



THE UNIVERSITY OF GEORGIA FOUNDATION

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF GEORGIA FOUNDATION

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
The University of Georgia Foundation:

Opinion

We have audited the financial statements of The University of Georgia Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

Atlanta, Georgia
October 4, 2024

THE UNIVERSITY OF GEORGIA FOUNDATION

Statement of Activities

Year ended June 30, 2024

(With summarized consolidated financial information for the year ended June 30, 2023)

	2024			2023
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Total
Revenue:				
Rental income (note 10(a))	\$ 1,165,182	—	1,165,182	1,131,245
Contributions	2,434,541	168,650,780	171,085,321	143,767,580
Provision for doubtful contributions	—	(1,160,294)	(1,160,294)	(1,218,385)
Net realized and unrealized gain (loss) on investments (note 5)	21,385,033	137,147,765	158,532,798	92,477,218
Net gain on sale of property	—	1,147	1,147	13,769,551
Interest and dividends	13,229,571	21,559,969	34,789,540	27,545,263
Change in value of annuities	4,246	(290,314)	(286,068)	(125,384)
Change in cash surrender value of life insurance	—	158,759	158,759	353,124
Change in fair value of derivative financial instruments (note 8)	239,546	—	239,546	810,944
Change in value of beneficial interest in perpetual trust	—	556,405	556,405	345,391
Other	7,992,737	3,491,869	11,484,606	13,042,073
Net assets released from restrictions (note 12)	153,246,268	(153,246,268)	—	—
Total revenue	<u>199,697,124</u>	<u>176,869,818</u>	<u>376,566,942</u>	<u>291,898,620</u>
Expenses (note 15):				
Program services (note 10(b)):				
General college support	41,055,002	—	41,055,002	35,628,287
Student financial aid	33,640,861	—	33,640,861	30,874,694
Faculty and staff support	10,889,929	—	10,889,929	10,351,177
Research	3,379,724	—	3,379,724	2,599,030
Facilities	59,467,667	—	59,467,667	39,903,750
Total program services	148,433,183	—	148,433,183	119,356,938
General and administrative	6,243,078	—	6,243,078	5,712,355
Fundraising	5,905,136	—	5,905,136	6,807,594
Total expenses	<u>160,581,397</u>	<u>—</u>	<u>160,581,397</u>	<u>131,876,887</u>
Change in net assets	39,115,727	176,869,818	215,985,545	160,021,733
Net assets:				
Beginning of year	221,485,336	1,657,573,140	1,879,058,476	1,719,036,743
End of year	\$ <u>260,601,063</u>	<u>1,834,442,958</u>	<u>2,095,044,021</u>	<u>1,879,058,476</u>

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2023

	2023		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue:			
Rental income (note 10(a))	\$ 1,131,245	—	1,131,245
Contributions	2,360,018	141,407,562	143,767,580
Provision for doubtful contributions	—	(1,218,385)	(1,218,385)
Net realized and unrealized gain (loss) on investments (note 5)	11,188,211	81,289,007	92,477,218
Net gain on sale of property	—	13,769,551	13,769,551
Interest and dividends	9,265,909	18,279,354	27,545,263
Change in value of annuities	83,070	(208,454)	(125,384)
Change in cash surrender value of life insurance	—	353,124	353,124
Change in fair value of derivative financial instruments (note 8)	810,944	—	810,944
Change in value of beneficial interest in perpetual trust	—	345,391	345,391
Other	9,186,628	3,855,445	13,042,073
Net assets released from restrictions (note 12)	125,212,709	(125,212,709)	—
Total revenue	<u>159,238,734</u>	<u>132,659,886</u>	<u>291,898,620</u>
Expenses (note 15):			
Program services (note 10(b)):			
General college support	35,628,287	—	35,628,287
Student financial aid	30,874,694	—	30,874,694
Faculty and staff support	10,351,177	—	10,351,177
Research	2,599,030	—	2,599,030
Facilities	39,903,750	—	39,903,750
Total program services	119,356,938	—	119,356,938
General and administrative	5,712,355	—	5,712,355
Fundraising	6,807,594	—	6,807,594
Total expenses	<u>131,876,887</u>	<u>—</u>	<u>131,876,887</u>
Change in net assets	27,361,847	132,659,886	160,021,733
Net assets:			
Beginning of year	194,123,489	1,524,913,254	1,719,036,743
End of year	\$ <u>221,485,336</u>	<u>1,657,573,140</u>	<u>1,879,058,476</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 215,985,545	160,021,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	634,229	631,138
Provision for doubtful contributions	1,160,294	1,218,385
Contributions restricted for long-term investment	(48,109,172)	(46,058,200)
Interest and dividends restricted for long-term investment gain	(222,904)	(229,043)
In-kind gifts of capital assets	(403,000)	(49,577)
Net realized and unrealized (gain) loss on investments	(158,532,798)	(92,477,218)
Net gain on sale of property and equipment	(1,147)	(13,769,551)
Change in fair value of derivative financial instruments	(239,546)	(810,944)
Changes in:		
Accounts receivable and accrued interest receivable	367,192	(2,182,894)
Obligations related to deferred gifts	2,565,175	822,730
Contributions receivable	(14,806,965)	(4,858,146)
Prepaid expenses and other assets	(39,731)	(51,638)
Accounts payable and accrued expenses	310,005	(176,149)
Beneficial interest in perpetual trust	(556,405)	(345,391)
Deferred revenue	3,326	(247,172)
Cash surrender value of life insurance policies	(158,759)	(353,124)
Net cash used in operating activities	(2,044,661)	1,084,939
Cash flows from investing activities:		
Capital expenditures	(14,380)	(15,996)
Proceeds from sales of property and equipment	409,476	19,026,602
Purchases of investments	(178,396,697)	(206,528,253)
Proceeds from sales and maturities of investments	130,491,182	141,105,779
Proceeds from life insurance policies	308,200	37,647
Net cash used in investing activities	(47,202,219)	(46,374,221)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	48,109,172	46,058,200
Interest and dividends restricted for long-term investments	222,904	229,043
Payments of obligations related to deferred gifts	(1,293,693)	(1,276,697)
Repayment of notes payable	(480,583)	(580,192)
Net cash provided by financing activities	46,557,800	44,430,354
Net change in cash and cash equivalents	(2,689,080)	(858,928)
Cash and cash equivalents – beginning of year	26,561,603	27,420,531
Cash and cash equivalents – end of year	\$ 23,872,523	26,561,603
Supplemental cash flow information:		
Cash paid for interest	\$ 520,373	543,602

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2024 and 2023

(1) Organization and Purpose

The University of Georgia Foundation (the Foundation) is a not-for-profit foundation that was chartered in 1937 to receive and administer contributions for the support of the academic programs of the University of Georgia (the University). The University is governed by the Board of Regents of the University System of Georgia (the Board of Regents). The Foundation performs the following primary functions:

- Receives and manages funds for the support and enhancement of the University
- Provides financial support to the University for scholarships, faculty salary supplements, awards and lectureships, travel, research, and other institutional programs.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with US generally accepted accounting principles and under the financial reporting framework of the Financial Accounting Standards Board (FASB). While the Foundation was established to support the mission of the University, the Foundation is considered to be a nongovernmental not-for-profit entity.

