



THE UNIVERSITY OF GEORGIA FOUNDATION

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF GEORGIA FOUNDATION

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KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

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, 2023 and 2022, 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, 2023 and 2022, 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 6, 2023

THE UNIVERSITY OF GEORGIA FOUNDATION

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 26,561,603	27,420,531
Temporary investments (notes 5 and 6)	231,827,369	186,382,404
Accounts receivable	5,004,743	3,336,747
Contributions receivable, net (note 3)	105,894,400	102,254,639
Beneficial interest in perpetual trust (note 6)	4,943,735	4,598,344
Accrued interest receivable	781,139	266,241
Prepaid expenses and other assets	970,691	919,053
Investments (notes 5 and 6)	1,567,973,342	1,452,322,098
Property and equipment, net (note 11)	24,296,325	30,118,941
Works of art	2,322,808	2,322,808
Cash value of life insurance policies	3,509,038	3,193,561
Total assets	\$ 1,974,085,193	1,813,135,367
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,278,338	9,454,487
Derivative financial instruments (note 8)	38,998	849,942
Funds held for others (notes 6 and 10(d))	64,972,918	61,776,401
Deferred revenue	101,833	349,005
Obligations related to deferred gifts (notes 6 and 9)	7,817,251	8,271,218
Notes payable (note 7)	12,817,379	13,397,571
Total liabilities	95,026,717	94,098,624
Net assets:		
Without donor restrictions	221,485,336	194,123,489
With donor restrictions (note 13)	1,657,573,140	1,524,913,254
Total net assets	1,879,058,476	1,719,036,743
Commitments and contingencies (notes 7, 8, 9, and 10)		
Total liabilities and net assets	\$ 1,974,085,193	1,813,135,367

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2023

(With summarized consolidated financial information for the year ended June 30, 2022)

	2023			2022 Total
	Net assets without donor restrictions	Net assets with donor restrictions	Total	
Revenue:				
Rental income (note 10(a))	\$ 1,131,245	—	1,131,245	1,443,379
Contributions	2,360,018	141,407,562	143,767,580	152,542,199
Provision for doubtful contributions	—	(1,218,385)	(1,218,385)	(4,722,496)
Net realized and unrealized gain (loss) on investments (note 5)	11,188,211	81,289,007	92,477,218	(142,774,604)
Net gain on sale of property	—	13,769,551	13,769,551	—
Interest and dividends	9,265,909	18,279,354	27,545,263	17,840,519
Change in value of annuities	83,070	(208,454)	(125,384)	(104,056)
Change in cash surrender value of life insurance	—	353,124	353,124	191,351
Change in fair value of derivative financial instruments (note 8)	810,944	—	810,944	1,867,129
Change in value of beneficial interest in perpetual trust	—	345,391	345,391	(1,107,182)
Other	9,186,628	3,855,445	13,042,073	12,197,668
Net assets released from restrictions (note 12)	125,212,709	(125,212,709)	—	—
Total revenue	159,238,734	132,659,886	291,898,620	37,373,907
Expenses (note 15):				
Program services (note 10(b)):				
General college support	35,628,287	—	35,628,287	27,170,136
Student financial aid	30,874,694	—	30,874,694	27,652,020
Faculty and staff support	10,351,177	—	10,351,177	8,850,501
Research	2,599,030	—	2,599,030	2,191,686
Facilities	39,903,750	—	39,903,750	42,256,694
Total program services	119,356,938	—	119,356,938	108,121,037
General and administrative	5,712,355	—	5,712,355	4,939,811
Fundraising	6,807,594	—	6,807,594	7,108,687
Total expenses	131,876,887	—	131,876,887	120,169,535
Change in net assets	27,361,847	132,659,886	160,021,733	(82,795,628)
Net assets:				
Beginning of year	194,123,489	1,524,913,254	1,719,036,743	1,801,832,371
End of year	\$ 221,485,336	1,657,573,140	1,879,058,476	1,719,036,743

