THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARIES

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4–5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–34

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:

We have audited the accompanying consolidated financial statements of The University of Georgia Foundation and subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Georgia Foundation and its subsidiaries as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(q) to the consolidated financial statements, in 2019 the Foundation adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

Atlanta, Georgia
October 11, 2019

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	16,114,244	17,449,451
Temporary investments (notes 5 and 6)		154,253,166	121,578,419
Accounts receivable		2,439,118	1,617,429
Contributions receivable, net (note 3)		74,748,111	64,996,417
Beneficial interest in perpetual trust (note 6)		4,583,045	4,440,645
Accrued interest receivable		620,151	567,153
Prepaid expenses and other assets		288,790	372,179
Investments (notes 5 and 6)		1,139,338,527	1,081,125,077
Property and equipment, net (note 12)		33,590,672	36,100,860
Works of art		2,322,808	2,322,808
Cash value of life insurance policies		2,680,881	2,593,912
Total assets	$	1,430,979,513	1,333,164,350
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	7,611,824	4,253,262
Derivative financial instruments (note 8)		2,325,789	1,269,901
Funds held for others (notes 6 and 11(d))		65,732,148	65,674,951
Deferred revenue		1,242,449	1,753,250
Obligations related to deferred gifts (notes 6 and 9)		8,809,640	8,765,607
Notes payable (note 7)		15,011,522	15,508,917
Total liabilities		100,733,372	97,225,888
Net assets:			
Without donor restrictions		144,196,185	134,572,908
With donor restrictions (note 14)		1,186,049,956	1,101,365,554
Total net assets		1,330,246,141	1,235,938,462
Commitments and contingencies (notes 7, 8, 9, 10, and 11)			
Total liabilities and net assets	$	1,430,979,513	1,333,164,350

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2019
(With summarized consolidated financial information for the year ended June 30, 2018)

	2019			
	Net assets without donor restrictions	**Net assets with donor restrictions**	**Total**	**2018 Total**
Revenue:				
Rental income (note 11(a))	$ 1,117,504	—	1,117,504	1,161,698
Contributions	1,896,838	119,269,613	121,166,451	131,252,689
Provision for doubtful contributions	—	(2,119,682)	(2,119,682)	(3,500,796)
Net realized and unrealized gain on investments (note 5)	3,367,902	31,287,851	34,655,753	70,201,674
Net gain on Sale of property	733,491	—	733,491	—
Interest and dividends	2,815,971	14,297,835	17,113,806	14,290,136
Change in value of annuities	35,573	(681,413)	(645,840)	(189,339)
Change in cash surrender value of life insurance	—	119,806	119,806	89,108
Change in fair value of derivative financial instruments (note 8)	(1,055,888)	—	(1,055,888)	940,830
Change in value of beneficial interest in perpetual trust	—	142,400	142,400	203,043
Loss on impairment of property	—	—	—	(2,373,000)
Other	5,711,779	5,306,658	11,018,437	9,664,456
Net assets released from restrictions (note 13)	82,938,666	(82,938,666)	—	—
Total revenue	97,561,836	84,684,402	182,246,238	221,740,499
Expenses:				
Program services (note 11(b)):				
General college support	26,882,351	—	26,882,351	27,067,789
Student financial aid	20,289,041	—	20,289,041	17,888,226
Faculty and staff support	7,260,327	—	7,260,327	4,835,409
Research	1,538,192	—	1,538,192	950,682
Facilities	20,822,560	—	20,822,560	46,934,248
Total program services	76,792,471	—	76,792,471	97,676,354
General and administrative	5,337,061	—	5,337,061	5,042,882
Fundraising	5,809,027	—	5,809,027	5,938,580
Total expenses	87,938,559	—	87,938,559	108,657,816
Change in net assets	9,623,277	84,684,402	94,307,679	113,082,683
Net assets:				
Beginning of year	134,572,908	1,101,365,554	1,235,938,462	1,122,855,779
End of year	$ 144,196,185	1,186,049,956	1,330,246,141	1,235,938,462

