was incorporated under the laws of the State of Georgia as a non-profit corporation on July 31, 1980 under the name The Medical College of Georgia Research Institute, Inc. All projects awarded to the Institute are sub-contracted to the University, which is responsible for the fiscal administration of the research projects.

Note 2—Summary of significant accounting policies

Basis of Presentation – The Institute's 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 GASB has issued Statement of Governmental Accounting Standards ("SGAS") No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* and SGAS No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the Institute's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows. These standards provide for the inclusion of Management's Discussion and Analysis as required supplementary information.

Reporting Entity – In accordance with the criteria in SGAS No. 61, *The Financial Reporting Entity*, the Institute is a legally separate, tax exempt component unit of the State of Georgia (the "State"). Although the University is not fiscally accountable for the Institute, it has been determined that the nature and significance of the relationship between the University and the Institute is such that exclusion of the Institute from the University's departmental financial statements would render those statements misleading.

Basis of Accounting – For financial reporting purposes, the Institute is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Institute's 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 and Investments – The Institute considers all short-term investments with an original maturity of three months or less to be cash equivalents. Short-term investments, which consist of marketable securities that are bought and held principally for the purpose of selling them in the near future, are reported at fair value with unrealized gains and losses recognized in nonoperating revenues.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

Investments – In accordance with SGAS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Institute is required to present certain investments at their fair value if the investment has a readily determined market value.

Other investments, consisting of interests in a corporation and a limited liability company, for which the Institute does not have significant ownership or control, are carried at cost and recognizes dividends received that are distributed from net accumulated earnings of the company since the date of acquisition by the Institute. In the period losses of an investment are determined to be other than a temporary decrease in value of the investment, the loss is recognized. Investments in startup companies are deemed to have a readily determinable fair market value when the stock becomes publicly traded.

Net Position – Net position of the Institute is classified in two components. Unrestricted net position includes amounts not subject to donor or other stipulations imposed by outside sources. Restricted net position represents revenues that are subject to donor or other stipulations imposed by outside sources.

Revenue Recognition – Revenue from research grants is recognized as expenditures are made for approved research activities. Grants receivable are recorded for amounts expended for purposes authorized in the grant agreements but not yet reimbursed.

Royalty revenues are derived principally from licensure of rights to certain discoveries made by University personnel, and are generally based on sales of products made by third parties using the rights licensed from the Institute. Such royalty revenues are recognized when received. Generally, the Institute has arrangements with the University and others to share a portion of the royalties received. Such royalty sharing payments are recorded as expense when the related revenues are recognized.

Operating revenues and expenses are those that result from grant and related activities. Nonoperating revenues and expenses include capital, financing, investing and other activities not related to grant and program activities.

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Institute’s 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 may differ from those estimates.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3—Cash and short-term investments

SGAS No. 40, *Deposits and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and the custodial risk, credit risk, interest rate sensitivity, and foreign investments associated with them.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Institute's deposits may not be returned to it. The Institute does not have a deposit policy for custodial credit risk. The Institute places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Institute from time to time may have amounts on deposit in excess of these insured limits. As of June 30, 2017 and 2016, \$2,684,991 and \$2,068,537, respectively, of the Institute's bank balance exceeded these insured amounts and was uncollateralized.

Interest Rate Risk and Credit Risk – Investments – The Institute has an investment policy that authorizes management to invest in the following types of investments:

1. Certificates of deposit and money market accounts with investment grade banks
2. United States Treasury securities
3. Commercial Paper rated at least A-1, P-1

The Institute's short-term investments as of June 30, 2017 and 2016 were \$5,359,713 and \$5,305,486, respectively, and are classified as cash and cash equivalents in the accompanying statements of net position. The Institute's short-term investments consist of the Board of Regents Investment Pool. The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The Board of Regents Investment 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 web site at <http://www.audits.ga.gov>.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 4—Other investments

During the year ended June 30, 2009, the Institute made a commitment to invest \$500,000 in the Georgia Research Alliance Capital Venture Fund, a pool of private and public dollars that will provide early-stage financing to start-up organizations that commercialize university research. The Institute's ownership interest in this Fund is accounted for using the cost method. At June 30, 2017 and 2016, the total cost of the Institute's investment, net of distributions of return of initial investment was \$343,126 and \$374,650, respectively. As of June 30, 2017 the Institute has a remaining commitment of approximately \$82,000 for future investment in the Georgia Research Alliance Capital Venture Fund. During the year ended June 30, 2017, the Institute recorded losses related to realized losses from investments which were determined to be other than temporary losses.