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2022

	2022		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue:			
Rental income (note 10(a))	\$ 1,443,379	—	1,443,379
Contributions	1,424,020	151,118,179	152,542,199
Provision for doubtful contributions	—	(4,722,496)	(4,722,496)
Net realized and unrealized gain (loss) on investments (note 5)	(22,618,180)	(120,156,424)	(142,774,604)
Net gain on sale of property	—	—	—
Interest and dividends	3,545,934	14,294,585	17,840,519
Change in value of annuities	197,809	(301,865)	(104,056)
Change in cash surrender value of life insurance	—	191,351	191,351
Change in fair value of derivative financial instruments (note 8)	1,867,129	—	1,867,129
Change in value of beneficial interest in perpetual trust	—	(1,107,182)	(1,107,182)
Other	7,875,992	4,321,676	12,197,668
Net assets released from restrictions (note 12)	114,212,722	(114,212,722)	—
Total revenue	<u>107,948,805</u>	<u>(70,574,898)</u>	<u>37,373,907</u>
Expenses (note 15):			
Program services (note 10(b)):			
General college support	27,170,136	—	27,170,136
Student financial aid	27,652,020	—	27,652,020
Faculty and staff support	8,850,501	—	8,850,501
Research	2,191,686	—	2,191,686
Facilities	42,256,694	—	42,256,694
Total program services	108,121,037	—	108,121,037
General and administrative	4,939,811	—	4,939,811
Fundraising	7,108,687	—	7,108,687
Total expenses	<u>120,169,535</u>	<u>—</u>	<u>120,169,535</u>
Change in net assets	(12,220,730)	(70,574,898)	(82,795,628)
Net assets:			
Beginning of year	<u>206,344,219</u>	<u>1,595,488,152</u>	<u>1,801,832,371</u>
End of year	<u>\$ 194,123,489</u>	<u>1,524,913,254</u>	<u>1,719,036,743</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 160,021,733	(82,795,628)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	631,138	630,081
Provision for doubtful contributions	1,218,385	4,722,496
Contributions restricted for long-term investment	(46,058,200)	(48,816,587)
Interest and dividends restricted for long-term investment gain	(229,043)	(270,798)
In-kind gifts of capital assets	(49,577)	(63,957)
Net realized and unrealized (gain) loss on investments	(92,477,218)	142,774,604
Net gain on sale of property and equipment	(13,769,551)	—
Change in fair value of derivative financial instruments	(810,944)	(1,867,129)
Changes in:		
Accounts receivable and accrued interest receivable	(2,182,894)	(411,393)
Obligations related to deferred gifts	822,730	784,135
Contributions receivable	(4,858,146)	(15,237,327)
Prepaid expenses and other assets	(51,638)	(385,310)
Accounts payable and accrued expenses	(176,149)	2,554,993
Beneficial interest in perpetual trust	(345,391)	1,107,182
Deferred revenue	(247,172)	(213,511)
Cash surrender value of life insurance policies	(353,124)	(191,351)
Net cash provided by operating activities	<u>1,084,939</u>	<u>2,320,500</u>
Cash flows from investing activities:		
Capital expenditures	(15,996)	(550,000)
Proceeds from sales of property and equipment	19,026,602	63,957
Purchases of investments	(206,528,253)	(179,844,912)
Proceeds from sales and maturities of investments	141,105,779	131,281,771
Proceeds from life insurance policies	37,647	—
Net cash used in investing activities	<u>(46,374,221)</u>	<u>(49,049,184)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	46,058,200	48,816,587
Interest and dividends restricted for long-term investments	229,043	270,798
Payments of obligations related to deferred gifts	(1,276,697)	(1,231,926)
Repayment of notes payable	(580,192)	(561,250)
Net cash provided by financing activities	<u>44,430,354</u>	<u>47,294,209</u>
Net change in cash and cash equivalents	(858,928)	565,525
Cash and cash equivalents – beginning of year	<u>27,420,531</u>	<u>26,855,006</u>
Cash and cash equivalents – end of year	\$ <u>26,561,603</u>	\$ <u>27,420,531</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 543,602	566,865

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023 or 2022, 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 ultra-short 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, 2023 and 2022, the accumulated net gain (loss) of Tier 2 and Tier 3 was \$2,312,942 and \$(4,360,357), 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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Notes to Financial Statements