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2018

	2018		
	Net assets without donor restrictions	**Net assets with donor restrictions**	**Total**
Revenue:			
Rental income (note 11(a))	$ 1,161,698	—	1,161,698
Contributions	2,291,612	128,961,077	131,252,689
Provision for doubtful contributions	(54,876)	(3,445,920)	(3,500,796)
Net realized and unrealized gain on investments (note 5)	7,784,475	62,417,199	70,201,674
Interest and dividends	1,955,283	12,334,853	14,290,136
Change in value of annuities	—	(189,339)	(189,339)
Change in cash surrender value of life insurance	—	89,108	89,108
Change in fair value of derivative financial instruments (note 8)	940,830	—	940,830
Change in value of beneficial interest in perpetual trust	—	203,043	203,043
Loss on impairment of property	—	(2,373,000)	(2,373,000)
Other	6,320,365	3,344,091	9,664,456
Net assets released from restrictions (note 13)	101,395,461	(101,395,461)	—
Total revenue	121,794,848	99,945,651	221,740,499
Expenses:			
Program services (note 11(b)):			
General college support	27,067,789	—	27,067,789
Student financial aid	17,888,226	—	17,888,226
Faculty and staff support	4,835,409	—	4,835,409
Research	950,682	—	950,682
Facilities	46,934,248	—	46,934,248
Total program services	97,676,354	—	97,676,354
General and administrative	5,042,882	—	5,042,882
Fundraising	5,938,580	—	5,938,580
Total expenses	108,657,816	—	108,657,816
Change in net assets	13,137,032	99,945,651	113,082,683
Net assets:			
Beginning of year	121,435,876	1,001,419,903	1,122,855,779
End of year	$ 134,572,908	1,101,365,554	1,235,938,462

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	94,307,679	113,082,683
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		1,292,451	1,334,099
Provision for doubtful contributions		2,119,682	3,500,796
Loss on impairment of property		—	2,373,000
Contributions restricted for long-term investment		(41,393,640)	(50,158,928)
Interest and dividends restricted for long-term investment		(311,364)	(289,161)
Net realized and unrealized gain on investments		(34,655,753)	(70,201,674)
Net gain on sale of property and equipment		(733,491)	—
Actuarial loss on obligations related to deferred gifts		1,232,058	740,711
Changes in:			
Accounts receivable and accrued interest receivable		(874,687)	(640,057)
Contributions receivable		(11,871,376)	(10,709,599)
Derivative financial instruments		1,055,888	(1,237,330)
Prepaid expenses and other assets		83,389	9,420
Accounts payable and accrued expenses		3,358,562	105,627
Beneficial interest in perpetual trust		(142,400)	(203,043)
Deferred revenue		(510,801)	1,111,781
Net cash provided by (used in) operating activities		12,956,197	(11,181,675)
Cash flows from investing activities:			
Capital expenditures		—	(3,697)
Proceeds from sales of property and equipment		2,951,228	—
Purchases of investments		(314,304,769)	(157,435,374)
Proceeds from sales and maturities of investments		257,129,522	120,400,172
Change in cash value of life insurance policies		(86,969)	(17,593)
Net cash used in investing activities		(54,310,988)	(37,056,492)
Cash flows from financing activities:			
Proceeds from contributions restricted for long-term investment		41,393,640	50,158,928
Interest and dividends restricted for long-term investments		311,364	289,161
Payments of obligations related to deferred gifts		(1,188,025)	(1,163,682)
Repayment of notes payable		(497,395)	(1,282,219)
Net cash provided by financing activities		40,019,584	48,002,188
Net change in cash and cash equivalents		(1,335,207)	(235,979)
Cash and cash equivalents – beginning of year		17,449,451	17,685,430
Cash and cash equivalents – end of year	$	16,114,244	17,449,451
Supplemental cash flow information:			
Cash paid for interest	$	659,342	697,408

See accompanying notes to consolidated financial statements.

(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

The Foundation previously formed the UGA Ecolodge and Research Station S.A. (the Costa Rica Entity) under Costa Rican law as a wholly owned foreign corporation, established to own and operate a study-abroad facility in Costa Rica for the benefit of the University. The facility was sold in April 2019 and the Foundation is awaiting dissolution of this corporation.

The University of Georgia Alumni Association (the Alumni Association) is a separate, independent, nonprofit company established in 1930. The Alumni Association was reorganized effective July 1, 2014, as a limited liability company, with the Foundation as its sole member. The Alumni Association operates as a self-governing legal entity governed in accordance with a set of bylaws.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. 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. The accompanying consolidated financial statements include the accounts of the Foundation, the Costa Rica Entity, and the Alumni Association. All intercompany balances and transactions have been eliminated in consolidation.

(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 consolidated statements of financial position as these funds are generally not used for daily operating needs. Substantially all of the Foundation’s 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.

(Continued)

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, 2019 or 2018, the Foundation had no plans or intentions to sell those investments at amounts different from NAV.

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 non-donor-restricted funds. All short-term funds are pooled for investment. The allocations to the three levels 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 U.S. 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.

Tier 1 investment returns related to the short-term investment of nonendowed funds are returned to net assets without donor restrictions. Any investment returns recognized from Tier 2 and Tier 3 are returned to net assets without donor restrictions for annual operations. For the years ended June 30, 2019 and 2018, the accumulated net gain of Tier 2 and Tier 3 was $4,376,652 and $2,076,921, respectively, which is reflected as an increase of net assets without donor restrictions within the accompanying consolidated statements of activities.

(Continued)

(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.

(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 possible 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 consolidated statements of financial position. Changes in the fair value of the derivative financial instruments are included as a component of revenue in the accompanying consolidated statements of activities and as a component of cash flows from operating activities in the accompanying consolidated statements of cash flows.