During the year ended June 30, 2013, the Institute purchased 89,837 shares of Series C Preferred Stock of Reach Health, Inc., a company founded by and owned and governed, in part, by a doctor employed by the University who also serves on the Board of Directors of the Institute. Reach Health, Inc. is a start-up technology company specialized in developing and providing interactive physician-to-patient access. The Institute's ownership interest in Reach Health, Inc. is accounted for using the cost method. At June 30, 2017 and 2016, the value of the Institute's investment was \$47,532 and \$44,532, respectively. Reach Health, Inc. has board members which are employed by the University. The Institute had a license agreement with Reach Health, Inc. for the use of certain health care information technology developed at the Institute. The license agreement was terminated during the year ended June 30, 2017. In connection with the termination of the licensing agreement, the Institute received \$40,000 from Reach Health, Inc. and received a warrant to purchase 300,000 shares of common stock at a cost of \$0.01 per share. The Institute exercised the warrant in September 2016. No additional purchases of Reach Health, Inc. stock were made in during the year ended June 30, 2016.

	<u>2017</u>	<u>2016</u>
Balance, July 1	\$ 419,189	393,701
Contributions of capital	16,408	25,488
Distributions	(44,932)	-
Loss on cost method investments	(99,563)	-
Balance, June 30	<u>\$ 291,102</u>	<u>\$ 419,189</u>

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5—Fair value measurements of assets and liabilities

The Institute has adopted SGAS No. 72, *Fair Value Measurements and Application*, which requires fair value measurement be classified and disclosed in one of the following three categories (“Fair Value Hierarchy”):

- Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which would generally be included in Level 1 include listed equity securities, mutual funds, and money market funds. As required by GAAP, the Institute, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Institute holds a large position and a sale could reasonably impact the quoted price.
- Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies. 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 Inflation Indices.
- Level 3 – Pricing inputs are unobservable for the investment 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.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

The tables below summarize the valuation of the Institute’s financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016, based on the level of input utilized to measure fair value.

Measurement at fair value on a recurring basis:

Fair Value Measurement at June 30, 2017				
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income:				
Board of Regents Investment Pool				
Short-term fund	\$ -	\$ 5,359,713	\$ -	\$ 5,359,713
Total fixed income	-	5,359,713	-	5,359,713
Total investments, recurring basis	<u>\$ -</u>	<u>\$ 5,359,713</u>	<u>\$ -</u>	<u>\$ 5,359,713</u>

Fair Value Measurement at June 30, 2016				
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income:				
Board of Regents Investment Pool				
Short-term fund	-	\$ 5,305,486	-	5,305,486
Total fixed income	-	5,305,486	-	5,305,486
Total investments, recurring basis	<u>\$ -</u>	<u>\$ 5,305,486</u>	<u>\$ -</u>	<u>\$ 5,305,486</u>

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Note 6—Net position restrictions and designations

Restricted net position represents amounts which are restricted in accordance with legal or contractual requirements, or donor stipulations that must be used for the specific purpose as indicated by the donor. From time to time, the Institute receives contributions to be used for specific research projects. The restricted net position at June 30, 2017 and 2016 consist of the unspent proceeds of \$69,973 and \$77,275, respectively.