June 30, 2023 and 2022

(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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June 30, 2023 and 2022

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, 2023 and 2022 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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Notes to Financial Statements

June 30, 2023 and 2022

(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 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, 2023 and 2022, the administrative fee charged was \$15,001,298 and \$15,989,625, 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, 2023 and 2022. 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 Issued 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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June 30, 2023 and 2022

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.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820. After the adoption of ASU 2018-13, an entity will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements; and, for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity will be required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The new standard was effective for the Foundation's fiscal year ended June 30, 2022 and is reflected in the relevant fair value disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of the amendments in this update is to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements in presentation and disclosure requirements. NFP entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. NFPs will also be required to disclose various information related to contributed nonfinancial assets. The new standard is effective for the Foundation for fiscal years beginning after June 15, 2021 and early adoption is permitted. The Foundation implemented the provisions of ASU 2020-07 during fiscal year 2022. The adoption of this ASU did not have a material impact on the Foundation's financial statements.

(3) Contributions Receivable, Net

Unconditional promises to give as of June 30, 2023 and 2022 are due as follows:

	2023	2022
Within one year	\$ 10,852,803	12,762,714
One to five years	111,822,470	104,011,969
More than five years	3,072,006	2,459,577
Gross contributions receivable	125,747,279	119,234,260
Less:		
Allowance for uncollectible contributions	(6,820,609)	(6,593,291)
Present value component	(13,032,270)	(10,386,330)
Contributions receivable, net	\$ 105,894,400	102,254,639

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Notes to Financial Statements

June 30, 2023 and 2022

The discount rates used to calculate the present value component as of June 30, 2023 and 2022 range from 2.29% to 8.38%.

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 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 19% and 27% of contributions receivable, net as of June 30, 2023 and 2022, 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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The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2023 and 2022:

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>

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	<u>(2,191,439)</u>	<u>(53,173,063)</u>	<u>(55,364,502)</u>
Endowment net assets, end of year	\$ <u>196,209,673</u>	<u>1,398,441,478</u>	<u>1,594,651,151</u>

Endowment net asset composition by type of fund	June 30, 2022		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,287,362,594	1,287,362,594
Board-designated endowment funds	175,725,897	—	175,725,897
Total endowment net assets	\$ <u>175,725,897</u>	<u>1,287,362,594</u>	<u>1,463,088,491</u>

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<u>Changes in endowment net assets</u>	<u>Year ended June 30, 2022</u>		
	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 192,585,824	1,381,919,383	1,574,505,207
Investment return:			
Investment income	1,871,282	14,031,531	15,902,813
Market value adjustment	<u>(16,211,698)</u>	<u>(118,980,816)</u>	<u>(135,192,514)</u>
Total investment return	(14,340,416)	(104,949,285)	(119,289,701)
Contributions and other income	188,340	61,227,357	61,415,697
Appropriation of endowment assets for expenditure	<u>(2,707,851)</u>	<u>(50,834,861)</u>	<u>(53,542,712)</u>
Endowment net assets, end of year	<u>\$ 175,725,897</u>	<u>1,287,362,594</u>	<u>1,463,088,491</u>

(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 2023 due to certain unfavorable market conditions that resulted in negative investment returns accumulated. 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. Deficits of this nature related to original gifts totaling \$54,420,464 and reported in net assets with donor restrictions were \$3,736,988 as of June 30, 2022.

(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 8.5% 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 2023 and 2022, based on the endowment value at December 31, 2021 and 2020, 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 2023 spending budget is $((80\% * (1 + \text{Consumer Price Index})) * \text{fiscal year 2022 spending budget}) + (20\% * (\text{fiscal year 2023 spending rate} * \text{endowment market value at December 31, 2021}))$. The formula used for the fiscal year 2022 spending budget is consistent with that for 2023. 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 3.5% 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, 2023 and 2022 totaled \$1,799,800,712 and \$1,638,704,502, respectively. As of June 30, 2023 and 2022, the estimated fair values of investment securities and temporary investments based on quoted market prices or other observable market inputs totaled \$935,272,393 and \$824,949,650, respectively. As of June 30, 2023 and 2022, the estimated fair values of investment securities and temporary investments that do not have readily determinable fair values totaled \$864,528,319 and \$813,754,852, respectively. Recorded amounts are provided by external investment managers as estimates of fair value at June 30, 2023 and 2022, respectively.