(b) Cash and Cash Equivalents

All highly liquid investments with maturity of three months or less when purchased are considered to be cash and cash equivalents. Cash and cash equivalents that are part of the Foundation's pooled investments are included in investments in the accompanying statements of financial position as these funds are generally not used for daily operating needs, and are not considered a cash and cash equivalent for purposes of statement of cash flows. Substantially all of these cash and cash equivalents are invested through one financial institution.

(c) Investments and Temporary Investments

Investments consist predominantly of marketable securities, privately held limited partnerships, hedge funds, real assets, and real estate. Investments in equity and debt securities with readily determinable fair values are reported at fair value. The fair values are estimated based on quoted market prices for those or similar investments where a market price is available. Realized and unrealized gains (losses) are allocated to the appropriate net asset class based on associated donor restrictions.

The Foundation uses the net asset value (NAV) per share or its equivalent reported by the investment managers as a practical expedient to estimate fair value for certain investments, although NAV in many instances may not equal fair value. The NAV per share or its equivalent is applied to certain investments that do not have readily determinable fair values, including hedge funds, private equities, private limited partnership interests, real assets, and natural resources, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2024 or 2023, the Foundation had no plans or intentions to sell those investments at amounts different from NAV.

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General partners of funds invested in marketable securities provide fair values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. Investment managers are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives may generally be used for managing interest rate or foreign currency risk or to attain or hedge a specific financial market position. The Foundation does not hold direct investments in such instruments.

Real estate partnerships and funds are valued at NAV based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager.

Valuation processes and methodologies utilized by the general partners and investment managers are reviewed and evaluated by the Foundation's management. Management believes such values are reasonable estimates of fair value.

Temporary investments, which are held in money market funds and treasury yield accounts, have an original maturity of greater than three months and represent operating funds in excess of immediate cash requirements.

(d) Investment Strategy for Cash Balances

The Foundation employs a three-tier investment strategy for short-term balances of both donor-restricted and nondonor-restricted funds. All short-term funds are pooled for investment. The allocations to the three tiers take into account cash flow requirements of funds held for construction and cash flow requirements for the current year and the next two years of operations. Tier 1 is invested in institutional money market funds, short-term US Treasuries, fixed-income ultrashort funds, and/or enhanced cash, and includes cash flow requirements for the current year and construction funding. Tier 2 is invested in low duration fixed-income funds, A1-P1 commercial paper, treasuries, agencies, CDs, money market funds, and/or fixed-income broad-market funds, and is used to replenish Tier 1. Tier 3 is invested in the Foundation's long-term investment portfolio.

Net realized and unrealized gain (loss) on investments returns recognized from Tiers 1, 2, and 3 are reflected in net assets without donor restrictions and available for annual operations. For the years ended June 30, 2024 and 2023, the accumulated net gain (loss) of Tier 2 and Tier 3 was \$5,790,254 and \$2,312,942, respectively, which is reflected in net assets without donor restrictions within the accompanying statements of activities.

(e) Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation. Donated real property is recorded at the estimated fair value at the date of the gift. Depreciation on buildings is computed using the straight-line method over the lesser of the estimated useful lives of approximately 30 years or the remaining term of the underlying leases. Depreciation for furniture, fixtures, and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized.

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(f) Works of Art

The Foundation capitalizes art collections or works of art when received and recognizes contribution revenue at the fair value of the gift on the date of receipt. Works of art are not depreciated.

(g) Impairment of Long-Lived Assets

The Foundation regularly evaluates whether events and circumstances have occurred that indicate the carrying amount of property and equipment may warrant revision or may not be recoverable. When factors indicate that these long-lived assets should be evaluated for impairment, the Foundation assesses the potential impairment by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded, based on quoted market values, discounted cash flows, or external appraisals, as applicable. In addition, the Foundation regularly evaluates whether events and circumstances have occurred that indicate the useful lives of long-lived assets may warrant revision.

(h) Derivative Financial Instruments

The Foundation's derivative financial instruments manage interest rate risk associated with a portion of current and future borrowings. The derivative financial instruments are recorded at estimated fair value in the accompanying statements of financial position. Changes in the fair value of the derivative financial instruments are included as a component of revenue in the accompanying statements of activities.

(i) Contributions, Contributions Receivable, Net, and Net Assets

Unconditional promises to give are recognized as contributions revenue in the appropriate class of net assets when the underlying promises are received by the Foundation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value at initial recognition, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the donor-imposed conditions are substantially met. Gifts of cash and other assets are reported as contributions revenue within net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset.

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations or time restrictions. Net assets included in this class include gifts without donor restrictions and board-designated endowment funds.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations or time restrictions that may or will be met either by actions of the Foundation in accordance with donor stipulations or by the passage of time. When donor restrictions on cash and other assets reported

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as net assets with donor restrictions expire (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation's policy is to use such funds for the donor-restricted purpose as soon as it is practical and prudent. Net assets with donor restrictions are used to provide facility support, including building construction and renovation, and program support of the University.

Net assets with donor restrictions also include amounts subject to donor-imposed stipulations requiring that the net assets be maintained permanently by the Foundation, whereby gifts of cash and other assets must be invested in perpetuity to provide a permanent source of income for the Foundation. A substantial portion of the income from donor-restricted endowment net assets is used to provide scholarship and professorship support. The method used to calculate the annual endowment spending budget for the years ended June 30, 2024 and 2023 is described in note 4(d).

(j) *Split-Interest Agreements and Beneficial Interest in Perpetual Trust*

The Foundation is the remainder beneficiary under agreements for certain life income and life interest gifts. The underlying assets of these agreements are included in investments in the accompanying statements of financial position.

Life income gifts are invested in pooled income funds established pursuant to agreements between the Foundation and the trustees of the funds. At the time of receipt, a gift is recorded based upon the fair value of assets donated less the estimated annuity payment liability. The liability is recognized at the present value of projected future distributions to be paid to the donor or other designee. The principal amount of such gifts has been classified within net assets based on donor restrictions. Certain of these life income agreements include cash and cash equivalents that the Foundation includes in investments as the access to these amounts is governed by the related life income agreements and the cash and cash equivalents may not be for general use by the Foundation.

Life interest gifts consist of real estate in which the donor has retained certain life interests in the property. The fair value of the gift at the date of receipt has been discounted for the estimated value of the life interest retained by the donor and has been classified within net assets based on donor restrictions. The real estate value is being accreted to the fair value of the gift at the date of receipt over the estimated life expectancy of the donor.