Annually, amounts included in net position are designated for specific purposes by action of the governing board of the Institute. The Board of Directors of the Institute has designated the use of certain funds for Incentive Awards, the AURI Grants Program, and the School of Graduate Studies. The purpose of Incentive Awards is to reward faculty for productivity and provide discretionary funds to promote individual research programs. The AURI Grants Program is used to support research projects that have a high likelihood of subsequently generating external funding. At June 30, 2017 and 2016, the Institute had \$3,319,786 and \$3,262,947, respectively, in unrestricted, designated position.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 7—Grants and contracts receivable

Receivables consist of amounts due from foundations, businesses, universities, and the federal government for expenditures of federal and non-federal awards which have not yet been reimbursed. Management believes, based on past history, that any amounts which are not fully collectible would be immaterial to the financial statements.

Note 8—Facilities and administrative costs recovery

The Institute receives reimbursement from sponsors for facilities and administrative costs incurred. In accordance with the Memorandum of Understanding between the Institute and the University, the Institute retains approximately 10/46th of funds received for facilities and administrative costs which are considered to be unrestricted funds. The remaining approximately 78% is disbursed to the University. Under this agreement the Institute received approximately \$3,400,000 for the years ended June 30, 2017 and 2016.

Note 9—Significant funding sources

Approximately 76% and 79% of the Institute's total operating revenue for the fiscal years ended June 30, 2017 and 2016, respectively, were awarded by the United States Department of Health and Human Services. Changes in governmental spending could have a significant impact on the operations of the Institute.

Note 10—Related party transactions

The Institute reimburses the University for a portion of services rendered by employees of the University. The Institute reimbursed the University for personnel and other expenses in the amount of \$774,605 and \$633,000 for the years ended June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, the cost of the unreimbursed portion of the services was approximately \$243,000 and \$518,000, respectively.

During the year ended June 30, 2017, the Institute entered into an agreement with a company owned by a faculty member employed by the University to provide support for operations. The agreement provides for payments of \$100,000 during the year ending June 30, 2017, \$400,000 during the year ending June 30, 2018, and \$500,000 during the year ending June 30, 2019 to company by the Institute. During the year ended June 30, 2017, amounts paid to the company under this agreement totaled approximately \$100,000. In addition, the Institute has entered into an agreement with the company which provides for rental of space by the company in the Life Sciences Business Development Center for the purpose of life sciences research and product development. During the years ended June 30, 2017 and 2016, amounts received from the company under this agreement were \$7,200 and \$54,000, respectively.

Note 11—Significant commitments and contingencies

The Institute 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. Management believes that 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 Board of Directors
Augusta University Research Institute, Inc.
Augusta, 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 Augusta University Research Institute, Inc., (the "Institute") as of June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Institute's internal control over financial reporting ("internal control") to determine the 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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Institute'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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 determination of financial statement amounts. 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 Institute'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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia
August, 30, 2017

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Required by the Uniform Guidance

To the Board of Directors
Augusta University Research Institute, Inc.
Augusta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Augusta University Research Institute, Inc.'s (the "Institute") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended June 30, 2017. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia
August 30, 2017

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Agency Name	Identifying Number	CFDA #	Total	Passed Through to Subrecipients	Indirect Costs to the Research Institute
Research and Development Cluster					
U.S. Department of Defense					
U.S. Army Medical Command					
Military Medical Research and Development					
Direct Federal Awards					
Department of Defense					
		12.420	\$ 643,029	\$ 596,477	\$ 46,552
		CFDA #12.420 Total	643,029	596,477	46,552
Basic Scientific Research					
Direct Federal Awards					
Department of Defense					
		12.431	115,612	107,666	7,946
		CFDA #12.431 Total	115,612	107,666	7,946
Total U.S. Army Medical Command			758,641	704,143	54,498
National Security Agency					
GenCyber Grants Program					
Direct Federal Awards					
Department of Defense					
		12.903	192,622	190,221	2,401
		CFDA #12.903 Total	192,622	190,221	2,401
Total National Security Agency			192,622	190,221	2,401
Department of Defense Other Financial Assistance					
Direct Federal Awards					
Department of Defense					
		12.OFA	13,812	13,192	620
		CFDA #12.OFA Total	13,812	13,192	620
Total U.S. Department of Defense			965,075	907,556	57,519
U.S. Department of Justice					
Department of Justice Other Financial Assistance					
Federal Flow Through from:					
Vighter Medical Group, LLC					
	J-FBI-13-060		16.OFA	21,360	21,360
			CFDA #16.OFA Total	21,360	-
Total U.S. Department of Justice			21,360	21,360	-
National Science Foundation					
Computer and Information Science and Engineering					
Direct Federal Awards					
National Science Foundation					
			47.070	18,898	17,772
			CFDA #47.070 Total	18,898	1,126
Biological Sciences					
Direct Federal Awards					
National Science Foundation					
Federal Flow Through from:					
University of Georgia					
	NSF 1564736		47.074	216,027	200,329
			47.074	53,471	49,494
			CFDA #47.074 Total	269,498	19,675
Social, Behavioral, and Economic Sciences					
Direct Federal Awards					
National Science Foundation					
			47.075	29,803	27,796
			CFDA #47.075 Total	29,803	2,007
Total National Science Foundation			318,199	295,391	22,808

