GEORGIA SOUTHERN UNIVERSITY
RESEARCH AND SERVICE
FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Georgia Southern University
Research and Service Foundation, Inc.
Statesboro, Georgia

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Georgia Southern University Research and Service Foundation, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2017, on our consideration of Georgia Southern University Research and Service Foundation, Inc.’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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Georgia Southern University Research and Service Foundation, Inc.’s internal control over financial reporting and compliance.

Statesboro, Georgia
September 6, 2017
# GEORGIA SOUTHERN UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**JUNE 30, 2017**

### ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$3,833,057</td>
</tr>
<tr>
<td>Grants/contracts receivable</td>
<td>1,603,871</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,840,065</td>
</tr>
<tr>
<td>Grant/contract advances - Georgia Southern University</td>
<td>412</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,673</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>37,125</td>
</tr>
<tr>
<td>Furniture and equipment, net of accumulated depreciation of $1,229</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$7,316,203</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

#### LIABILITIES

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$70,858</td>
</tr>
<tr>
<td>Sales tax payable</td>
<td>5,641</td>
</tr>
<tr>
<td>Contracts payable - Georgia Southern University</td>
<td>2,117,675</td>
</tr>
<tr>
<td>Residual accounts held for Georgia Southern University</td>
<td>767,228</td>
</tr>
<tr>
<td>Deferred grant/contract revenue</td>
<td>1,237,421</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,198,823</td>
</tr>
</tbody>
</table>

#### UNRESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNRESTRICTED NET ASSETS</strong></td>
<td><strong>3,117,380</strong></td>
</tr>
</tbody>
</table>

#### TOTAL LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$7,316,203</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### REVENUES

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants/contracts</td>
<td>$6,705,644</td>
</tr>
<tr>
<td>Research and project management</td>
<td>$7,877,356</td>
</tr>
<tr>
<td>Interest</td>
<td>$3,905</td>
</tr>
<tr>
<td>Other</td>
<td>$2,235</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$14,589,140</strong></td>
</tr>
</tbody>
</table>

### EXPENSES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material costs</td>
<td>$1,641,014</td>
</tr>
<tr>
<td>Subcontracts/grants assigned to Georgia Southern University</td>
<td>$12,678,705</td>
</tr>
<tr>
<td>Other subcontracts</td>
<td>$12,523</td>
</tr>
<tr>
<td>General and administrative:</td>
<td></td>
</tr>
<tr>
<td>Advertising and public relations</td>
<td>$17,054</td>
</tr>
<tr>
<td>Bad debts</td>
<td>$54,258</td>
</tr>
<tr>
<td>Conferences, conventions and meetings</td>
<td>$7,014</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$1,619</td>
</tr>
<tr>
<td>Interest</td>
<td>$1,619</td>
</tr>
<tr>
<td>Equipment rental and maintenance</td>
<td>$78,925</td>
</tr>
<tr>
<td>Insurance</td>
<td>$8,010</td>
</tr>
<tr>
<td>Dues</td>
<td>$1,967</td>
</tr>
<tr>
<td>Professional fees</td>
<td>$52,400</td>
</tr>
<tr>
<td>Contracted services</td>
<td>$60,128</td>
</tr>
<tr>
<td>Supplies</td>
<td>$14,584</td>
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<tr>
<td>Technology</td>
<td>$16,770</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,491</td>
</tr>
<tr>
<td>Severance pay</td>
<td>$81,667</td>
</tr>
<tr>
<td>Other</td>
<td>$4,287</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$14,732,592</strong></td>
</tr>
</tbody>
</table>

### CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS, JULY 1, 2016</strong></td>
<td><strong>$3,260,832</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS, JUNE 30, 2017</strong></td>
<td><strong>$3,117,380</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES
Change in net assets $ (143,452)
Adjustments to reconcile change in net assets to net cash used by operating activities:
  Depreciation 176
  Decrease in grants/contracts receivable 280,820
  Increase in accounts receivable (557,122)
  Decrease in grant/contract advances - Georgia Southern University 1,336
  Decrease in inventory 27,576
  Decrease in contracts payable - Georgia Southern University (1,110,914)
  Decrease in accounts payable (59,819)
  Increase in sales tax payable 4,832
  Increase in residual accounts held for Georgia Southern University 233,971
  Decrease in deferred grant/contract revenue (532,764)
Net cash used by operating activities (1,855,360)