The Foundation also holds a beneficial interest in a perpetual trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights or claims to such assets, including the sole right to income therefrom. The change in value of the Foundation's beneficial interest in perpetual trust is reported as a change in net assets with donor restrictions in the accompanying statements of activities.

(k) *Life Insurance Gifts*

Life insurance gifts consist of life insurance policies purchased by donors where the Foundation is the owner and beneficiary of the policy. The cash value of life insurance policies, net of policy loans, has been classified within net assets based on donor restrictions.

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(l) Rental Income

Rental income is recognized monthly when earned and collectibility of the associated receivable is reasonably assured.

(m) Deferred Revenue

Royalties received in advance under the University logo licensing agreements with terms in excess of one year are recorded as deferred revenue and are amortized to other revenue using the straight-line method over the life of the related agreements. In addition, advance rental payments received, are recorded as deferred revenue.

(n) Administrative Fees

The Foundation charges an administrative fee to board-designated and donor-restricted endowed funds to cover operating expenses. For the years ended June 30, 2024 and 2023, the administrative fee charged was \$16,594,253 and \$15,001,298, respectively. This fee is charged quarterly based on a flat rate of 1% per annum for endowed accounts for both the years ended June 30, 2024 and 2023. The rate is applied to each restricted fund's average fund balance as of the end of each quarter. Such administrative fee is transferred to net assets without donor restrictions from net assets with donor restrictions through net assets released from restrictions.

(o) Estimates in the Financial Statements

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the assumptions used in the determination of the fair value of certain investments without readily determinable fair values, valuation of derivative financial instruments, allowance for uncollectible contributions receivable, and liabilities to life beneficiaries.

(p) Commitments and Contingencies

Liabilities for loss contingencies arising in the ordinary course of business are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Management believes that any pending litigation of the Foundation, when fully concluded and determined, will not have a material adverse effect upon the financial position of the Foundation.

(q) Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting

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applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for the Foundation's fiscal year beginning after December 15, 2021. The Foundation implemented the provisions of ASU 2016-02 as of July 1, 2022. The adoption of this ASU did not have a material impact on the Foundation's financial statements or notes to the financial statements.

In June of 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASC 326), which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The ASU is intended to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets including trade and financing receivables. Contributions receivables are not in scope of this ASU. The ASU replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Additionally, from 2016 through 2023, the FASB issued additional related ASUs that provide further guidance and clarification and become effective for the Foundation upon the adoption of ASU 2016-13.

The Foundation adopted ASU 2016-13 and its related ASUs (collectively referred to as Topic 326) effective July 1, 2023 using a modified retrospective transition approach. As a result, the Foundation was not required to adjust its comparative period financial information for effects of the standard or make the new required credit loss allowance disclosures for periods before the date of adoption. The adoption of this ASU did not have a material impact on the Foundation's financial statements or notes to the financial statements.

(3) Contributions Receivable, Net

Unconditional promises to give as of June 30, 2024 and 2023 are due as follows:

	2024	2023
Within one year	\$ 7,564,516	10,852,803
One to five years	128,612,193	111,822,470
More than five years	3,080,408	3,072,006
Gross contributions receivable	139,257,117	125,747,279
Less:		
Allowance for uncollectible contributions	(2,901,500)	(6,820,609)
Present value component	(16,814,546)	(13,032,270)
Contributions receivable, net	\$ 119,541,071	105,894,400

The discount rates used to calculate the present value component as of June 30, 2024 and 2023 range from 2.29% to 8.58%.

An allowance for uncollectible contributions is necessary as, from time to time, the Foundation may be unable to collect an outstanding recorded pledge. The allowance is management's estimate of the potential future write-offs of uncollectible contributions and is based on historical write-offs, age of contributions, and

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other factors. Contributions receivable beyond one year are discounted to their present value using treasury rates consistent with the life of the pledge, commensurate with the risks involved.

The 10 largest outstanding donor pledge balances represented 21% and 19% of contributions receivable, net as of June 30, 2024 and 2023, respectively.

(4) Endowment Net Assets

The Foundation's endowment funds consist of individual donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. The net assets associated with such endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation applies the State of Georgia's Uniform Prudent Management of Institutional Funds Act (UPMIFA), which requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation requires the preservation of (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Income from the Foundation's donor-restricted endowment funds is generally restricted to donor-directed purposes and is, therefore, accounted for within net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation allows spending from endowment funds based on the current spending policy. Fund spending is limited to the lesser of the established spending rate or available cash balance and investment return. In accordance with UPMIFA, the Foundation considered the following factors in making its determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Where the Board designates nondonor-restricted funds to function as endowments, they are classified as net assets without donor restrictions. Donor-restricted funds designated by the Board to function as endowments are classified as net assets with donor restrictions.

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June 30, 2024 and 2023

The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2024 and 2023:

Endowment net asset composition by type of fund	June 30, 2024		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,554,191,605	1,554,191,605
Board-designated endowment funds	230,159,413	—	230,159,413
Total endowment net assets	\$ <u>230,159,413</u>	<u>1,554,191,605</u>	<u>1,784,351,018</u>

Changes in endowment net assets	Year ended June 30, 2024		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of year	\$ 196,209,673	1,398,441,478	1,594,651,151
Investment return:			
Investment income	2,700,139	21,332,638	24,032,777
Market value adjustment	17,391,833	136,401,687	153,793,520
Total investment return	20,091,972	157,734,325	177,826,297
Contributions and other income	16,327,467	55,251,184	71,578,651
Appropriation of endowment assets for expenditure	<u>(2,469,699)</u>	<u>(57,235,382)</u>	<u>(59,705,081)</u>
Endowment net assets, end of year	\$ <u>230,159,413</u>	<u>1,554,191,605</u>	<u>1,784,351,018</u>

Endowment net asset composition by type of fund	June 30, 2023		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,398,441,478	1,398,441,478
Board-designated endowment funds	196,209,673	—	196,209,673
Total endowment net assets	\$ <u>196,209,673</u>	<u>1,398,441,478</u>	<u>1,594,651,151</u>

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Changes in endowment net assets	Year ended June 30, 2023		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of year	\$ 175,725,897	1,287,362,594	1,463,088,491
Investment return:			
Investment income	2,291,769	18,050,165	20,341,934
Market value adjustment	10,331,588	94,766,992	105,098,580
Total investment return	12,623,357	112,817,157	125,440,514
Contributions and other income	10,051,858	51,434,790	61,486,648
Appropriation of endowment assets for expenditure	(2,191,439)	(53,173,063)	(55,364,502)
Endowment net assets, end of year	\$ 196,209,673	1,398,441,478	1,594,651,151

(a) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts. Deficits occurred during 2024 due to certain unfavorable market conditions that resulted in negative investment returns accumulated. Deficits of this nature related to original gifts totaling \$1,215,911 and reported in net assets with donor restrictions were \$134 as of June 30, 2024. Deficits of this nature related to original gifts totaling \$26,947,620 and reported in net assets with donor restrictions were \$629,529 as of June 30, 2023.