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

Unconditional promises to give are recognized as 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 contribution 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 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 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 consolidated 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 Foundation's endowment spending rate was 4% of the average market value of the long-term invested assets for both the years ended June 30, 2019 and 2018. The method used to calculate the annual endowment spending budget 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 consolidated 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 consolidated 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.

(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, rental payments received, but not yet earned, 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, 2019 and 2018, the administrative fee charged was $10,783,111 and $9,372,041, 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, 2019 and 2018. 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 Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated 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 May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the Foundation for fiscal years beginning after December 31, 2018 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date*). The Foundation will implement the provisions of ASU 2014-09 during fiscal year 2020. The Foundation has not yet completed its assessment of the impact of the new guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost such as long-term debt. This provision of ASU 2016-01 may be early adopted for financial statements that have not yet been issued or made available for issuance. The Foundation early adopted this provision of ASU 2016-01 as of June 30, 2017. The Foundation will adopt the other provisions of ASU 2016-01 during fiscal year 2020.

(Continued)

In February 2016, the FASB issued 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 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, 2019. The Foundation will implement the provisions of ASU 2016-02 during fiscal year 2021. The Foundation has not yet determined the impact of the new standard on its current policies for lease accounting.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and the Foundation implemented its provisions during 2019. As a result, 2018 net assets previously classified as temporarily and permanently restricted net assets prior to the adoption of ASU 2014-16 totaling $505,094,867 (adjusted to include donor-restricted underwater endowments at June 30, 2018 totaling $40,959) and $596,270,687, respectively, have been reclassified as net assets with donor restrictions in the accompanying 2018 consolidated financial statements. In addition, 2018 changes therein have been reclassified in the accompanying 2018 consolidated financial statements as changes in net assets with donor restrictions. In addition, 2018 net assets previously classified as unrestricted net assets, and changes therein, have been reclassified as net assets without donor restrictions. These reclassifications had no effect on the reported results of operations.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958)—Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The purpose of ASU No. 2018-08 is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Non-public business entities are required to apply the ASU for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018 (the Foundation's 2020 fiscal year).

(Continued)

(3) Contributions Receivable, Net

Unconditional promises to give as of June 30, 2019 and 2018 are due as follows:

		2019	2018
Within one year	$	5,741,355	5,334,001
One to five years		76,695,209	67,620,177
More than five years		2,112,644	1,627,633
Gross contributions receivable		84,549,208	74,581,811
Less:			
Allowance for uncollectible contributions		(3,128,779)	(3,206,181)
Present value component		(6,672,318)	(6,379,213)
Contributions receivable, net	$	74,748,111	64,996,417

The discount rates used to calculate the present value component range from 2.46% to 6.98%.

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 28% and 32% of contributions receivable, net as of June 30, 2019 and 2018, 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 non donor-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.

The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2019 and 2018:

Endowment net asset composition by type of fund		As of June 30, 2019 Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	$	—	1,003,201,534	1,003,201,534
Board-designated endowment funds		134,489,797	—	134,489,797
Total endowment net assets	$	134,489,797	1,003,201,534	1,137,691,331

Changes in endowment net assets		Year ended June 30, 2019 Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of year	$	121,586,305	944,775,168	1,066,361,473
Investment return:				
Investment income		1,569,884	12,237,053	13,806,937
Market value adjustment		3,310,377	28,165,433	31,475,810
Total investment return		4,880,261	40,402,486	45,282,747
Contributions and other income		9,424,069	49,778,898	59,202,967
Appropriation of endowment assets for expenditure		(1,400,838)	(31,755,018)	(33,155,856)
Endowment net assets, end of year	$	134,489,797	1,003,201,534	1,137,691,331

(Continued)

Endowment net asset composition by type of fund		As of June 30, 2018 Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	$	—	944,775,168	944,775,168
Board-designated endowment funds		121,586,305	—	121,586,305
Total endowment net assets	$	121,586,305	944,775,168	1,066,361,473

Changes in endowment net assets		Year ended June 30, 2018 Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of year	$	106,690,595	840,654,669	947,345,264
Investment return:				
Investment income		1,377,304	10,533,791	11,911,095
Market value adjustment		7,811,912	61,477,377	69,289,289
Total investment return		9,189,216	72,011,168	81,200,384
Contributions and other income		6,364,156	64,299,272	70,663,428
Appropriation of endowment assets for expenditure		(657,662)	(32,189,941)	(32,847,603)
Endowment net assets, end of year	$	121,586,305	944,775,168	1,066,361,473

(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 2018 due to certain unfavorable market conditions that resulted in negative investment returns accumulated. Deficits of this nature related to original gifts totaling $12,365,089 and reported in net assets with donor restrictions were $40,959 as of June 30, 2018. There were no such deficits at June 30, 2019.