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Agency Name	Identifying Number	CFDA #	Total	Passed Through to Subrecipients	Indirect Costs to the Research Institute
U.S. Department of Energy					
Environmental Remediation and Waste Processing and Disposal					
Federal Flow Through from:					
Savannah River Site Community Reuse Organization	DE-EM0004214				
	Pass Thru	81.104	85,690	85,690	-
		CFDA #81.104 Total	85,690	85,690	-
Total U.S. Department of Energy			85,690	85,690	-
U.S. Department of Education					
Office of Elementary and Secondary Education					
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)					
Federal Flow Through from:					
University of Georgia	S367B140011	84.367	3,112	3,062	50
University of Georgia	RH216-361/S001345	84.367	2,581	2,539	42
University of Georgia	RH216-343/S000628	84.367	14,855	14,616	239
		CFDA #84.367 Total	20,548	20,217	331
Total Office of Elementary and Secondary Education			20,548	20,217	331
Total U.S. Department of Education			20,548	20,217	331
U.S. Department of Health and Human Services					
Administration for Children and Families					
Foster Care Title IV-E					
Federal Flow Through from:					
Georgia State University	SUB AWARD #: SP00012480-05	93.658	18,698	18,698	-
		CFDA #93.658 Total	18,698	18,698	-
Total Administration for Children and Families			18,698	18,698	-
Administration for Community Living					
National Family Caregiver Support, Title III, Part E					
Federal Flow Through from:					
CSRA Regional Development Commission/ Area Agency On Aging	CONTRACT #: 14-08-1131	93.052	14,009	14,009	-
		CFDA #93.052 Total	14,009	14,009	-
Total Administration for Community Living			14,009	14,009	-
Agency for Healthcare Research and Quality					
Research on Healthcare Costs, Quality and Outcomes					
Direct Federal Awards					
Agency for Healthcare Research & Quality		93.226	67,720	62,684	5,036
		CFDA #93.226 Total	67,720	62,684	5,036
Total Agency for Healthcare Research and Quality			67,720	62,684	5,036
Centers for Disease Control and Prevention					
Disabilities Prevention					
Federal Flow Through from:					
Georgia State University	001138DD14	93.184	33,990	32,465	1,525
		CFDA #93.184 Total	33,990	32,465	1,525
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects					
Federal Flow Through from:					
University of South Carolina	SUBAWARD NO. 15-2775	93.185	1,803	1,710	93
		CFDA #93.185 Total	1,803	1,710	93
Department of Health and Human Services Other Financial Assistance					
Direct Federal Awards					
Centers for Disease Control & Prevention		93.OFA	90,372	85,723	4,649
		CFDA #93.OFA Total	90,372	85,723	4,649
Total Centers for Disease Control and Prevention			126,165	119,898	6,267