(b) Return Objectives and Risk Parameters

The Foundation has adopted endowment investment and spending policies intended to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Under this policy, endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 8.6% annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (net realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

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(d) Relationship of Spending Policy to Investment Objectives

The Foundation's Investment Committee (the Committee) determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount for the following fiscal year's spending rate is determined using investment values on a calendar-year basis. The Committee established a 4% spending rate for both fiscal years 2024 and 2023, based on the endowment value at December 31, 2022 and 2021, respectively. The method used to calculate the spending budget was adopted by the Committee to reduce the spending volatility and include a predetermined inflation factor. The formula used for the fiscal year 2024 spending budget is $((80\% * (1 + \text{Consumer Price Index})) * \text{fiscal year 2023 spending budget}) + (20\% * (\text{fiscal year 2024 spending rate} * \text{endowment market value at December 31, 2022}))$. The formula used for the fiscal year 2023 spending budget is consistent with that for 2024. In establishing this method, the Committee considered the expected long-term rate of return on the investment of the Foundation's endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of approximately 3.6% annually, consistent with its intention to maintain the purchasing power of the endowment assets. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the individual endowment.

(5) Investment Securities and Temporary Investments

The fair value of investment securities and temporary investments as of June 30, 2024 and 2023 totaled \$2,006,241,135 and \$1,799,800,712, respectively. As of June 30, 2024 and 2023, the estimated fair values of investment securities and temporary investments based on quoted market prices or other observable market inputs totaled \$1,082,023,060 and \$935,272,393, respectively. As of June 30, 2024 and 2023, the estimated fair values of investment securities and temporary investments that do not have readily determinable fair values totaled \$924,218,075 and \$864,528,319 and, respectively. Recorded amounts are provided by external investment managers as estimates of fair value at June 30, 2024 and 2023, respectively.

For the years then ended June 30, 2024 and 2023, net realized and unrealized gain (loss) on investments include \$82,280,913 and \$69,301,186, respectively, for investments with estimated fair values based on quoted market prices or other observable market inputs and \$76,251,885 and \$23,176,032 for investments that do not have readily determinable fair values with estimated fair values provided by external investment managers.

The Foundation's investments are exposed to several risks, such as changes in interest rates, currency fluctuations, market fluctuations, and credit risks. Changes in financial markets occur daily and it is quite likely that changes in the carrying values of investments will occur. Such changes could materially affect the amounts reported in the Foundation's financial statements. The Foundation, to the extent that it holds such investments, does not adjust the quoted price in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Investments in private equity funds provide growth equity or take full ownership of the companies in which they invest. Private equity funds that take significant ownership positions in start-up or early stage companies are largely invested in the technology or healthcare industries. There are currently no plans to sell any of these investments prior to their liquidation, and the investments are carried at NAV as estimated by the investment manager.

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Investments in real estate equity funds take ownership of properties ranging from office, retail, multifamily, land, hotel, and various other commodities. There are currently no plans to sell any of these investments prior to their liquidation, and the investments are carried at NAV as estimated by the investment manager.

Investments in hedge funds take long and short positions largely in equity securities, credit securities, and event-driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning with most equity funds generally maintaining a low net short position and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

As of June 30, 2024 and 2023, the Foundation had outstanding commitments of \$247,083,303 and \$218,525,404, respectively, for the purchase of additional nonmarketable investments. The Foundation estimates that the additional capital amounts will be paid over the next eight years depending on timing of potential investment opportunities identified by investment managers in the following investment strategies:

	<u>2024</u>	<u>2023</u>
Private equity	\$ 176,595,543	153,042,038
Real assets	<u>70,487,760</u>	<u>65,483,366</u>
	<u>\$ 247,083,303</u>	<u>218,525,404</u>

(6) Fair Value Measurements

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Market input observability is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument, and the state of the marketplace (including the existence and transparency of transactions between market participants). Financial instruments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market input observability and a lesser degree of judgment used in measuring fair value.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Significant unadjusted quoted prices in active markets are available for identical assets or liabilities accessible to the Foundation as of the measurement date. The types of investments that would generally be included in Level 1 include listed equity securities, mutual funds, and money market funds.

Level 2 – Pricing inputs are observable for the assets or liabilities, either directly or indirectly, as of the measurement date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. The types of investments that would generally be included in this category include publicly traded securities with restrictions on disposition, corporate obligations, US government and agency treasury inflation protected securities, and interest rate

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derivatives primarily valued using pricing models that rely on market observable inputs, such as yield curves.

Level 3 – Pricing inputs are unobservable for the asset or liability and include situations where little, if any, market activity exists for the asset or liability. The inputs into the determination of fair value require significant judgment or estimation. Inputs used may include the original transaction price, recent transactions in the same or a similar market, completed or pending third-party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, Level 3 assets or liabilities are valued using one or more valuation techniques described below:

- **Market Approach:** This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- **Income Approach:** This approach determines a valuation by discounting future estimated cash flows.
- **Cost Approach:** This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset or liability.

Although a secondary market exists for Level 3 investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported amounts. The types of investments that would generally be included in this category include debt and equity securities issued by private entities and partnerships.

Relative to the income approach, the inputs used by the Foundation in estimating the fair value of Level 3 investments include the projected cash flows of the various underlying investments and appropriate discount rates. These fair value estimates may also be adjusted to reflect percentage of ownership and liquidity and/or nontransferability, with the amount of such discount estimated by the fund manager in the absence of specific market information. The assumptions used by the Foundation due to lack of observable inputs may significantly impact the resulting fair value measurement.

In certain cases, the inputs used to measure fair value may fall into multiple levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of risk or liquidity, but is based on the observability of the valuation inputs. In accordance with ASC Subtopic 820-10, *Fair Value Measurements and Disclosures – Overall*, certain investments that are measured at fair value using NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

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The levels of the fair value hierarchy into which the Foundation's financial instruments are categorized as of June 30, 2024 and 2023 are as follows:

	2024				Total	Redemption or liquidation	Day(s) notice
	Level 1	Level 2	Level 3	Investments measured at NAV			
Assets:							
Recurring:							
Cash and cash equivalents	\$ 23,872,523	—	—	—	23,872,523	Daily	None
Derivative financial instruments	—	200,548	—	—	200,548	NA	N/A
Separately managed accounts:							
Student managed investment fund	\$ 2,138,133	—	—	—	2,138,133	Daily	1
Total separately managed accounts	2,138,133	—	—	—	2,138,133		
Exchange traded funds:							
Global RET securities	45,539,101	—	—	—	45,539,101	Daily	1
Total exchange traded funds	45,539,101	—	—	—	45,539,101		
Mutual funds:							
US Large cap growth equity	30,687,702	—	—	—	30,687,702	Daily	1
US Large cap core equity	304,414,527	—	—	—	304,414,527	Daily	1
International core equity	166,841,073	—	—	—	166,841,073	Daily	1
International growth equity	32,186,093	—	—	—	32,186,093	Daily	1
Emerging market equity	15,783,456	—	—	—	15,783,456	Daily	1
US treasury securities	142,280,369	—	—	—	142,280,369	Daily	1
Short-term investment grade inst'l fixed income	56,445,926	—	—	—	56,445,926	Daily	1
Total mutual funds	748,639,146	—	—	—	748,639,146		
Other commingled funds							
International core equity	38,086,704	—	—	—	38,086,704	Monthly	5
Emerging market equity	27,085,988	—	—	—	27,085,988	Monthly	10
Emerging market equity China	—	—	—	40,837,706	40,837,706	Monthly, see note (a)	30
Total other commingled funds	65,172,692	—	—	40,837,706	106,010,398		
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	164,672,933	164,672,933	See note(a)	See note(a)
Equity long/short	—	—	—	197,056,302	197,056,302	See note(a)	See note(a)
Total hedge fund limited partnerships	—	—	—	361,729,235	361,729,235		
Private equity limited partnerships:							
Direct private equity	—	—	—	225,433,226	225,433,226	Illiquid	N/A
Coinvestments	—	—	—	2,335,816	2,335,816	Illiquid	N/A
Private credit	—	—	—	4,145,977	4,145,977	Illiquid	N/A
Private venture	—	—	—	70,133,304	70,133,304	Illiquid	N/A
Secondary private equity	—	—	—	70,781	70,781	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	1,390	1,390	Illiquid	N/A
Fund of funds	—	—	—	6,806,635	6,806,635	Illiquid	N/A
Total private equity limited partnerships	—	—	—	308,927,129	308,927,129		

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	2024				Total	Redemption or liquidation	Day(s) notice
	Level 1	Level 2	Level 3	Investments measured at NAV			
Nonmarketable real asset limited partnerships:							
Diversified private real estate	\$ —	—	—	42,031,535	42,031,535	Illiquid	NA
Total nonmarketable real asset limited partnerships	—	—	—	42,031,535	42,031,535		
Timber/oil/gas:							
Fund of funds timber/oil/gas	—	—	—	102,348	102,348	Illiquid	NA
Direct private equity limited partnerships – oil/gas	—	—	4,014,422	82,469,494	86,483,916	Illiquid	NA
Total timber/oil/gas	—	—	4,014,422	82,571,842	86,586,264		
Split-interest investments:							
Cash and cash equivalents	161,228	—	—	—	161,228	Illiquid	NA
Equities	625,877	—	—	—	625,877	Illiquid	NA
Fixed income	40,231	—	—	—	40,231	Illiquid	NA
Mutual funds	9,075,649	—	—	—	9,075,649	Illiquid	NA
Nonmarketable	—	—	2,087,124	—	2,087,124	Illiquid	NA
Total split-interest investments	9,902,985	—	2,087,124	—	11,990,109		
Cash – operating principal	24,334,594	—	—	—	24,334,594	Daily	1
Total closely held investments	—	—	38,311	—	38,311	Illiquid	NA
Other stocks	203,960	—	—	—	203,960	Daily	1
Other investments	7,937,016	307,464	—	—	8,244,480	Illiquid	NA
Temporary investments:							
Cash and cash equivalents	5,019,679	—	—	—	5,019,679	Daily	1
Mutual funds	173,135,754	—	—	—	173,135,754	Daily	1
Treasury notes	—	19,350,433	—	—	19,350,433	Daily, Monthly	1 or 30
Bonds	—	62,322,874	—	—	62,322,874	Daily, Monthly	1 or 30
Total investments and temporary investments	1,082,023,060	81,980,771	6,139,857	836,097,447	2,006,241,135		
Beneficial interest in perpetual trust	—	—	5,500,140	—	5,500,140	NA	NA
Total	\$ 1,082,023,060	81,980,771	11,639,997	836,097,447	2,011,741,275		

Note (a) – Hedge Funds and Commingled Emerging Market Equity China (June 30, 2024):

One investment may be redeemed upon 30 days' notice to the fund manager and permits monthly exit from the fund. The fair value of this fund is \$40,837,706. Certain investments may be redeemed upon 60- to 95-days' notice to the fund manager and permit a quarterly exit from the fund. The fair values of these funds total \$227,584,595 at June 30, 2024. Two hedge funds have semiannual exit dates, which occur more than 90 days after the Foundation's fiscal year-end. The fair value of these funds with a notice of redemption period of 90 days is \$47,465,415. Certain hedge funds have annual exit dates, which occur more than 90 days after the Foundation's fiscal year-end. The fair value of these hedge funds with a notice

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of redemption period between 60 and 90 days totals \$81,465,858 at June 30, 2024. One hedge fund has a side pocket totaling \$5,213,367 at June 30, 2024.

	2023						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Assets:							
Recurring:							
Cash and cash equivalents	\$ 26,561,603	—	—	—	26,561,603	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
Student Managed Investment Fund	\$ 1,879,894	—	—	—	1,879,894	Daily	1
Exchange-traded funds:							
Global REIT Securities	41,888,345	—	—	—	41,888,345	Daily	1
Mutual funds:							
US large-cap growth equity	30,339,968	—	—	—	30,339,968	Daily	1
US large-cap core equity	234,241,661	—	—	—	234,241,661	Daily	1
International core equity	156,925,420	—	—	—	156,925,420	Daily	1
International growth equity	29,637,744	—	—	—	29,637,744	Daily	1
Emerging market equity	3,338,012	—	—	—	3,338,012	Daily	1
US Treasury Securities	71,295,820	—	—	—	71,295,820	Daily	1
Short-Term Investment Grade Instl Fixed Income	30,181,452	—	—	—	30,181,452	Daily	1
Other commingled funds:							
International core equity	34,415,161	—	—	—	34,415,161	Monthly	5
Emerging market equity	27,814,823	—	—	—	27,814,823	Monthly	10
Emerging Market Equity China	—	—	—	41,448,629	41,448,629	Monthly, see note (a)	30
Hedge fund limited partnerships:							
Event-driven absolute return Fund of Funds	—	—	—	154,344,248	154,344,248	See note (a)	See note (a)
Equity long/short	—	—	—	9,854,194	9,854,194	See note (a)	See note (a)
Equity long/short	—	—	—	164,469,934	164,469,934	See note (a)	See note (a)
Private equity limited partnerships:							
Direct private equity	—	—	—	217,601,417	217,601,417	Illiquid	N/A
Coinvestments	—	—	—	2,443,504	2,443,504	Illiquid	N/A
Private credit	—	—	—	1,154,522	1,154,522	Illiquid	N/A
Private venture	—	—	—	68,619,565	68,619,565	Illiquid	N/A
Secondary private equity	—	—	—	510,889	510,889	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	6,864,574	6,864,574	Illiquid	N/A
Fund of funds	—	—	—	7,699,521	7,699,521	Illiquid	N/A
Real asset limited partnerships – diversified private real estate							
Timber/oil/gas:	—	—	—	28,479,854	28,479,854	Illiquid	N/A
Fund of funds – timber/oil/gas	—	—	—	125,335	125,335	Illiquid	N/A
Direct private equity limited partnerships – oil/gas	—	—	4,253,800	75,838,070	80,091,870	Illiquid	N/A
Certain split-interest investments:							
Cash and cash equivalents	207,455	—	—	—	207,455	Daily	1
Equities	610,197	—	—	—	610,197	Daily	1
Fixed income	48,326	—	—	—	48,326	Daily	1
Mutual funds	7,470,953	—	—	—	7,470,953	Daily	1
Nonmarketable	—	—	2,087,124	—	2,087,124	Illiquid	N/A
Cash – operating principal	103,939,375	—	—	—	103,939,375	Daily	1
Closely held investments	—	—	38,311	—	38,311	Illiquid	N/A
Other stocks	416,841	—	—	—	416,841	Daily	1
Other investments	7,202,593	285,811	—	—	7,488,404	Illiquid	N/A