(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 6.8% 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.

(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 fiscal years 2019 and 2018 based on the endowment value at December 31, 2017 and 2016, 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 2019 spending budget is ((80% * (1+ Consumer Price Index)) * fiscal year 2018 spending budget) + (20% * (fiscal year 2019 spending rate * endowment market value at December 31, 2017)). The formula used for the fiscal year 2019 spending budget is consistent with that for 2018. 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 1.8% 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, 2019 and 2018 totaled $1,293,591,693 and $1,202,703,496, respectively. As of June 30, 2019 and 2018, the estimated fair values of investment securities and temporary investments based on quoted market prices or other observable market inputs totaled $781,134,317 and $726,307,075, respectively. As of June 30, 2019 and 2018, the estimated fair values of investment securities and temporary investments that do not have readily determinable fair values totaled $512,457,376 and $476,396,421, respectively. Recorded amounts are provided by external investment managers as estimates of fair value at June 30, 2019 and 2018, respectively.

Net realized and unrealized gain on investments include $3,342,152 and $39,716,038 for investments with estimated fair values based on quoted market prices or other observable market inputs and $31,313,601 and $30,485,636 for investments that do not have readily determinable fair values with estimated fair values provided by external investment managers for the years ended June 30, 2019 and 2018, respectively.

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 consolidated financial statements.

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.

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, 2019 and 2018, the Foundation had outstanding commitments of $146,663,484 and $119,332,907, 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:

	2019	2018
Private equity	$ 87,813,115	70,266,940
Real assets	58,850,369	49,065,967
	$ 146,663,484	119,332,907

(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. The Foundation, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

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, U.S. government and agency treasury inflation protected securities, and interest rate 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 table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The levels of the fair value hierarchy into which the Foundation's financial instruments are categorized as of June 30, 2019 and 2018 are as follows:

	2019						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Assets:							
Recurring:							
Cash and cash equivalents	$ 16,114,244	—	—	—	16,114,244	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
U.S. large-cap growth equity	30,387,134	—	—	—	30,387,134	Daily	1
Student Managed Investment Fund	1,181,008	—	—	—	1,181,008	Daily	1
U.S. SMID cap core equity	25,768,303	—	—	—	25,768,303	Daily	1
Global-equity	28,683,465	—	—	—	28,683,465	Daily	1
Exchange-traded funds:							
Commodities and natural resources	45,686,219	—	—	—	45,686,219	Daily	1
Global REIT Securities	34,574,561	—	—	—	34,574,561	Daily	1
Mutual funds:							
U.S. small-cap core equity	10,048,551	—	—	—	10,048,551	Daily	1
U.S. large-cap core equity	44,402,933	—	—	—	44,402,933	Daily	1
International core equity	85,521,035	—	—	—	85,521,035	Daily	1
International growth equity	25,800,837	—	—	—	25,800,837	Daily	1
Emerging market equity	40,729,888	—	—	—	40,729,888	Daily	1
U.S. Treasury securities	114,705,068	—	—	—	114,705,068	Daily	1
Equity long/short	31,448,803	—	—	—	31,448,803	Daily	1
Other commingled funds:							
Global equity	24,290,858	—	—	—	24,290,858	Monthly	6
International core equity	53,176,023	—	—	—	53,176,023	Monthly	10
International SMID cap equity	23,365,933	—	—	—	23,365,933	Monthly	10
Emerging market equity	26,244,566	—	—	32,357,320	58,601,886	Monthly/Quarterly	30
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	93,829,839	93,829,839	See note (a)	See note (a)
Fund of funds	—	—	—	33,284,567	33,284,567	See note (a)	See note (a)
Equity long/short	—	—	—	100,017,381	100,017,381	See note (a)	See note (a)
Private equity limited partnerships:							
Direct private equity	—	—	—	61,906,882	61,906,882	Illiquid	N/A
Coinvestments	—	—	—	3,404,381	3,404,381	Illiquid	N/A