CASH FLOWS FROM FINANCING ACTIVITIES
Payments on line of credit (157,093)

NET DECREASE IN CASH (2,012,453)

CASH, JULY 1, 2016 5,845,510

CASH, JUNE 30, 2017 $ 3,833,057

SUPPLEMENTAL DISCLOSURE
Cash paid for interest $ 1,619

The accompanying notes are an integral part of these financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Nature of organization
The Georgia Southern University Research and Service Foundation, Inc. (the Foundation) is a nonprofit organization that assists, supports, and furthers the research, service, and educational missions of Georgia Southern University (the University). The Foundation functions as a cooperative organization to the University and is subject to and complies with all policies of the Board of Regents of the University System of Georgia regarding cooperative organizations. The Foundation secures gifts, contributions, grants, and contractual obligations from individuals, government agencies, public agencies, industrial organizations, financial organizations, and private organizations to support sponsored research and service activities at the University.

Through memoranda of understanding with the University, the Foundation assigns awards to the University for performance of sponsored research projects and service delivery programs, providing to the University the financial means needed to complete research projects and operate various external educational service programs. Grants to the University are reviewed and transferred, if appropriate, to the Foundation. The Foundation retains 21.74% of indirect cost revenues earned on federal and 60.87% on non-federal contracts and grants secured by the Foundation and transferred to the University for performance. The Foundation also provides capital resources needed to purchase/lease research equipment and facilities that support the University’s research component. Additionally, research and service projects carried on by University faculty as part of their academic mission are conducted through the Foundation. The activities of the Foundation are conducted by its board of directors, all of whom currently are administrative and/or faculty employees of the University.

Consolidated financial statements
The accompanying consolidated financial statements include the accounts of the Georgia Southern University Research and Service Foundation, Inc. and its wholly-owned subsidiary, Herty Advanced Materials Development Center, LLC. All significant intra-organization transactions and balances have been eliminated in consolidation.

Herty Advanced Materials Development Center, LLC was formed in July, 2013 to support the operations of the Herty Advanced Materials Development Center (the Center), a materials innovation facility owned by the State of Georgia and transferred to Georgia Southern University in 2012. Private companies are billed by Herty Advanced Materials Development Center, LLC for use of the Center’s specialized machinery and equipment.

Method of accounting
The consolidated financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

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

Inventory
Inventory consists of materials purchased for future use as requested by customers. Inventory is recorded at cost.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment
Furniture and equipment are recorded at cost. The Foundation follows the practice of capitalizing all expenditures for furniture and equipment in excess of $500. Furniture and equipment are being depreciated using the straight-line method over an estimated useful life of five to seven years.

Accounts Receivable
Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts, if applicable.

Grant/Contract advances and deferred grant/contract revenue
Grant/contract advances to Georgia Southern University represent amounts paid to the University for projects in excess of amounts charged to those projects. Deferred grant revenue consists of amounts invoiced by the Foundation on various projects in excess of costs incurred for those projects.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax status
The Foundation is considered a 501(c)(3) corporation under the Internal Revenue Code and as such, pays no federal or state income taxes on all revenues related to its tax-exempt functions. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Concentration of credit risk
The Foundation maintains cash account balances at commercial banks which exceed federally insured limits.

NOTE 2 – SUBSEQUENT EVENTS
For the year ended June 30, 2017, there were no subsequent events for which disclosure was required. Georgia Southern University Research and Service Foundation, Inc. evaluated subsequent events through September 6, 2017, the date these financial statements were available to be issued.
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2017**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 3,713,717</td>
<td>$ 119,340</td>
<td>$ 3,833,057</td>
</tr>
<tr>
<td>Grants/contracts receivable</td>
<td>1,603,871</td>
<td>-</td>
<td>1,603,871</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>1,840,065</td>
<td>1,840,065</td>
</tr>
<tr>
<td>Grant/contract advances - Georgia Southern University</td>
<td>412</td>
<td>-</td>
<td>412</td>
</tr>
<tr>
<td>Inventory</td>
<td>-</td>
<td>1,673</td>
<td>1,673</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>37,125</td>
<td>-</td>
<td>37,125</td>
</tr>
<tr>
<td>Furniture and equipment, net of accumulated depreciation of $1,229</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 5,355,125</strong></td>
<td><strong>$ 1,961,078</strong></td>
<td><strong>$ 7,316,203</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 3,251</td>
<td>$ 67,607</td>
<td>$ 70,858</td>
</tr>
<tr>
<td>Sales tax payable</td>
<td>-</td>
<td>5,641</td>
<td>5,641</td>
</tr>
<tr>
<td>Contracts payable - Georgia Southern University</td>
<td>1,505,005</td>
<td>612,670</td>
<td>2,117,675</td>
</tr>
<tr>
<td>Residual accounts held for Georgia Southern University</td>
<td>767,228</td>
<td>-</td>
<td>767,228</td>
</tr>
<tr>
<td>Deferred grant/contract revenue</td>
<td>1,237,421</td>
<td>-</td>
<td>1,237,421</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>3,512,905</td>
<td>685,918</td>
<td>4,198,823</td>
</tr>
</tbody>
</table>