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	2023						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Temporary investments:							
Cash and cash equivalents	\$ 4,010,358	—	—	—	4,010,358	Daily	1
Mutual funds	149,407,995	—	—	—	149,407,995	Daily	1
Treasury notes	—	18,543,179	—	—	18,543,179	Daily/Monthly	1/30
Bonds	—	59,865,838	—	—	59,865,838	Daily/Monthly	1/30
Total investments and temporary investments	935,272,393	78,694,828	6,379,235	779,454,256	1,799,800,712		
Beneficial interest in perpetual trust	—	—	4,943,735	—	4,943,735	N/A	N/A
Total	\$ 935,272,393	78,694,828	11,322,970	779,454,256	1,804,744,447		
Liabilities:							
Recurring:							
Derivative financial instruments	\$ —	38,998	—	—	38,998	N/A	N/A

Note (a) – Hedge Funds and Commingled Emerging Market Equity China (June 30, 2023):

One investment may be redeemed upon 30 days' notice to the fund manager and permits monthly exit from the fund. The fair value of this fund is \$41,448,629. Certain investments may be redeemed upon 60- to 95-days' notice to the fund manager and permit a quarterly exit from the fund. The fair values of these funds total \$197,805,085 at June 30, 2023. Two hedge funds have semiannual exit dates, which occurs more than 90 days after the Foundation's fiscal year-end. The fair value of these funds with a notice of redemption period of 90 days is \$51,691,791. Certain hedge funds have annual exit dates, which occur more than 90 days after the Foundation's fiscal year-end. The fair value of these hedge funds with a notice of redemption period between 60 and 90 days totals \$63,363,476 at June 30, 2023. One hedge fund has a side pocket totaling \$5,401,117 at June 30, 2023. One hedge fund has a lockup that expires more than 90 days following the fiscal year-end and totals \$10,406,907.

For the year ended June 30, 2024, there were no sales, purchases, or transfers to investments classified as Level 3.

In 2023, the changes in investments classified as Level 3 are as follows:

	2023			
	Natural resources	Split interest	Other investments	Total
Sales	\$ —	(1,230,560)	—	(1,230,560)

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The methods and assumptions used to estimate the fair value of financial instruments are summarized as follows:

(a) Cash and Cash Equivalents and Temporary Investments

Cash and cash equivalents and temporary investments include short-term financial instruments whose carrying values approximate fair value given the short-term maturity of these instruments.

(b) Contributions Receivable

Contributions receivable for current-year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with the risks involved, which is an application of the income approach, and classified as Level 3 within the fair value hierarchy. These financial instruments are considered to be measured at fair value on a nonrecurring basis because amounts are not adjusted to fair value in subsequent periods.

(c) Funds Held for Others

Funds held for others are initially measured at fair value on the date that the related cash is received. The Foundation invests these funds in its overall investment portfolio and adjusts the balance of funds held for others based on actual return on the related investments. Funds held for others are classified as Level 3 within the fair value hierarchy and changes in the account are summarized in note 11(d).

(d) Derivative Financial Instruments

The fair value of derivative financial instruments is determined using an income approach using the following significant inputs (note 8): the term of the swap, the notional amount of the swap, discount rates interpolated 2026 based on relevant swap curves, the rate on the fixed leg of the swap, and a credit value adjustment to consider the likelihood of the Foundation's nonperformance.

(e) Other Receivables and Payables

The carrying amounts of accounts receivable and accounts payable and accrued expenses, including funds held for others approximate fair value given the short-term maturity of these instruments.

(f) Obligations Related to Deferred Gifts

The carrying amount of obligations related to deferred gifts approximates fair value as they are presented on a discounted basis and classified as Level 3 within the fair value hierarchy. The discount rates are determined using daily US Department of Treasury yield curve rates as of June 30, 2024 ranging from 4.33% and 4.61%.

(7) Notes Payable

During 2007, the Foundation signed a 10-year \$6,200,000 promissory loan agreement with a bank. During November 2017, the Foundation amended the agreement and made a one-time principal payment of \$800,000, extending the maturity date of the remaining outstanding balance to November 1, 2032. Principal and interest are payable monthly. Interest is charged at the bank's 30 day London InterBank Offered Rate (LIBOR) plus 32.5 basis points, such rate was 5.495% at June 30, 2023. During July of 2023, the Foundation amended the agreement to modify interest terms from LIBOR plus 32.5 basis points to

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International Swaps and Derivatives Association (ISDA) Fallback plus 32.5 basis points, such rate was 5.775% at June 30, 2024. The outstanding balance at June 30, 2024 and 2023 was \$3,461,796 and \$3,612,379, respectively.

In October 2014, the Foundation entered into a series of transactions, as follows: (1) The Foundation entered into a tax-exempt financing project with the District of Columbia for \$12,500,000 involving tax-exempt bonds, which were to expire on November 1, 2039 and accrue interest at a per annum rate equal to 75% of the sum of one-month LIBOR plus 1.60% payable monthly; (2) The Foundation entered into a loan agreement with a bank in which the Foundation fully repaid its obligation under the newly acquired tax-exempt bonds in exchange for a promissory loan relating to the same principal. The promissory loan agreement expires on November 1, 2039 and includes certain debt covenants and restrictions. Interest on the promissory loan agreement is charged at 75% ISDA Fallback plus 1.6%, such rate was 5.287% at June 30, 2024. Principal and interest on the promissory loan agreement are payable quarterly. Interest on the promissory loan agreement was charged at 75% of the sum of one-month LIBOR plus 1.6%; such rate was 5.078% at June 30 2023. During July of 2023, the interest terms on the promissory loan agreement was modified to 75% ISDA Fallback plus 1.6%, such rate was 5.287% at June 30, 2024. The outstanding balance at June 30, 2024 and 2023 was \$8,875,000 and \$9,205,000, respectively.