	2019						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Private venture	$ —	—	145,905	5,519,723	5,665,628	Illiquid	N/A
Secondary private equity	—	—	—	2,170,422	2,170,422	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	534,851	534,851	Illiquid	N/A
Fund of funds	—	—	—	11,051,880	11,051,880	Illiquid	N/A
Real asset limited partnerships – diversified private real estate	—	—	—	20,867,519	20,867,519	Illiquid	N/A
Timber/oil/gas:							
Commodities common trust fund	20,182,513	—	—	—	20,182,513	Monthly	9
Fund of funds – timber/oil/gas	—	—	—	201,393	201,393	Illiquid	N/A
Direct private equity limited partnership – oil/gas (1)	—	—	13,867,070	36,237,289	50,104,359	Illiquid	N/A
Certain split-interest investments:							
Cash and cash equivalents	170,982	—	—	—	170,982	Illiquid	N/A
Equities	556,177	—	—	—	556,177	Illiquid	N/A
Fixed income	94,716	—	—	—	94,716	Illiquid	N/A
Mutual funds	8,372,417	—	—	—	8,372,417	Illiquid	N/A
Nonmarketable	—	—	2,373,654	—	2,373,654	Illiquid	N/A
Cash – operating principal	38,780,899	—	—	—	38,780,899	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 investments	4,943	5,817,404	304,344	—	6,126,691	Illiquid	N/A
Temporary investments:							
Mutual funds	66,956,485	—	—	—	66,956,485	Daily	1
Treasury notes	—	19,266,004	—	—	19,266,004	Daily/Monthly	1/30
Bonds	—	68,030,677	—	—	68,030,677	Daily/Monthly	1/30
Total investments and temporary investments	781,134,317	93,114,085	17,959,844	401,383,447	1,293,591,693		
Beneficial interest in perpetual trust	—	—	4,583,045	—	4,583,045	N/A	N/A
Total	$ 797,248,561	93,114,085	22,542,889	401,383,447	1,314,288,982		
Liabilities:							
Recurring:							
Derivative financial instruments	$ —	2,325,789	—	—	2,325,789	N/A	N/A

(1) The Level 3 investments included in this category were valued using the discounted cash flow method as the valuation technique with a discount rate of 8%.

Note (a) – Hedge Funds and Commingled Emerging Market Equity – China (June 30, 2019):

Certain investments may be redeemed upon 30- to 95-days' notice to the fund manager and permit a quarterly exit from the fund. The fair values of these funds total $186,627,871 at June 30, 2019. 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 $59,969,404 at June 30, 2019. Three hedge funds have side pockets totaling $3,489,355 at June 30, 2019. One hedge fund currently has a lockup that expires more than 90 days following the fiscal year-end and totals $9,360,080. One hedge fund has been redeemed, but the timing of the cash flows is uncertain. It has a total fair value of $42,397.

	2018						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Assets:							
Recurring:							
Cash and cash equivalents	$ 17,499,451	—	—	—	17,499,451	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
U.S. large-cap growth equity	41,353,957	—	—	—	41,353,957	Daily	1
Student Managed Investment Fund	1,847,693	—	—	—	1,847,693	Daily	1
U.S. SMID cap core equity	23,732,556	—	—	—	23,732,556	Daily	1
Global-equity	26,454,996	—	—	—	26,454,996	Daily	1
Exchange-traded funds:							
Commodities and natural resources	47,838,079	—	—	—	47,838,079	Daily	1
Global REIT Securities	28,269,314	—	—	—	28,269,314	Daily	1
Mutual funds:							
U.S. small-cap core equity	29,512,050	—	—	—	29,512,050	Daily	1
U.S. large-cap core equity	49,075,482	—	—	—	49,075,482	Daily	1
International core equity	64,265,796	—	—	—	64,265,796	Daily	1
International growth equity	25,776,801	—	—	—	25,776,801	Daily	1
Emerging market equity	47,317,542	—	—	—	47,317,542	Daily	1
Treasury inflation-indexed bonds	21,885,198	—	—	—	21,885,198	Daily	1
U.S. Treasury securities	55,714,354	—	—	—	55,714,354	Daily	1
Equity long/short	29,845,109	—	—	—	29,845,109	Daily	1
Other commingled funds:							
Global equity	15,798,515	—	—	—	15,798,515	Monthly	6
International core equity	47,168,662	—	—	—	47,168,662	Monthly	10
International SMID cap equity	24,649,977	—	—	—	24,649,977	Monthly	10
Emerging market equity	27,522,180	—	—	—	27,522,180	Monthly	30
Global fixed income	38,253,594	—	—	—	38,253,594	Monthly	10
Portable alpha strategies (note (a)):							
Commodity Index	—	—	—	790,743	790,743	See note (a)	See note (a)
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	96,839,297	96,839,297	See note (a)	See note (a)
Fund of funds	—	—	—	26,769,725	26,769,725	See note (a)	See note (a)
Equity long/short	—	—	—	131,452,926	131,452,926	See note (a)	See note (a)
Private equity limited partnerships:							
Direct private equity	—	—	—	42,484,892	42,484,892	Illiquid	N/A
Coinvestments	—	—	—	3,672,805	3,672,805	Illiquid	N/A
Private venture	—	—	92,903	355,398	448,301	Illiquid	N/A
Secondary private equity	—	—	—	2,904,039	2,904,039	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	996,210	996,210	Illiquid	N/A
Fund of funds	—	—	—	10,520,964	10,520,964	Illiquid	N/A
Real asset limited partnerships – diversified private real estate	—	—	—	21,345,163	21,345,163	Illiquid	N/A
Timber/oil/gas:							
Commodities common trust fund	27,462,793	—	—		27,462,793	Monthly	9
Fund of funds – timber/oil/gas	—	—	—	287,567	287,567	Illiquid	N/A
Direct private equity limited partnership – oil/gas [1]	—	—	14,066,558	30,818,764	44,885,322	Illiquid	N/A