**UNRESTRICTED NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>1,842,220</th>
<th>1,275,160</th>
<th>3,117,380</th>
</tr>
</thead>
</table>

**TOTAL LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th><strong>$ 5,355,125</strong></th>
<th><strong>$ 1,961,078</strong></th>
<th><strong>$ 7,316,203</strong></th>
</tr>
</thead>
</table>

-9-
## REVENUES

<table>
<thead>
<tr>
<th>Description</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants/contracts</td>
<td>$6,705,644</td>
<td>-</td>
<td>$6,705,644</td>
</tr>
<tr>
<td>Research and project management</td>
<td>-</td>
<td>$7,877,356</td>
<td>7,877,356</td>
</tr>
<tr>
<td>Interest</td>
<td>3,905</td>
<td>-</td>
<td>3,905</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>2,235</td>
<td>2,235</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>6,709,549</strong></td>
<td><strong>7,879,591</strong></td>
<td><strong>14,589,140</strong></td>
</tr>
</tbody>
</table>

## EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material costs</td>
<td>-</td>
<td>1,641,014</td>
<td>1,641,014</td>
</tr>
<tr>
<td>Subcontracts/grants assigned to Georgia Southern University</td>
<td>6,440,286</td>
<td>6,238,419</td>
<td>12,678,705</td>
</tr>
<tr>
<td>Other subcontracts</td>
<td>12,523</td>
<td>-</td>
<td>12,523</td>
</tr>
<tr>
<td>General and administrative:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising and public relations</td>
<td>11,532</td>
<td>5,522</td>
<td>17,054</td>
</tr>
<tr>
<td>Bad debts</td>
<td>54,258</td>
<td>-</td>
<td>54,258</td>
</tr>
<tr>
<td>Conferences, conventions and meetings</td>
<td>7,014</td>
<td>-</td>
<td>7,014</td>
</tr>
<tr>
<td>Depreciation</td>
<td>176</td>
<td>-</td>
<td>176</td>
</tr>
<tr>
<td>Interest</td>
<td>1,619</td>
<td>-</td>
<td>1,619</td>
</tr>
<tr>
<td>Equipment rental and maintenance</td>
<td>53,374</td>
<td>25,551</td>
<td>78,925</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,643</td>
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<td>8,010</td>
</tr>
<tr>
<td>Dues</td>
<td>850</td>
<td>1,117</td>
<td>1,967</td>
</tr>
<tr>
<td>Professional fees</td>
<td>43,432</td>
<td>8,968</td>
<td>52,400</td>
</tr>
<tr>
<td>Contracted services</td>
<td>52,446</td>
<td>7,682</td>
<td>60,128</td>
</tr>
<tr>
<td>Supplies</td>
<td>152</td>
<td>14,432</td>
<td>14,584</td>
</tr>
<tr>
<td>Technology</td>
<td>-</td>
<td>16,770</td>
<td>16,770</td>
</tr>
<tr>
<td>Travel</td>
<td>1,491</td>
<td>-</td>
<td>1,491</td>
</tr>
<tr>
<td>Severance pay</td>
<td>-</td>
<td>81,667</td>
<td>81,667</td>
</tr>
<tr>
<td>Other</td>
<td>660</td>
<td>3,627</td>
<td>4,287</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>6,631,198</strong></td>
<td><strong>8,101,394</strong></td>
<td><strong>14,732,592</strong></td>
</tr>
</tbody>
</table>

## CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets</td>
<td>78,351</td>
<td>(221,803)</td>
<td>(143,452)</td>
</tr>
</tbody>
</table>