For the years then ended June 30, 2023 and 2022, net realized and unrealized gain (loss) on investments include \$69,301,186 and \$(132,674,761), respectively, for investments with estimated fair values based on quoted market prices or other observable market inputs and \$23,176,032 and \$(10,099,843) 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, 2023 and 2022, the Foundation had outstanding commitments of \$218,525,404 and \$217,579,297, 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>2023</u>	<u>2022</u>
Private equity	\$ 153,042,038	142,804,424
Real assets	<u>65,483,366</u>	<u>74,774,873</u>
	<u>\$ 218,525,404</u>	<u>217,579,297</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, 2023 and 2022 are as follows:

	2023				Total	Redemption or liquidation	Day(s) notice
	Level 1	Level 2	Level 3	Investments measured at NAV			
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 Inst'l 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	—	—	—	154,344,248	154,344,248	See note (a)	See note (a)
Fund of Funds	—	—	—	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					Redemption or liquidation	Day(s) notice
	Level 1	Level 2	Level 3	Investments measured at NAV	Total		
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	<u>\$ 935,272,393</u>	<u>78,694,828</u>	<u>11,322,970</u>	<u>779,454,256</u>	<u>1,804,744,447</u>		
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 60-90 days totals \$63,363,476 at June 30, 2023. One hedge fund has a side

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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.

	2022						Redemption or liquidation	Day(s) notice
	Level 1	Level 2	Level 3	Investments measured at NAV	Total			
Assets:								
Recurring:								
Cash and cash equivalents	\$ 27,420,531	—	—	—	27,420,531	Daily	None	
Investments and temporary investments:								
Separately managed accounts:								
US large-cap growth equity	\$ 24,648,912	—	—	—	24,648,912	Daily	1	
Student-managed Investment Fund	1,615,490	—	—	—	1,615,490	Daily	1	
Exchange-traded funds:								
Global REIT Securities	40,906,394	—	—	—	40,906,394	Daily	1	
Mutual funds:								
US large-cap core equity	234,046,927	—	—	—	234,046,927	Daily	1	
International core equity	149,092,373	—	—	—	149,092,373	Daily	1	
International growth equity	26,068,038	—	—	—	26,068,038	Daily	1	
Emerging market equity	5,940,738	—	—	—	5,940,738	Daily	1	
Other commingled funds:								
International core equity	29,041,316	—	—	—	29,041,316	Monthly	10	
Emerging market equity	27,034,203	—	—	—	27,034,203	Monthly/Quarterly	30	
Emerging Market Equity China	—	—	—	54,264,639	54,264,639	Quarterly, see note (a)	60	
Hedge fund limited partnerships:								
Event-driven absolute return	—	—	—	140,025,613	140,025,613	See note (a)	See note (a)	
Fund of funds	—	—	—	10,244,626	10,244,626	See note (a)	See note (a)	
Equity long/short	—	—	—	144,581,611	144,581,611	See note (a)	See note (a)	
Private equity limited partnerships:								
Direct private equity	—	—	—	190,226,195	190,226,195	Illiquid	N/A	
Coinvestments	—	—	—	3,157,083	3,157,083	Illiquid	N/A	
Private venture	—	—	—	70,805,949	70,805,949	Illiquid	N/A	
Secondary private equity	—	—	—	697,571	697,571	Illiquid	N/A	
Diversified private equity – distressed oriented	—	—	—	5,396,065	5,396,065	Illiquid	N/A	
Fund of funds	—	—	—	9,376,475	9,376,475	Illiquid	N/A	
Real asset limited partnerships – diversified private real estate								
Timber/oil/gas:	—	—	—	28,990,909	28,990,909	Illiquid	N/A	
Fund of funds – timber/oil/gas	—	—	—	195,010	195,010	Illiquid	N/A	
Direct private equity limited partnerships – oil/gas	—	—	6,416,035	71,635,835	78,051,870	Illiquid	N/A	
Certain split-interest investments:								
Cash and cash equivalents	261,182	—	—	—	261,182	Daily	1	
Equities	855,819	—	—	—	855,819	Daily	1	
Fixed income	49,293	—	—	—	49,293	Daily	1	
Mutual funds	7,497,680	—	—	—	7,497,680	Daily	1	
Nonmarketable	—	—	2,087,124	—	2,087,124	Illiquid	N/A	
Cash – operating principal	158,882,184	—	—	—	158,882,184	Daily	1	
Closely held investments	—	—	38,311	—	38,311	Illiquid	N/A	
Charitable limited family partnerships	—	—	1,230,560	—	1,230,560	12/31/2022	30	
Other stocks	289,203	—	—	—	289,203	Daily	1	
Other investments	6,424,405	298,330	—	—	6,722,735	Illiquid	N/A	