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Agency Name	Identifying Number	CFDA #	Total	Passed Through to Subrecipients	Indirect Costs to the Research Institute
Health Resources and Services Administration					
Maternal and Child Health Federal Consolidated Programs					
Federal Flow Through from:					
Florida State University	SUB AWARD: R01826	93.110	4,164	3,854	310
Georgia Department of Public Health	CON # 40500-039-15151257	93.110	1,417	1,389	28
		CFDA #93.11 Total	5,581	5,243	338
Emergency Medical Services for Children					
Federal Flow Through from:					
Georgia Division of Public Health/ GDHR	PO# 40500-033-0000006667	93.127	2,161	-	2,161
		CFDA #93.127 Total	2,161	-	2,161
Advanced Education Nursing Traineeships					
Direct Federal Awards					
Health Resources & Services Administration		93.358	(6)	(6)	-
Health Resources & Services Administration		93.358	350,000	350,000	-
		CFDA #93.358 Total	349,994	349,994	-
Grants for Primary Care Training and Enhancement					
Direct Federal Awards					
Health Resources & Services Administration		93.884	164,169	161,525	2,644
		CFDA #93.884 Total	164,169	161,525	2,644
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants					
Direct Federal Awards					
Health Resources & Services Administration		93.924	100,892	100,892	-
		CFDA #93.924 Total	100,892	100,892	-
Healthy Start Initiative					
Federal Flow Through from:					
MCG Health Inc.	2 H49MC00129-14-00	93.926	6,440	6,313	127
MCG Health Inc.	HEALTHY START	93.926	75,197	73,711	1,486
		CFDA #93.926 Total	81,637	80,024	1,613
Total Health Resources and Services Administration			704,434	697,678	6,756
National Institutes of Health					
Oral Diseases and Disorders Research					
Direct Federal Awards					
National Institute of Dental & Craniofacial Research		93.121	390,970	367,983	22,987
Federal Flow Through from:					
Custom Scientific	Mandibular Bone Transport Reconstruction Pathology	93.121	-	2,616	(2,616)
Louisiana State University Health Sciences New Orleans	SOD-17-136-001	93.121	91,100	84,339	6,761
Primus Consulting	Sub 29424-1	93.121	4,435	4,105	330
		CFDA #93.121 Total	486,505	459,043	27,462
Mental Health Research Grants					
Direct Federal Awards					
National Institute of Mental Health		93.242	1,132,356	1,059,332	73,024
Federal Flow Through from:					
Bowman Gray School of Medicine	SUB WFUHS 558538	93.242	226,043	209,663	16,380
The Research Foundation of State University of New York	SUB # 100-1127288-72487	93.242	102,346	94,734	7,612
University of Georgia	SUB AWD RR274-437/S000795	93.242	38,358	35,506	2,852
University of Maryland at Baltimore	SUB 1200103; PO SR00003432	93.242	(178)	(165)	(13)
University of Southern California	H39725	93.242	5,266	-	5,266
University of Washington	SUB AWARD # UWSC8592	93.242	5,993	5,547	446
		CFDA #93.242 Total	1,510,184	1,404,617	105,567
Alcohol Research Programs					
Federal Flow Through from:					
Mayo Clinic Rochester	7R01AA019976-04	93.273	(185)	(172)	(13)
		CFDA #93.273 Total	(185)	(172)	(13)
Drug Abuse and Addiction Research Programs					
Federal Flow Through from:					
Dartmouth College	SUB AWARD #: R856	93.279	12,000	11,108	892
		CFDA #93.279 Total	12,000	11,108	892