## NET ASSETS, JULY 1, 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Net Assets</td>
<td>1,763,869</td>
<td>1,496,963</td>
<td>3,260,832</td>
</tr>
</tbody>
</table>

## NET ASSETS, JUNE 30, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Net Assets</td>
<td>$1,842,220</td>
<td>$1,275,160</td>
<td>$3,117,380</td>
</tr>
</tbody>
</table>
GEORGIA SOUTHERN UNIVERSITY RESEARCH & SERVICE FOUNDATION, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
<th>Consolidated Georgia Southern University Research &amp; Service Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$78,351</td>
<td>$(221,803)</td>
<td>$(143,452)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>176</td>
<td>-</td>
<td>176</td>
</tr>
<tr>
<td>Decrease in grants/contracts receivable</td>
<td>280,820</td>
<td>-</td>
<td>280,820</td>
</tr>
<tr>
<td>Increase in accounts receivable</td>
<td>-</td>
<td>(557,122)</td>
<td>(557,122)</td>
</tr>
<tr>
<td>Decrease in grant/contract advances - Georgia Southern University</td>
<td>1,336</td>
<td>-</td>
<td>1,336</td>
</tr>
<tr>
<td>Decrease in inventory</td>
<td>-</td>
<td>27,576</td>
<td>27,576</td>
</tr>
<tr>
<td>Decrease in contracts payable - Georgia Southern University</td>
<td>(56,556)</td>
<td>(1,054,358)</td>
<td>(1,110,914)</td>
</tr>
<tr>
<td>Decrease in accounts payable</td>
<td>(45,002)</td>
<td>(14,817)</td>
<td>(59,819)</td>
</tr>
<tr>
<td>Increase in sales tax payable</td>
<td>-</td>
<td>4,832</td>
<td>4,832</td>
</tr>
<tr>
<td>Increase in residual accounts held for Georgia Southern University</td>
<td>233,971</td>
<td>-</td>
<td>233,971</td>
</tr>
<tr>
<td>Decrease in deferred grant/contract revenue</td>
<td>(532,764)</td>
<td>-</td>
<td>(532,764)</td>
</tr>
<tr>
<td>Net cash provided (used) by operating activities</td>
<td>(39,668)</td>
<td>(1,815,692)</td>
<td>(1,855,360)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on line of credit</td>
<td>(157,093)</td>
<td>-</td>
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<td></td>
<td></td>
<td>(157,093)</td>
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</table>

<table>
<thead>
<tr>
<th>NET INCREASE (DECREASE) IN CASH</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>(196,761)</td>
<td>(1,815,692)</td>
<td>(2,012,453)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH, JULY 1, 2016</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,910,478</td>
<td>1,935,032</td>
<td>5,845,510</td>
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<table>
<thead>
<tr>
<th>CASH, JUNE 30, 2017</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
<th>Herty Advanced Materials Development Center, LLC</th>
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</thead>
<tbody>
<tr>
<td>$3,713,717</td>
<td>$119,340</td>
<td>$3,833,057</td>
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<table>
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<tr>
<th>SUPPLEMENTAL DISCLOSURE</th>
<th>Georgia Southern University Research &amp; Service Foundation, Inc.</th>
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<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$1,619</td>
</tr>
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<td>$1,619</td>
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</table>
INDEPENDENT AUDITOR’S REPORT 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 of
Georgia Southern University
Research and Service Foundation, Inc.
Statesboro, 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 consolidated financial statements of Georgia Southern University Research and Service Foundation, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Georgia Southern University Research and Service Foundation, Inc.’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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Georgia Southern University Research and Service Foundation, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Georgia Southern University Research and Service Foundation, Inc.’s consolidated 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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sanier, Deal + Proctor