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	2022					Redemption or liquidation	Day(s) notice
	Level 1	Level 2	Level 3	Investments measured at NAV	Total		
Temporary investments:							
Mutual funds	\$ 112,295,493	—	—	—	112,295,493	Daily	1
Treasury notes	—	17,858,406	—	—	17,858,406	Daily/Monthly	1/30
Bonds	—	56,228,505	—	—	56,228,505	Daily/Monthly	1/30
Total investments and temporary investments	824,949,650	74,385,241	9,772,030	729,597,581	1,638,704,502		
Beneficial interest in perpetual trust	—	—	4,598,344	—	4,598,344	N/A	N/A
Total	\$ 824,949,650	74,385,241	14,370,374	729,597,581	1,643,302,846		
Liabilities:							
Recurring:							
Derivative financial instruments	\$ —	849,942	—	—	849,942	N/A	N/A

Note (a) – Hedge Funds and Commingled Emerging Market Equity China (June 30, 2022):

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 \$215,361,919 at June 30, 2022. 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 \$47,399,804. 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 60-90 days totals \$69,549,883 at June 30, 2022. One hedge fund has a side pocket totaling \$5,441,239 at June 30, 2022. Two hedge funds have lockups that expire more than 90 days following the fiscal year-end and total \$10,454,591. One hedge fund has been redeemed, but the timing of the cash flows is uncertain. This hedge fund has a total fair value of \$909,053.

For the years ended June 30, 2023 and 2022, 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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	2022			
	Natural resources	Split interest	Other investments	Total
Purchases	\$ —	—	—	—
Sales	(897,412)	—	(348,581)	(1,245,993)
Transfers into Level 3	—	798,210	—	798,210
Transfers out of Level 3	—	—	23,461	23,461

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.

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(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, 2023 ranging from 3.83% to 4.49%.

(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. Interest is charged at the bank's 30-day London InterBank Offered Rate (LIBOR) plus 32.5 basis points; such rate was 5.495% and 1.386% at June 30, 2023 and 2022, respectively. Principal and interest are payable monthly. The outstanding balance at June 30, 2023 and 2022 was \$3,612,379 and \$3,767,571, 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 Washington, DC District Council 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% of the sum of one-month LIBOR plus 1.6%; such rate was 5.078% and 1.996% at June 30, 2023 and 2022, respectively. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2023 and 2022 was \$9,205,000 and \$9,630,000, respectively.

A summary as of June 30, 2023 of principal payments due under both notes payable during each of the next five years and thereafter is as follows:

Year ending June 30:		
2024	\$	604,682
2025		634,754
2026		660,439
2027		686,778
2028		713,810
Thereafter		<u>9,516,916</u>
Total	\$	<u><u>12,817,379</u></u>