See accompanying notes to the schedule of expenditures of federal awards.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Agency Name	Identifying Number	CFDA #	Total	Passed Through to Subrecipients	Indirect Costs to the Research Institute
Discovery and Applied Research for Technological Innovations to Improve Human Health					
Direct Federal Awards					
National Institute of Biomedical Imaging & Bioengineering		93.286	244,120	229,480	14,640
		CFDA #93.286 Total	244,120	229,480	14,640
Minority Health and Health Disparities Research					
Federal Flow Through from:					
Emory University	RMD008077A	93.307	(2,429)	(2,304)	(125)
		CFDA #93.307 Total	(2,429)	(2,304)	(125)
Trans-NIH Research Support					
Direct Federal Awards					
National Institute of General Medical Sciences		93.310	214,084	198,163	15,921
Federal Flow Through from:					
New York University Langone Medical Center	SUB 15-A1-00-002912-01	93.310	6,461	6,357	104
		CFDA #93.31 Total	220,545	204,520	16,025
Cancer Cause and Prevention Research					
Direct Federal Awards					
National Cancer Institute		93.393	1,689,450	1,575,378	114,072
Federal Flow Through from:					
Texas Tech University Health Sciences Center	15LMF0178NLS	93.393	25,857	23,934	1,923
		CFDA #93.393 Total	1,715,307	1,599,312	115,995
Cancer Detection and Diagnosis Research					
Direct Federal Awards					
National Cancer Institute		93.394	540,293	506,587	33,706
Federal Flow Through from:					
University of Pittsburgh	SUB:0035722(126323-1)	93.394	120,478	111,748	8,730
		CFDA #93.394 Total	660,771	618,335	42,436
Cancer Treatment Research					
Direct Federal Awards					
National Cancer Institute		93.395	2,150,663	2,005,786	144,877
Federal Flow Through from:					
Children's Hospital of Philadelphia	ID U10CA098543	93.395	12,600	12,243	357
Leidos Biomedical Research, Inc.	AGREEMENT #: 16X106	93.395	88,763	83,737	5,026
		CFDA #93.395 Total	2,252,026	2,101,766	150,260
Cancer Biology Research					
Direct Federal Awards					
National Cancer Institute		93.396	3,018,124	2,795,572	222,552
Federal Flow Through from:					
University of Florida	SUBAWARD #: UF DSP00011398	93.396	20,967	19,408	1,559
		CFDA #93.396 Total	3,039,091	2,814,980	224,111
Cancer Research Manpower					
Direct Federal Awards					
National Cancer Institute		93.398	101,399	96,462	4,937
		CFDA #93.398 Total	101,399	96,462	4,937
Cardiovascular Diseases Research					
Direct Federal Awards					
National Heart, Lung, & Blood Institute		93.837	10,847,542	10,162,124	685,418
Federal Flow Through from:					
Emory University	SUB AWARD #: T549620	93.837	7,391	6,841	550
University of Iowa	SUB AWARD #: W000912176	93.837	28,623	26,494	2,129
University of Rochester	SUBAWARD NO. 415493-G	93.837	5,805	5,384	421
Wayne State University	RHL128647A	93.837	8,213	7,602	611
		CFDA #93.837 Total	10,897,574	10,208,445	689,129
Lung Diseases Research					
Direct Federal Awards					
National Heart, Lung, & Blood Institute		93.838	1,415,155	1,352,879	62,276
Federal Flow Through from:					
University of South Alabama	12-110234-01	93.838	274,528	254,635	19,893
		CFDA #93.838 Total	1,689,683	1,607,514	82,169