Statesboro, Georgia
September 6, 2017
<table>
<thead>
<tr>
<th>U.S. Department of Commerce:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pass-through programs from:</strong></td>
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</tr>
<tr>
<td><strong>Georgia Department of Natural Resources:</strong></td>
<td></td>
</tr>
<tr>
<td>Coastal Zone Management Administration Awards</td>
<td></td>
</tr>
<tr>
<td>Coastal Zone Management Administration Awards</td>
<td></td>
</tr>
<tr>
<td>Georgia Regents University:</td>
<td></td>
</tr>
<tr>
<td>Coastal Zone Management Administration Awards</td>
<td></td>
</tr>
<tr>
<td>University:</td>
<td></td>
</tr>
<tr>
<td>Sea Grant Support</td>
<td></td>
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<tr>
<td>Sea Grant Support</td>
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</tr>
<tr>
<td>Emory University - Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program</td>
<td></td>
</tr>
<tr>
<td>Florida Fish and Wildlife Conservation Commission - Marine Sanctuary Program</td>
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<tr>
<td>Total U.S. Department of Commerce</td>
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</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Education:</td>
<td></td>
</tr>
<tr>
<td>Direct programs:</td>
<td></td>
</tr>
<tr>
<td>TRIO - Student Support Services</td>
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</tr>
<tr>
<td>TRIO - Talent Search</td>
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<tr>
<td>Pass-through programs from:</td>
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<tr>
<td>Georgia Department of Education:</td>
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<td><img src="https://example.com/table.png" alt="Table" /></td>
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<tr>
<td>Georgia Institute of Technology - Gaining Early Awareness and Readiness for Undergraduate Programs</td>
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<tr>
<td>Georgia State University - Teacher Quality Partnership Grants</td>
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<tr>
<td>University of Oregon:</td>
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<tr>
<td>Special Education - Educational Technology Media, Materials for Individuals with Disabilities</td>
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<tr>
<td>School Board of Sarasota County - Safe and Drug-Free Schools and Communities - National Programs</td>
<td></td>
</tr>
<tr>
<td>Georgia State University - Transition Programs for Students with Intellectual Disabilities into Higher Education</td>
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</tr>
<tr>
<td>Total U.S. Department of Education</td>
<td></td>
</tr>
<tr>
<td></td>
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</tbody>
</table>
| See accompanying notes to Schedule of Expenditures of Federal Awards.
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Program Identifying Number</th>
<th>Federal Expenditures</th>
<th>Expenditures to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Health and Human Services:</strong></td>
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<tr>
<td>Direct Programs:</td>
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<tr>
<td>National Institute of Health:</td>
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<tr>
<td>Advanced Nursing Education Grant Program</td>
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<td></td>
<td>410,724</td>
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<tr>
<td>Advanced Nursing Education Grant Program</td>
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<td>382,779 (R)</td>
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<tr>
<td>Allergy and Infectious Diseases Research</td>
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<tr>
<td>Minority Health and Health Disparities Research</td>
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<td>Advanced Education Nursing Traineeships</td>
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<tr>
<td>Pass-through programs from:</td>
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<td></td>
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<tr>
<td>University of Alabama at Birmingham - Environmental Health</td>
<td>93.113</td>
<td>000502497-001</td>
<td>15,952 (R)</td>
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<tr>
<td>University of Cincinnati - Environmental Health</td>
<td>93.113</td>
<td>009958-002</td>
<td>12,190 (R)</td>
<td>12,190</td>
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<tr>
<td>Augusta University - Blood Diseases and Resources Research</td>
<td>93.839</td>
<td>30880-1</td>
<td>40,368 (R)</td>
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<tr>
<td>Research Triangle Institute - Blood Diseases and Resources Research</td>
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<td>2-312-0215445-52678L</td>
<td>12,060 (R)</td>
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<tr>
<td>Georgia State University - Disabilities Prevention</td>
<td>93.184</td>
<td>SP00011716-05</td>
<td>6,855 (R)</td>
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</tr>
<tr>
<td>Georgia Department of Community Health - State Rural Hospital Flexibility Program</td>
<td>93.241</td>
<td>160490</td>
<td>189,826 (R)</td>
<td>189,826</td>
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<tr>
<td>The Center for Construction Research and Training - Occupational Safety and Health Program</td>
<td>93.262</td>
<td>17-3-PS</td>
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<td>22,041</td>
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<tr>
<td>Georgia Regents University - Cancer Treatment Research</td>
<td>93.395</td>
<td>28381-4</td>
<td>13,890 (R)</td>
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<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
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<tr>
<td><strong>U.S. Department of Agriculture:</strong></td>
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<tr>
<td>Pass-through program from:</td>
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<td></td>
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<tr>
<td>The U.S. Endowment for Forestry and Communities, Inc. - Wood Utilization Assistance</td>
<td>10.674</td>
<td>E14-34</td>
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<td><strong>Total U.S. Department of Agriculture</strong></td>
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<td>107,800</td>
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<tr>
<td><strong>National Aeronautics and Space Administration:</strong></td>
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<tr>
<td>Pass-through program from Georgia Institute of Technology -</td>
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<td></td>
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<tr>
<td>Georgia Institute of Technology - Education</td>
<td>43.008</td>
<td>RP964-G5</td>
<td>5,600 (R)</td>
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<td>Georgia Institute of Technology - Education</td>
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<td>RP964-G5</td>
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<td>University of South Carolina - Science</td>
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<td>16-2916</td>
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<td><strong>Total National Aeronautics and Space Administration</strong></td>
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<td><strong>National Science Foundation:</strong></td>
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<tr>
<td>Direct Program - Biological Sciences</td>
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<td>88,568 (R)</td>
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<td>National Ecological Observatory Network, Inc. - Biological Sciences</td>
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<td>2010-0355-000</td>
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<td>University of Georgia - Biological Sciences</td>
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<td>Direct Programs:</td>
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<tr>
<td>Education and Human Resources</td>
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<td>105,043 (R)</td>
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<td>Education and Human Resources</td>
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<td>Engineering Grants</td>
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<td>Mathematical and Physical Sciences</td>
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<td>Geosciences</td>
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<td>Other Federal Assistance</td>
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<td><strong>Total National Science Foundation</strong></td>
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<td>825,009</td>
<td>825,009</td>
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</table>