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(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, 2023 and 2022, the total notional amount of the swap was \$3,625,666 and \$3,780,093, respectively. As of June 30, 2023 and 2022, the fair value of this interest rate swap was a liability of \$474,420 and \$803,868, respectively. The Foundation recorded a related unrealized gain of \$329,448 and \$733,654 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the total notional amount of the swap was \$9,315,000 and \$9,735,000, respectively. As of June 30, 2023 and 2022, the fair value of this interest rate swap was an asset of \$435,422 and a liability of \$46,074, respectively. The Foundation recorded a related unrealized gain of \$481,496 and \$1,133,475 for the years ended June 30, 2023 and 2022, 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 \$10,424,056 and \$10,751,099 at June 30, 2023 and 2022, respectively, and are included in investments in the accompanying statements of financial position. Estimated future payments on deferred gift obligations as of June 30, 2023 are as follows:

Year ending June 30:		
2024	\$	907,907
2025		943,199
2026		979,904
2027		422,589
2028		25,597
Thereafter		4,903,718
		8,182,914
Less amount representing interest (rates ranging from 3.83% to 4.49%)		(365,663)
Total	\$	7,817,251

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Obligations related to deferred gifts in the accompanying statements of financial position include liabilities associated with charitable gift annuity arrangements totaling \$1,995,002 and \$2,130,953 as of June 30, 2023 and 2022, 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 \$14,904,506 and \$15,487,852 as of June 30, 2023 and 2022, respectively, to the Board of Regents. Related rental income totaled \$1,131,245 and \$1,443,379 for the years ended June 30, 2023 and 2022, respectively, and relates to annual renewable leases with the Board of Regents. These lease agreements for fiscal year 2023 have been executed, and the Foundation expects to receive rental revenue during fiscal year 2024 totaling \$1,165,182.

(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 2023 and 2022, the Foundation expensed \$119,356,938 and \$108,121,037, respectively, in support of the University's programs and scholarships. Of this amount, during fiscal years 2023 and 2022, \$72,508,265 and \$64,344,343, respectively, was paid directly to the University. As of June 30, 2023 and 2022, outstanding transfers of \$8,614,863 and \$8,718,168, 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 2023 and 2022, the Foundation transferred \$39,430,341 and \$38,362,034, respectively, to the University of Georgia Athletic Association (Athletic Association) for University facility renovation and program support. As of June 30, 2023 and 2022, outstanding transfers of \$280,958 and \$37,318, 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, 2023, outstanding receivables of \$96,491 were due from the Athletic Association and are included in receivables and contributions and other income in the accompanying statements of financial position.

Skybox Tickets – During 2023 and 2022 the Foundation made annual payments on behalf of University departments totaling \$771,840 and \$739,200, respectively, to the Athletic Association related to the use of skyboxes at Sanford Stadium.

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(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 2023 and 2022 totaled \$5,552,270 and \$4,894,701, 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.

The activity of the funds held on behalf of the Athletic Association for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Balance, beginning of year	\$ 54,952,645	60,680,990
Distributions	(4,786,994)	(2,205,810)
Investment gains (losses), net of fees, attributable to balances	3,857,691	(3,522,535)
Balance, end of year	\$ 54,023,342	54,952,645

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, 2023 and 2022 is as follows:

	2023	2022
Balance, beginning of year	\$ 6,084,546	6,544,679
Distributions	—	—
Deposits	4,000,000	—
Investment gains (losses), net of fees, attributable to balances	109,811	(460,133)
Balance, end of year	\$ 10,194,357	6,084,546

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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, 2023 and 2022, the fair value of the total amounts of revocable gifts received to date and included in funds held for others totaled \$755,219 and \$739,210, respectively.

(11) Property and Equipment, Net

Property and equipment at June 30, 2023 and 2022 consist of the following:

	2023	2022
Land	\$ 12,893,196	18,100,671
Buildings and improvements	18,898,981	18,898,981
Furniture, fixtures, and equipment	4,049,629	4,033,632
	35,841,806	41,033,284
Less accumulated depreciation	(11,545,481)	(10,914,343)
Total	\$ 24,296,325	30,118,941

Depreciation expense totaled \$631,138 and \$630,081 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 is as follows:

	2023	2022
General college support	\$ 31,788,075	23,158,148
Student financial aid	27,642,383	24,312,912
Faculty and staff support	10,183,062	8,788,846
Research	2,599,030	2,191,686
Facilities	39,903,750	41,939,722
Administrative fees	13,096,409	13,821,408
	\$ 125,212,709	114,212,722