	2018						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Certain split-interest investments:							
Cash and cash equivalents	$ 164,884	—	—	—	164,884	Illiquid	N/A
Equities	505,890	—	—	—	505,890	Illiquid	N/A
Fixed income	106,385	—	—	—	106,385	Illiquid	N/A
Mutual funds	9,186,163	—	—	—	9,186,163	Illiquid	N/A
Nonmarketable	—	—	2,373,654	—	2,373,654	Illiquid	N/A
Cash – operating principal	4,327,157	—	—	—	4,327,157	Daily	1
Preferred Stock	—	—	—	84,295	84,295	Illiquid	N/A
Closely held investments	—	—	38,311	—	38,311	Illiquid	N/A
Charitable limited family partnerships	—	—	1,230,560	—	1,230,560	Once every five years	30
Other investments	—	5,528,582	436,594	—	5,965,176	Illiquid	N/A
Temporary investments:							
Mutual funds	38,271,948	—	—	—	38,271,948	Daily	1
Treasury notes	—	18,466,818	—	—	18,466,818	Monthly	30
Bonds	—	64,839,653	—	—	64,839,653	Monthly	30
Total investments and temporary investments	726,307,075	88,835,053	18,238,580	369,322,788	1,202,703,496		
Beneficial interest in perpetual trust	—	—	4,440,645	—	4,440,645	N/A	N/A
Total	$ 743,806,526	88,835,053	22,679,225	369,322,788	1,224,643,592		
Liabilities:							
Recurring:							
Derivative financial instruments	$ —	1,269,901	—	—	1,269,901	N/A	N/A

(1) The Level 3 investments included in this category were valued using the discounted cash flow method as the valuation technique with a discount rate of 8%.

Note (a) – Hedge Fund Limited Partnerships and Portable Alpha Strategies (June 30, 2018):

Certain investments in hedge funds may be redeemed upon 30- to 60-days’ notice to the fund manager and permit a quarterly exit from the fund. The fair values of these hedge funds total $153,861,407 at June 30, 2018. Certain other 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 exceeding 90 days totals $91,880,042 at June 30, 2018. Three hedge funds have side pockets totaling $2,292,711 at June 30, 2018. One hedge fund currently has a lockup that expires more than 90 days following the fiscal year-end and totals $7,644,992. Three hedge funds with an estimated total fair value of $173,539 have been redeemed, but the timing of the cash flows is uncertain.

For the years ended June 30, 2019 and 2018, the changes in investments classified as Level 3 are as follows:

		2019			
		Private equity	Natural resources	Other investments	Total
Balance, beginning of year	$	92,903	14,066,558	4,079,119	18,238,580
Net realized and unrealized gains (losses)		53,002	(199,488)	(3,787)	(150,273)
Purchase		—	—	(427,751)	(427,751)
Sales		—	—	299,288	299,288
Balance, end of year	$	145,905	13,867,070	3,946,869	17,959,844
Net unrealized gains (losses) relating to assets held as of June 30, 2019	$	53,002	(199,488)	(5,399)	(151,885)

		2018			
		Private equity	Natural resources	Other investments	Total
Balance, beginning of year	$	156,963	12,184,191	4,044,646	16,385,800
Net realized and unrealized gains (losses)		(3,634)	1,882,367	36,493	1,915,226
Sales		(60,426)	—	(2,020)	(62,446)
Balance, end of year	$	92,903	14,066,558	4,079,119	18,238,580
Net unrealized gains (losses) relating to assets held as of June 30, 2018	$	(50,162)	1,882,367	28,303	1,860,508

For the years ended June 30, 2019 and 2018, the changes in beneficial interest in perpetual trust classified as Level 3 are as follows:

		2019	2018
Balance, beginning of year	$	4,440,645	4,237,602
Change in valuation		142,400	203,043
Balance, end of year	$	4,583,045	4,440,645

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 non-recurring 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 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 U.S. Department of Treasury yield curve rates ranging from 2.69% to 3.02%.

(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 2.765% and 2.31% at June 30, 2019 and 2018, respectively. Principal and interest are payable monthly. The outstanding balance at June 30, 2019 and 2018 was $4,181,522 and $4,303,917, 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 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 75.00% of the sum of one-month LIBOR plus 1.6%; such rate was 3.03% and 2.69% at June 30, 2019 and 2018, respectively. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2019 and 2018 was $10,830,000 and $11,205,000, respectively.