A summary as of June 30, 2024 of principal payments due under both notes payable during each of the next five years and thereafter is as follows:

Year ending June 30:		
2025	\$	628,891
2026		654,524
2027		680,807
2028		707,780
2029		740,487
Thereafter		<u>8,924,307</u>
Total	\$	<u>12,336,796</u>

(8) Derivative Financial Instruments

The Foundation has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the \$6,200,000 note payable from variable to a 5.95% fixed rate over the term of the note payable. During November 2017, the Foundation modified and extended the agreement, which included a fixed rate fee payment of \$296,500. As of June 30, 2024 and 2023, the total notional amount of the swap was \$3,461,796 and \$3,625,666, respectively. As of June 30, 2024 and 2023, the fair value of this interest rate swap was a liability of \$346,992 and \$474,420, respectively. The Foundation recorded a related unrealized gain of \$127,428 and \$329,448 for the years ended June 30, 2024 and 2023, respectively.

The Foundation has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the \$12,500,000 note payable from variable to a 3.37% fixed rate over the term of the note payable. As of June 30, 2024 and 2023, the total notional amount of the swap was \$8,875,000 and \$9,315,000, respectively. As of June 30, 2024 and 2023, the fair value of this interest rate swap was an

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asset of \$547,540 and \$435,422, respectively. The Foundation recorded a related unrealized gain of \$112,118 and \$481,496 for the years ended June 30, 2024 and 2023, respectively.

(9) Obligations Related to Deferred Gifts

The Foundation has a deferred gift program that allows donors to make contributions that provide for certain payments from the contributed assets to specified beneficiaries during their lifetime. The amount payable to the donors is recorded at the present value of the future payments to be made under these agreements. The remainder interest estimated to be retained by the Foundation after payments to specified beneficiaries are satisfied is recorded as revenue in the appropriate net asset class as of the date of the agreement.

Investments and various trusts held by the Foundation under these agreements totaled \$11,990,109 and \$10,424,056 at June 30, 2024 and 2023, respectively, and are included in investments in the accompanying statements of financial position. Estimated future payments on deferred gift obligations as of June 30, 2024 are as follows:

Year ending June 30:		
2025	\$	942,921
2026		979,625
2027		1,017,798
2028		231,753
2029		25,317
Thereafter		<u>6,236,210</u>
		9,433,624
Less amount representing interest (rates ranging from 4.33% to 4.61%)		<u>(344,891)</u>
Total	\$	<u><u>9,088,733</u></u>

Obligations related to deferred gifts in the accompanying statements of financial position include liabilities associated with charitable gift annuity arrangements totaling \$2,048,983 and \$1,995,002 as of June 30, 2024 and 2023, respectively.

In connection with an estate gift received in 1996, the Foundation committed to pay a beneficiary \$300,000 annually, adjusted for a 4.0% annual inflation factor. This commitment has been included in obligations related to deferred gifts in the accompanying statements of financial position. The amount payable each year is reduced by distributions from the gift annuity (included in the Foundation's investments) established for the beneficiary's benefit.

(10) Related-Party Transactions

(a) Rental Income

The Foundation leases certain property, which has a total carrying value of \$14,316,454 and \$14,904,506 as of June 30, 2024 and 2023, respectively, to the Board of Regents. Related rental

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income totaled \$1,165,182 and \$1,131,245 for the years ended June 30, 2024 and 2023, respectively, and relates to annual renewable leases with the Board of Regents. These lease agreements for fiscal year 2025 have been executed, and the Foundation expects to receive rental revenue during fiscal year 2025 totaling \$1,205,093.

(b) University Support

Administrative – On July 1, 2005, the University entered into an agreement with the Foundation to provide administrative services and use of facilities to the Foundation through June 30, 2015. On October 2, 2015, the then-existing agreement was amended and restated. The Foundation renewed the agreement during 2021 to extend through June 30, 2026.

Programs and Scholarships – During fiscal years 2024 and 2023, the Foundation expensed \$148,433,183 and \$119,356,938, respectively, in support of the University's programs and scholarships. Of this amount, during fiscal years 2024 and 2023, \$77,939,638 and \$72,508,265, respectively, was paid directly to the University. As of June 30, 2024 and 2023, outstanding transfers of \$8,344,335 and \$8,614,863, respectively, were due to the University and are included in accounts payable, accrued expenses, and deferred revenue in the accompanying statements of financial position. During fiscal years 2024 and 2023, the Foundation transferred \$62,850,766 and \$39,430,341, respectively, to the University of Georgia Athletic Association (Athletic Association) for the University facility renovation and program support. As of June 30, 2024 and 2023, outstanding transfers of \$695,248 and \$280,958, respectively, were due to the Athletic Association and are included in accounts payable and accrued expenses in the accompanying statements of financial position. As of June 30, 2024, outstanding receivables of \$17,575 were due from the Athletic Association and are included in receivables in the accompanying statements of financial position. During fiscal year 2024, the Foundation transferred \$588,797 to the University of Georgia Research Foundation and is included in accrued expenses in the accompanying statement of financial position. As of June 30, 2024, outstanding receivables of \$11,987 were due from the Real Estate Foundation and are included in receivables in the accompanying statements of financial position.

Skybox Tickets – During 2024 and 2023, the Foundation made annual payments on behalf of University departments totaling \$739,200 and \$771,840, respectively, to the Athletic Association related to the use of skyboxes at Sanford Stadium.

(c) Personnel Costs

Personnel of the Foundation are employees of the University. As such, the Foundation reimburses the University for compensation and benefit expenses of University employees who spend a significant amount of time providing services to the Foundation. The amount reimbursed for fiscal years 2024 and 2023 totaled \$5,473,247 and \$5,552,270, respectively, and is included in general and administrative and fundraising expenses in the accompanying statements of activities.

(d) Funds Held for Others

Athletic Association – Since 2001, the Athletic Association has transferred funds to the Foundation for investment management. The Foundation records a liability for such funds as the Athletic Association has the ability to redeem such funds at any time.

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The activity of the funds held on behalf of the Athletic Association for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Balance, beginning of year	\$ 54,023,342	54,952,645
Distributions	(6,483,835)	(4,786,994)
Investment gains (losses), net of fees, attributable to balances	5,098,135	3,857,691
Balance, end of year	\$ 52,637,642	54,023,342

Real Estate Foundation – Since December 2015, the University of Georgia Real Estate Foundation (Real Estate Foundation) has transferred funds to the Foundation for investment management. The Foundation records a liability for such funds as the Real Estate Foundation has the ability to redeem such funds at any time.