See accompanying notes to the schedule of expenditures of federal awards.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Agency Name	Identifying Number	CFDA #	Total	Passed Through to Subrecipients	Indirect Costs to the Research Institute
Blood Diseases and Resources Research					
Direct Federal Awards					
National Heart, Lung, & Blood Institute		93.839	2,080,818	1,965,487	115,331
		CFDA #93.839 Total	2,080,818	1,965,487	115,331
Arthritis, Musculoskeletal and Skin Diseases Research					
Direct Federal Awards					
National Institute of Arthritis & Musculoskeletal & Skin Diseases		93.846	443,894	418,800	25,094
Federal Flow Through from:					
Temple University	RAR061569A	93.846	2,167	2,010	157
		CFDA #93.846 Total	446,061	420,810	25,251
Diabetes, Digestive, and Kidney Diseases Extramural Research					
Direct Federal Awards					
National Institute of Diabetes & Digestive & Kidney Diseases		93.847	8,170,510	7,737,110	433,400
Federal Flow Through from:					
Georgia State University	SUB AWARD #: SP00012336-02	93.847	12,142	11,239	903
Texas A&M	SUBAWARD #06-S130676	93.847	110,673	102,653	8,020
University of North Carolina at Chapel Hill	SUB AWARD #: 5104850	93.847	28,220	26,121	2,099
University of South Florida	COST REIMBURSABLE SEGMENT	93.847	9,497	8,837	660
University of South Florida	6163-1017-00-E-TEDDY	93.847	420,207	414,355	5,852
University of South Florida	SUBAWARD #: 6163-1017-00-O	93.847	147,753	140,260	7,493
University of South Florida	SUBAGREEMENT # 6119-1276-00-E	93.847	146,500	114,077	32,423
		CFDA #93.847 Total	9,045,502	8,554,652	490,850
Extramural Research Programs in the Neurosciences and Neurological Disorders					
Direct Federal Awards					
National Institute of Neurological Disorders & Stroke		93.853	4,537,690	4,230,156	307,534
Federal Flow Through from:					
Emmes Corporation	POINT STUDY	93.853	1,950	1,809	141
Emory University	SUBAWARD NO S980284	93.853	4,654	4,317	337
Harvard University	150935.5081744-0010	93.853	17,825	16,499	1,326
Massachusetts General Hospital	PROTOCOL #: INO-PD-P3-2014	93.853	5,000	4,628	372
Medical University of South Carolina	SUB AWARD #: MUSC16-067-8A171	93.853	11,859	10,977	882
NeuroFX	SUBAWARD NO. 30054	93.853	97,074	89,855	7,219
University of California, San Francisco	SUB 8445 (U54 NS065705)	93.853	30,647	28,426	2,221
University of Georgia	1R21NS088016	93.853	7,726	7,166	560
University of Michigan	SUBAWARD # 360908-05430-02	93.853	3,060	2,838	222
University of Virginia	SUBCON GC12107-143858	93.853	111,266	103,203	8,063
		CFDA #93.853 Total	4,828,751	4,499,874	328,877
Allergy and Infectious Diseases Research					
Direct Federal Awards					
National Institute of Allergy & Infectious Diseases		93.855	756,300	710,970	45,330
Federal Flow Through from:					
Camellix	SUB AWARD #: AU-1	93.855	27,900	26,030	1,870
Henry Ford Health System	P01 AI089473-01A1	93.855	117,993	109,773	8,220
University of Minnesota	FLU 006 IVIG/GENOMICS 004	93.855	13,680	12,663	1,017
		CFDA #93.855 Total	915,873	859,436	56,437
Biomedical Research and Research Training					
Direct Federal Awards					
National Institute of General Medical Sciences		93.859	1,239,535	1,159,849	79,686
Federal Flow Through from:					
University of Georgia	SUBAWARD RR193-157/4945426	93.859	77,515	71,750	5,765
		CFDA #93.859 Total	1,317,050	1,231,599	85,451
Child Health and Human Development Extramural Research					
Direct Federal Awards					
National Institute of Child Health & Human Development		93.865	650,619	626,769	23,850
Federal Flow Through from:					
Yale University	M14A12034 (A09569)	93.865	181,635	181,635	-
Yale University	SUB AWARD #: M14A12034 A10541	93.865	177,155	170,546	6,609
		CFDA #93.865 Total	1,009,409	978,950	30,459