See accompanying notes to Schedule of Expenditures of Federal Awards.
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Identifying Number</th>
<th>Federal Expenditures</th>
<th>Expenditures to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Administration:</td>
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<td>Direct Programs:</td>
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<td>Pass-through programs from University of Georgia:</td>
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<td>Small Business Development Center</td>
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<td>RE206-366/S001139</td>
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<tr>
<td>Total Small Business Administration</td>
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<tr>
<td></td>
<td>265,712</td>
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<tr>
<td>U.S. Department of Transportation:</td>
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<td></td>
</tr>
<tr>
<td>Pass-through programs from:</td>
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<tr>
<td>Georgia Governor's Office of Highway Safety:</td>
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<td>Alcohol Education and DUI Prevention</td>
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<td>State and Community Highway Safety</td>
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<td>Total U.S. Department of Transportation</td>
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<tr>
<td>Corporation for National and Community Service:</td>
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<tr>
<td>Direct Program for Senior Companion Program</td>
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<tr>
<td>U.S. Department of Defense:</td>
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<td></td>
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<tr>
<td>Direct Programs:</td>
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<tr>
<td>National Security Agency - GenCyber Grants Program</td>
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<tr>
<td>Total U.S. Department of Defense</td>
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<tr>
<td>Environmental Protection Agency:</td>
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</tr>
<tr>
<td>Direct Program - P3 Award: National Student Design Competition for Sustainability</td>
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<td>849 (R)</td>
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<tr>
<td>Pass-through programs from:</td>
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<td></td>
</tr>
<tr>
<td>Georgia Environmental Protection Division - Nonpoint Source Implementation Grants</td>
<td>66.460</td>
<td>HUC-10 #0306020205</td>
<td>5,389 (R)</td>
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<tr>
<td>Total Environmental Protection Agency</td>
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<td>6,238</td>
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<td>U.S. Department of Justice Bureau of Justice Assistance:</td>
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<tr>
<td>Pass-through programs from:</td>
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<td>State of Georgia Office of the District Attorney (Eastern Judicial Circuit - Chatham County) - Smart Prosecution Initiative</td>
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<td>15.630</td>
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<td>U.S. Department of the Interior:</td>
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<td>Direct Program - U.S. Fish and Wildlife Service - Coastal</td>
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<td>Unavailable</td>
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<td>Pass-through programs from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolina Wildlife Resources Commission - Sport Fish Restoration Program</td>
<td>15.605</td>
<td>Unavailable</td>
<td>15,786</td>
<td>15,786</td>
</tr>
<tr>
<td>Total U.S. Department of the Interior</td>
<td></td>
<td></td>
<td>11,858</td>
<td>11,858</td>
</tr>
<tr>
<td>Institute of Museum and Library Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program - Museums of America</td>
<td>45.301</td>
<td>11,858</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenditures of federal awards</td>
<td></td>
<td></td>
<td>$ 5,162,695</td>
<td>$ 5,162,695</td>
</tr>
</tbody>
</table>