A summary as of June 30, 2019 of principal payments due under both notes payable during each of the next five years and thereafter is as follows:

Year ending June 30:		
2020	$	514,880
2021		537,821
2022		561,250
2023		580,193
2024		604,682
Thereafter		12,212,696
Total	$	15,011,522

(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, 2019 and 2018, the total notional amount of the swap was $4,192,001 and $4,313,792, respectively. As of June 30, 2019 and 2018, the fair value of this interest rate swap was a liability of $1,517,989 and $1,183,639, respectively, in the accompanying consolidated statements of financial position. The Foundation recorded a related unrealized loss of $334,350 and an unrealized gain of $398,674 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the total notional amount of the swap was $10,925,000 and $11,295,000, respectively. As of June 30, 2019 and 2018, the fair value of this interest rate swap was a liability of $807,800 and $86,262, respectively, in the accompanying consolidated statements of financial position. The Foundation recorded a related unrealized loss of $721,538 and an unrealized gain of $542,156 for the years ended June 30, 2019 and 2018, respectively.

(Continued)

(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 were $11,567,945 and $12,343,020 at June 30, 2019 and 2018, respectively, and are included in investments in the accompanying consolidated statements of financial position. Estimated future payments on deferred gift obligations as of June 30, 2019 are as follows:

Year ending June 30:		
2020	$	801,285
2021		831,453
2022		862,828
2023		895,458
2024		400,007
Thereafter		5,277,397
		9,068,428
Less amount representing interest (rates ranging from 1.83% to 2.45%)		(258,788)
Total	$	8,809,640

In connection with an estate gift made 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 consolidated 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) Operating Leases

The Foundation is a lessee under operating leases for property and equipment. Total rent expense for the years ended June 30, 2019 and 2018 was $1,568,436 and $1,880,264, respectively.

A schedule of future minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2019 is as follows:

Year ending June 30:		
2020	$	196,511
2021		32,886
Total	$	229,397

(11) Related-Party Transactions

(a) Rental Income

The Foundation leases certain property, which has a total carrying value of $17,248,723 and $20,117,725 as of June 30, 2019 and 2018, respectively, to the Board of Regents. Related rental income totaled $1,117,504 and $1,161,698 for the years ended June 30, 2019 and 2018, respectively, and relate to leases with the Board of Regents. These lease agreements expire annually on June 30, and provide for renewal terms. The Foundation anticipates these leases will be renewed upon the next lease expiration date.

(b) University Support

Administrative – On July 1, 2005, the Foundation entered into an agreement with the University to provide administrative services and facilities to the Foundation through June 30, 2015. On October 2, 2015, the then-existing agreement was amended and restated, extending the term of the agreement to June 30, 2020.

Programs and Scholarships – During fiscal years 2019 and 2018, the Foundation expensed $76,792,471 and $97,676,354, respectively, in support of the University's programs and scholarships. Of this amount, during fiscal years 2019 and 2018, $48,297,404 and $53,669,407, respectively, was paid directly to the University. As of June 30, 2019 and 2018, outstanding transfers of $5,852,558 and $2,539,952, respectively, were due to the University and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. During fiscal years 2019 and 2018, the Foundation transferred $21,318,440 and $31,998,256, respectively, to the Athletic Association for University facility renovation and program support. As of June 30, 2019 outstanding transfers of $1,375,675 were due to the Athletic Association and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Rentals – During both 2019 and 2018, the Foundation made annual payments totaling $660,000 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 of Georgia. As such, the Foundation reimburses the University of Georgia for compensation and benefit expenses of University of Georgia employees who spend a significant amount of time providing services to the Foundation. The amount reimbursed for fiscal years 2019 and 2018 totaled $4,024,499 and $3,714,301, respectively, and is included in general and administrative expenses in the accompanying consolidated 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. As of June 30, 2019 and 2018, the total value of the funds held for the Athletic Association, including accumulated investment earnings, was $51,808,178 and $53,473,069, respectively.

The activity of the funds held on behalf of the Athletic Association is as follows:

		2019	2018
Balance, beginning of year	$	53,473,069	50,910,910
Distributions		(3,597,888)	(1,708,406)
Investment gains, net of fees, attributable to balances		1,932,997	4,270,565
Balance, end of year	$	51,808,178	53,473,069

Real Estate Foundation – Since December 2015, the 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. As of June 30, 2019 and 2018, the total value of funds held for the Real Estate Foundation, including investment accumulated earnings, was $12,257,546 and $11,552,779, respectively.

The activity of the funds held on behalf of the Real Estate Foundation is as follows:

		2019	2018
Balance, beginning of year	$	11,552,779	11,501,003
Investment gains, net of fees, attributable to balances		704,767	51,776
Balance, end of year	$	12,257,546	11,552,779

Revocable Gifts – During fiscal year 2019, the Foundation received a revocable gift of property of $1,000,000. As of June 30, 2019, the total amount of revocable gifts received to date from two separate donors is $1,500,000. These gifts were recorded as deferred revenue on the date of the gift, and included in funds held for others in the accompanying consolidated statements of financial position. As of June 30, 2019 and 2018, the fair value of the total amounts of revocable gifts received to date and included in funds held for others totaled $1,666,424 and $649,101, respectively.