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Notes to Financial Statements

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(13) Net Assets

Net assets with donor restrictions as of June 30, 2023 and 2022 were available for the following purposes:

	2023	2022
Spendable donor-restricted net assets:		
General college support	\$ 325,338,106	308,416,522
Student financial aid	185,511,144	168,247,617
Faculty and staff support	161,218,543	143,678,760
Research	33,523,250	24,032,523
Facilities	131,338,519	105,274,596
Total	\$ 836,929,562	749,650,018

Net assets donor-restricted in perpetuity totaling \$820,643,578 and \$775,263,236 as of June 30, 2023 and 2022 consist of \$35,763,435 and \$37,869,749, respectively, for contributions receivable and \$784,880,143 and \$737,393,487, 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 comprised as follows at June 30, 2023 and 2022:

	2023	2022
Designated to function as endowment:		
General support	\$ 145,089,071	131,094,150
Student financial aid	33,978,152	29,224,823
Faculty and staff support	17,142,450	15,406,924
	196,209,673	175,725,897
Other board-designated:		
General support	8,156,604	2,478,315
Student financial aid	2,717,010	2,894,585
Facilities	2,222,866	2,002,529
	13,096,480	7,375,429
Total	\$ 209,306,153	183,101,326

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June 30, 2023 and 2022

(14) Liquidity and Availability

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

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 26,561,603	27,420,531
Accounts receivable	5,004,743	3,336,747
Temporary investments	231,827,369	186,382,404
Contributions receivable	105,894,400	102,254,639
Beneficial interest in perpetual trust	4,943,735	4,598,344
Investments	1,567,973,342	1,452,322,098
Total financial assets	1,942,205,192	1,776,314,763
Less financial assets not available for general expenditures due to nature:		
Deferred gift assets	(10,424,056)	(10,751,099)
Less financial assets with contractual or donor-imposed restrictions:		
Endowments restricted in perpetuity	(768,592,428)	(721,481,111)
Spendable donor-restricted financial assets	(762,764,304)	(676,003,199)
Contributions receivable, net	(105,894,400)	(102,254,639)
Funds held on behalf of other organizations	(64,972,918)	(61,776,401)
Less board designated endowments	(196,209,673)	(175,725,897)
Less other board designated funds	(13,096,480)	(7,375,429)
Financial assets available to meet cash needs for general expenditures within one year	\$ 20,250,933	20,946,988

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 \$196,209,673 and \$13,096,480, respectively, as of June 30, 2023 and \$175,725,897 and \$7,237,442, respectively, as of June 30, 2022. 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 \$431,541,823 and \$404,409,270 as of June 30, 2023 and 2022, respectively. The timing of liquidation or redemption of these investments is unknown.

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Notes to Financial Statements

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(15) Functional Expenses

Expenses on a functional basis were as follows for the years ended June 30, 2023 and 2022:

	2023			2022				
	Program	General and administrative	Fundraising	Total	Program	General and administrative	Fundraising	Total
Salaries, wages, and benefits	\$ —	4,772,962	779,308	5,552,270	—	4,117,119	777,582	4,894,701
Supplies and other services	6,243,592	865,052	5,591,451	12,700,095	4,217,714	788,614	6,000,453	11,006,781
Travel	—	74,341	436,835	511,176	—	34,078	330,652	364,730
Distributions to the University	72,508,265	—	—	72,508,265	64,344,343	—	—	64,344,343
Distributions to University affiliates	39,430,341	—	—	39,430,341	38,362,034	—	—	38,362,034
Depreciation and amortization	631,138	—	—	631,138	630,081	—	—	630,081
Interest	543,602	—	—	543,602	566,865	—	—	566,865
	<u>\$ 119,356,938</u>	<u>5,712,355</u>	<u>6,807,594</u>	<u>131,876,887</u>	<u>108,121,037</u>	<u>4,939,811</u>	<u>7,108,687</u>	<u>120,169,535</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 2023 and 2022.

(17) Subsequent Events

Subsequent to June 30, 2023 and through October 6, 2023, 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.