See accompanying notes to Schedule of Expenditures of Federal Awards,
NOTE A – BASIS OF PRESENTATION
The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Georgia Southern University Research and Service Foundation, Inc. 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 of 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 Georgia Southern University Research and Service Foundation, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Georgia Southern University Research and Service Foundation, Inc.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES
1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Georgia Southern University Research and Service Foundation, Inc. has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.
NOTE C - SCHEDULE OF CLUSTER PROGRAMS

<table>
<thead>
<tr>
<th>Cluster Program</th>
<th>Federal CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Development Cluster (R)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Commerce:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sea Grant Support</td>
<td>11.417</td>
<td>$54,533</td>
</tr>
<tr>
<td>Coastal Zone Management Administrative Awards</td>
<td>11.419</td>
<td>69,411</td>
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<tr>
<td>Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program</td>
<td>11.427</td>
<td>26,175</td>
</tr>
<tr>
<td>Marine Sanctuary Program</td>
<td>11.429</td>
<td>36,572</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Commerce</strong></td>
<td></td>
<td>186,691</td>
</tr>
<tr>
<td>U.S. Department of Health and Human Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Health</td>
<td>93.113</td>
<td>28,142</td>
</tr>
<tr>
<td>Disabilities Prevention</td>
<td>93.184</td>
<td>6,855</td>
</tr>
<tr>
<td>State Rural Hospital Flexibility Program</td>
<td>93.241</td>
<td>189,826</td>
</tr>
<tr>
<td>Advanced Nursing Education Grant Program</td>
<td>93.247</td>
<td>382,779</td>
</tr>
<tr>
<td>Occupational Safety and Health Program</td>
<td>93.262</td>
<td>22,041</td>
</tr>
<tr>
<td>Minority Health and Health Disparities Research</td>
<td>93.307</td>
<td>1,019,476</td>
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<tr>
<td>Advanced Education Nursing Traineeships</td>
<td>93.358</td>
<td>345,075</td>
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<tr>
<td>Cancer Treatment Research</td>
<td>93.395</td>
<td>13,890</td>
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<tr>
<td>Blood Diseases and Resources Research</td>
<td>93.839</td>
<td>52,428</td>
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<tr>
<td>Allergy and Infectious Diseases Research</td>
<td>93.855</td>
<td>18,970</td>
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<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
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<td>2,079,482</td>
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<tr>
<td>U.S. Department of Agriculture:</td>
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<td></td>
</tr>
<tr>
<td>Wood Utilization Assistance</td>
<td>10.674</td>
<td>107,800</td>
</tr>
<tr>
<td>National Science Foundation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Grants</td>
<td>47.041</td>
<td>234,153</td>
</tr>
<tr>
<td>Mathematical and Physical Sciences</td>
<td>47.049</td>
<td>122,886</td>
</tr>
<tr>
<td>Geosciences</td>
<td>47.050</td>
<td>81,072</td>
</tr>
<tr>
<td>Social, Behavioral, and Economic Sciences</td>
<td>47.075</td>
<td>8,570</td>
</tr>
<tr>
<td>Education and Human Resources</td>
<td>47.076</td>
<td>105,043</td>
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<tr>
<td>Biological Sciences</td>
<td>47.074</td>
<td>89,995</td>
</tr>
<tr>
<td><strong>Total National Science Foundation</strong></td>
<td></td>
<td>641,719</td>
</tr>
<tr>
<td>U.S. Department of Justice Bureau of Justice Assistance:</td>
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</tr>
<tr>
<td>Smart Prosecution Initiative</td>
<td>16.825</td>
<td>27,503</td>
</tr>
</tbody>
</table>
## NOTE C - SCHEDULE OF CLUSTER PROGRAMS (continued)