The activity of the funds held on behalf of the Real Estate Foundation for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Balance, beginning of year	\$ 10,194,357	6,084,546
Distributions	—	—
Deposits	763,338	4,000,000
Investment gains (losses), net of fees, attributable to balances	571,418	109,811
Balance, end of year	\$ 11,529,113	10,194,357

Revocable Gifts – As of June 30, 2020, the Foundation has received revocable gifts from a trustee totaling \$500,000. These gifts were recorded as deferred revenue on the date of the gift, and included in funds held for others in the accompanying statements of financial position. As of June 30, 2024 and 2023, the fair value of the total amounts of revocable gifts received to date and included in funds held for others totaled \$808,274 and \$755,219, respectively.

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(11) Property and Equipment, Net

Property and equipment at June 30, 2024 and 2023 consist of the following:

	2024	2023
Land	\$ 12,887,867	12,893,196
Buildings and improvements	18,898,981	18,898,981
Furniture, fixtures, and equipment	4,064,009	4,049,629
	35,850,857	35,841,806
Less accumulated depreciation	(12,179,710)	(11,545,481)
Total	\$ 23,671,147	24,296,325

Depreciation expense totaled \$634,229 and \$631,138 for the years ended June 30, 2024 and 2023, respectively.

(12) Net Assets Released from Restrictions

Net assets are released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The composition of net assets released from restriction by type for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
General college support	\$ 35,049,978	31,788,075
Student financial aid	30,125,457	27,642,383
Faculty and staff support	10,682,926	10,183,062
Research	3,379,724	2,599,030
Facilities	59,467,667	39,903,750
Administrative fees	14,540,516	13,096,409
	\$ 153,246,268	125,212,709

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Notes to Financial Statements

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(13) Net Assets

Net assets with donor restrictions as of June 30, 2024 and 2023 were available for the following purposes:

	2024	2023
Spendable donor-restricted net assets:		
General college support	\$ 365,047,057	325,338,106
Student financial aid	219,597,283	185,511,144
Faculty and staff support	189,647,276	161,218,543
Research	38,097,070	33,523,250
Facilities	143,369,567	131,338,519
Total	\$ 955,758,253	836,929,562

Net assets donor-restricted in perpetuity totaling \$878,684,705 and \$820,643,578 as of June 30, 2024 and 2023 consist of \$42,634,060 and \$35,763,435, respectively, for contributions receivable and \$836,050,645 and \$784,880,143, respectively, for endowment and certain split-interest investments whose income and net realized and unrealized gains are primarily used to provide scholarship, professorship, and academic support to the University.

Net assets without donor restrictions designated by the Board are as follows at June 30, 2024 and 2023:

	2024	2023
Designated to function as endowment:		
General support	\$ 173,064,700	145,089,071
Student financial aid	38,046,624	33,978,152
Faculty and staff support	19,048,089	17,142,450
	230,159,413	196,209,673
Other board-designated:		
General support	12,281,786	8,156,604
Student financial aid	2,392,367	2,717,010
Facilities	2,676,135	2,222,866
	17,350,288	13,096,480
Total	\$ 247,509,701	209,306,153

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(14) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 23,872,523	26,561,603
Accounts receivable	3,480,610	5,004,743
Temporary investments	259,828,740	231,827,369
Contributions receivable	119,541,071	105,894,400
Beneficial interest in perpetual trust	5,500,140	4,943,735
Investments	1,746,412,395	1,567,973,342
Total financial assets	2,158,635,479	1,942,205,192
Less financial assets not available for general expenditures due to nature:		
Deferred gift assets	(11,990,109)	(10,424,056)
Less financial assets with contractual or donor-imposed restrictions:		
Endowments restricted in perpetuity	(819,570,056)	(768,592,428)
Spendable donor-restricted financial assets	(874,897,336)	(762,764,304)
Contributions receivable, net	(119,541,071)	(105,894,400)
Funds held on behalf of other organizations	(64,975,029)	(64,972,918)
Less board-designated endowments	(230,159,413)	(196,209,673)
Less other board-designated funds	(17,350,288)	(13,096,480)
Financial assets available to meet cash needs for general expenditures within one year	\$ 20,152,177	20,250,933

The Foundation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. The Foundation also has board-designated endowments and other board-designated funds of \$230,159,413 and \$17,350,288, respectively, as of June 30, 2024 and \$196,209,673 and \$13,096,480, respectively, as of June 30, 2023. Although the Foundation does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure, amounts from its board-designated endowment and other funds could be made available if necessary, with appropriate board approval. Investments with contractual, board-designated or donor-imposed restrictions that may be redeemed in excess of one year or that are otherwise deemed illiquid totaled \$457,817,829 and \$431,541,823 as of June 30, 2024 and 2023, respectively. The timing of liquidation or redemption of these investments is unknown.

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(15) Functional Expenses

Expenses on a functional basis were as follows for the years ended June 30, 2024 and 2023:

	2024			2023				
	Program	General and administrative	Fundraising	Total	Program	General and administrative	Fundraising	Total
Salaries, wages, and benefits	\$ —	5,261,837	211,410	5,473,247	—	4,772,962	779,308	5,552,270
Supplies and other services	5,899,380	892,904	5,351,594	12,143,878	6,243,592	865,052	5,591,451	12,700,095
Travel	—	88,337	342,132	430,469	—	74,341	436,835	511,176
Distributions to the University	77,939,638	—	—	77,939,638	72,508,265	—	—	72,508,265
Distributions to University affiliates	63,439,563	—	—	63,439,563	39,430,341	—	—	39,430,341
Depreciation and amortization	634,229	—	—	634,229	631,138	—	—	631,138
Interest	520,373	—	—	520,373	543,602	—	—	543,602
	<u>\$ 148,433,183</u>	<u>6,243,078</u>	<u>5,905,136</u>	<u>160,581,397</u>	<u>119,356,938</u>	<u>5,712,355</u>	<u>6,807,594</u>	<u>131,876,887</u>

The expenses of the Foundation have been allocated among the programs and supporting services benefitted. Other costs are classified in each functional category based on the underlying purpose of each transaction.

(16) US Income Tax Status

The Foundation is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as a nonprofit organization described in IRC Section 501(c)(3). The Internal Revenue Service has determined that the Foundation is not a private foundation under Section 509(a) of the IRC. The Foundation is subject to federal income tax on unrelated business income. The Foundation does not have any material unrecognized tax positions that should be recognized in the financial statements for 2024 and 2023.

(17) Subsequent Events

Subsequent to June 30, 2024 and through October 4, 2024, the date through which management evaluated subsequent events and on which the financial statements were available for issuance, management of the Foundation has concluded that there are no subsequent events to be disclosed.