See accompanying notes to the schedule of expenditures of federal awards.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Agency Name	Identifying Number	CFDA #	Total	Passed Through to Subrecipients	Indirect Costs to the Research Institute
Aging Research					
Direct Federal Awards					
National Institute on Aging		93.866	1,835,055	1,707,492	127,563
Federal Flow Through from:					
Stony Brook University/The State University of New York	SUB AWARD #: 75851-1134679-2	93.866	5,071	4,694	377
		CFDA #93.866 Total	1,840,126	1,712,186	127,940
Vision Research					
Direct Federal Awards					
National Eye Institute		93.867	3,215,571	2,984,794	230,777
Federal Flow Through from:					
Bowman Gray School of Medicine	2R01EY017077-05A1	93.867	-	18	(18)
Rice University	TRANSFER OF 1PN2EY018244	93.867	(100)	(93)	(7)
		CFDA #93.867 Total	3,215,471	2,984,719	230,752
Medical Library Assistance					
Federal Flow Through from:					
University of Maryland at Baltimore	SUB AWARD #: 1600679	93.879	1,500	1,500	-
		CFDA #93.879 Total	1,500	1,500	-
Department of Health and Human Services Other Financial Assistance					
Federal Flow Through from:					
Bowman Gray School of Medicine	SUB WFUHS 30209	93.OFA	23,408	22,358	1,050
Clinical Trials and Surveys Corp	NHLBI HHSN268201200023C	93.OFA	1	-	1
Duke Clinical Research Institute	CABANA STUDY	93.OFA	16,250	15,543	707
New England Research Institute	BABY HUG FOLLOWUP STUDY	93.OFA	65,044	60,331	4,713
University of South Alabama	R01CA164940	93.OFA	750	696	54
University of South Florida	TNCC SITE #780	93.OFA	18,940	18,090	850
		CFDA #93.OFA Total	124,393	117,018	7,375
Total National Institutes of Health			47,651,545	44,679,337	2,972,208
Substance Abuse and Mental Health Services Administration					
Substance Abuse and Mental Health Services Projects of Regional and National Significance					
Direct Federal Awards					
Substance Abuse & Mental Health Services Administration		93.243	477,850	463,876	13,974
Federal Flow Through from:					
Johns Hopkins University	SBIRT NURSING CURRICULA AND ED	93.243	17,022	16,748	274
Mercer University	420642-GRU-01 & -02	93.243	19,527	19,213	314
Positive Impact, Inc.	LOA TRANSFORM PROJECT	93.243	106,717	106,717	-
University of Georgia	AWARD# RR274-456/S00126	93.243	35,018	34,454	564
		CFDA #93.243 Total	656,134	641,008	15,126
Block Grants for Prevention and Treatment of Substance Abuse					
Federal Flow Through from:					
Georgia Department of Behavioral Health & Developmental Disabilities/MHDDAD/GDHR	CONTRACT #: 44100-DBH0000503	93.959	85,714	84,020	1,694
		CFDA #93.959 Total	85,714	84,020	1,694
Total Substance Abuse and Mental Health Services Administration			741,848	725,028	16,820
Department of Health and Human Services Other Financial Assistance					
Federal Flow Through from:					
University of Alabama at Birmingham	PROTOCOL #: MSG-13	93.OFA	3,000	2,865	135
University of Maryland at Baltimore	SUB AWARD #: 1600679	93.OFA	4,587	4,496	91
		CFDA #93.OSA Total	7,587	7,361	226
Total U.S. Department of Health and Human Services			49,332,006	46,324,693	3,007,313
Total Research and Development Cluster			50,742,878	47,654,907	3,087,971
Total Schedule of Expenditures of Federal Awards			\$ 50,742,878	\$ 47,654,907	\$ 3,087,971

See accompanying notes to the schedule of expenditures of federal awards.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2017

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Augusta University Research Institute, Inc. (the "Institute") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Institute uses an approved negotiated indirect cost rate, and therefore, does not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3—Subrecipient

The Institute provided federal awards to the Augusta University as a subrecipient.

Note 4—Noncash awards

The Institute did not receive any noncash federal awards during the year ended June 30, 2017.

Note 5—Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Institute expects such amounts, if any, to be immaterial.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)

_____ yes X no

Identification of Major Programs

The programs tested as major programs of the Augusta University Research Institute, Inc. included:

CFDA #

Listed by CFDA number in Schedule of Expenditures of Federal Awards

Name of Federal Program

Research and Development Cluster

The dollar threshold for Type A programs was \$1,522,286.

The Augusta University Research Institute, Inc. qualified as a low-risk auditee.

AUGUSTA UNIVERSITY RESEARCH INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section II. Findings in Relation to the Audit of the Financial Statements

None reported.

Section III. Federal Awards Findings and Questioned Costs

None reported.

Schedule of Prior Year Findings

There were no prior year findings reported.