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Federal CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Development Cluster (R) - continued</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Defense:</td>
<td></td>
<td></td>
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<tr>
<td>Other Federal Assistance</td>
<td>12.000</td>
<td>56,987</td>
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<tr>
<td>GenCyber Grants Program</td>
<td>12.903</td>
<td>25,622</td>
</tr>
<tr>
<td>Total U.S. Department of Defense</td>
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<td>82,609</td>
</tr>
<tr>
<td>U.S. Department of Education:</td>
<td></td>
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<tr>
<td>Safe and Drug-Free School and Communities - National Programs</td>
<td>84.184M</td>
<td>14,143</td>
</tr>
<tr>
<td>Special Education - Educational Technology Media, Materials for Individuals with Disabilities</td>
<td>84.327</td>
<td>57,504</td>
</tr>
<tr>
<td>Gaining Early Awareness and Readiness for Undergraduate Programs</td>
<td>84.334S</td>
<td>12,642</td>
</tr>
<tr>
<td>Mathematics and Science Partnerships</td>
<td>84.366B</td>
<td>14,943</td>
</tr>
<tr>
<td>Improving Teacher Quality State Grants</td>
<td>84.367B</td>
<td>76,765</td>
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<tr>
<td>Total U.S. Department of Education</td>
<td></td>
<td>175,997</td>
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<tr>
<td>Environmental Protection Agency:</td>
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<tr>
<td>Nonpoint Source Implementation Grants</td>
<td>66.460</td>
<td>5,389</td>
</tr>
<tr>
<td>P3 Award: National Student Design Competition for Sustainability</td>
<td>66.516</td>
<td>849</td>
</tr>
<tr>
<td>Total Environmental Protection Agency</td>
<td></td>
<td>6,238</td>
</tr>
<tr>
<td>National Aeronautics and Space Administration:</td>
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<td></td>
</tr>
<tr>
<td>Science</td>
<td>43.001</td>
<td>32,219</td>
</tr>
<tr>
<td>Education</td>
<td>43.008</td>
<td>5,600</td>
</tr>
<tr>
<td>Total National Aeronautics and Space Administration</td>
<td></td>
<td>37,819</td>
</tr>
<tr>
<td>U.S. Department of the Interior:</td>
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<td></td>
</tr>
<tr>
<td>Sport Fish Restoration Program</td>
<td>15.605</td>
<td>2,572</td>
</tr>
<tr>
<td>Coastal</td>
<td>15.630</td>
<td>13,214</td>
</tr>
<tr>
<td>Total U.S. Department of the Interior</td>
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<td>15,786</td>
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<tr>
<td>Total Research and Development Cluster</td>
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<td>$ 3,361,644</td>
</tr>
<tr>
<td><strong>TRIO Cluster (TRIO)</strong></td>
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<td></td>
</tr>
<tr>
<td>U.S. Department of Education:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Support Services</td>
<td>84.042A</td>
<td>306,066</td>
</tr>
<tr>
<td>Talent Search</td>
<td>84.044A</td>
<td>117,447</td>
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<td>Total TRIO Cluster</td>
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<td>$ 423,513</td>
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<tr>
<td><strong>Highway Safety Cluster (HS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Transportation:</td>
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</tr>
<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>4,158</td>
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<tr>
<td>Alcohol Education and DUI Prevention</td>
<td>20.616</td>
<td>3,908</td>
</tr>
<tr>
<td><strong>Total Highway Safety Cluster</strong></td>
<td></td>
<td>$ 8,066</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Georgia Southern University
Research and Service Foundation, Inc.
Statesboro, Georgia

Report on Compliance for Each Major Federal Program

We have audited Georgia Southern University Research and Service Foundation, Inc.’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Georgia Southern University Research and Service Foundation, Inc.’s major federal programs for the year ended June 30, 2017. Georgia Southern University Research and Service Foundation, Inc.’s major federal programs are 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 Georgia Southern University Research and Service Foundation, Inc.’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 Georgia Southern University Research and Service Foundation, Inc.’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 Georgia Southern University Research and Service Foundation, Inc.’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, Georgia Southern University Research and Service Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of Georgia Southern University Research and Service Foundation, Inc. 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 Georgia Southern University Research and Service Foundation, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Georgia Southern University Research and Service Foundation, Inc.’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.

Statesboro, Georgia
September 6, 2017
SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Georgia Southern University Research and Service Foundation, Inc.

2. No significant deficiencies were disclosed during the audit of the financial statements in the Report 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.

3. No instances of noncompliance material to the financial statements of Georgia Southern University Research and Service Foundation, Inc. were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Georgia Southern University Research and Service Foundation, Inc. expresses an unmodified opinion on all major federal programs.

6. No audit findings relative to the major federal award programs for Georgia Southern University Research and Service Foundation, Inc. are reported in this schedule.

7. The programs tested as major programs included: Research and Development Cluster, Listed by CFDA number in Note C to the Schedule of Expenditures of Federal Awards; Advanced Nursing Education Grant Program, CFDA number 93.247, and Minority Health and Health Disparities Research, CFDA number 93.307.

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Georgia Southern University Research and Service Foundation, Inc. was determined to be a low-risk auditee.
GEORGIA SOUTHERN UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.