(12) Property and Equipment, Net

Property and equipment at June 30, 2019 and 2018 consist of the following:

		2019	2018
Land	$	18,882,057	18,624,460
Buildings and improvements		19,232,870	21,002,534
Furniture, fixtures, and equipment		4,931,779	5,588,269
		43,046,706	45,215,263
Less accumulated depreciation		(9,456,034)	(9,114,403)
Total	$	33,590,672	36,100,860

Depreciation expense totaled $1,292,451 and $1,334,099 for the years ended June 30, 2019 and 2018, respectively.

During 2019, the Foundation disposed of certain property and equipment associated with the Costa Rica Entity with a net book value totaling $2,217,737 (net of accumulated depreciation totaling $950,821). Proceeds from the sale of the property and equipment totaled $2,951,228, resulting in a gain on sale totaling $733,491 for the year ended June 30, 2019.

(13) 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, 2019 and 2018 is as follows:

		2019	2018
General college support	$	26,939,802	24,296,559
Student financial aid		16,841,931	15,411,059
Faculty and staff support		7,179,825	4,763,087
Research		1,538,192	950,682
Facilities		20,822,560	46,934,248
Administrative fees		9,616,356	9,039,826
	$	82,938,666	101,395,461

(Continued)

(14) Net Assets

Net assets with donor restrictions as of June 30, 2019 and 2018 were available for the following purposes:

	2019	2018
Spendable donor-restricted net assets:		
General college support	$ 227,390,049	211,181,798
Student financial aid	118,680,498	115,039,536
Faculty and staff support	106,962,676	106,811,022
Research	19,200,380	16,623,276
Facilities	70,918,216	55,480,194
Total	$ 543,151,819	505,135,826

Net assets donor-restricted in perpetuity totaling $643,785,937 and $596,270,687 as of June 30, 2019 and 2018 consist of $28,591,451 and $23,638,964, respectively, for contributions receivable and $615,194,486 and $572,631,723, 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, 2019 and 2018:

	2019	2018
Designated to function as endowment:		
General support	$ 101,884,495	94,013,918
Student financial aid	20,561,589	16,475,459
Faculty and staff support	12,043,713	11,096,928
	134,489,797	121,586,305
Other board-designated:		
General support	2,386,506	1,812,028
Student financial aid	3,871,935	3,612,119
Facilities	714,994	971,544
	6,973,435	6,395,691
Total	$ 141,463,232	127,981,996

(Continued)

(15) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30, 2019 are as follows:

Financial assets:		
Cash and cash equivalents	$	16,114,244
Accounts receivable		2,439,118
Temporary investments		154,253,166
Contributions receivable		74,748,111
Beneficial interest in perpetual trust		4,583,045
Investments		1,139,338,527
Total financial assets		1,391,476,211
Less financial assets not available for general expenditures due to nature:		
Deferred Gift Assets		(11,567,945)
Less contractual or donor-imposed restrictions:		
Permanent endowments		(599,451,424)
Net assets with donor restrictions		(488,218,411)
Contributions receivable, net		(74,748,111)
Funds held on behalf of other organizations		(63,065,725)
Less board designated endowments		(134,489,797)
Less other board designated funds		(6,973,435)
Financial assets available to meet cash needs for general expenditures within one year	$	12,961,363

The Foundation manages its financial assets to be available as its operating expenditures, liability 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 $134,489,797 and $6,973,435, respectively as of June 30, 2019. Although the Foundation does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure, amounts for its board-designated endowment and other funds could be made available if necessary, with appropriate board approval.

(16) Functional Expenses

Expenses on a functional basis were as follows for the years ended June 30, 2019 and 2018:

	2019				2018			
	Program	General and administrative	Fundraising	Total	Program	General and administrative	Fundraising	Total
Salaries, wages, and benefits	$ —	4,024,499	—	4,024,499	—	3,714,301	—	3,714,301
Supplies and other services	5,825,760	1,267,578	4,904,454	11,997,792	10,578,110	1,264,382	5,221,560	17,064,052
Travel	—	44,984	303,647	348,631	—	64,199	116,094	180,293
Distributions to the University	48,297,404	—	—	48,297,404	53,669,407	—	—	53,669,407
Distributions to University affiliates	21,318,440	—	—	21,318,440	31,998,256	—	—	31,998,256
Depreciation and amortization	691,525	—	600,926	1,292,451	733,173	—	600,926	1,334,099
Interest	659,342	—	—	659,342	697,408	—	—	697,408
	$ 76,792,471	5,337,061	5,809,027	87,938,559	97,676,354	5,042,882	5,938,580	108,657,816

The expenses of the Foundation have been allocated among the programs and supporting services benefitted. Depreciation expense related to fundraising is directly related to the Foundation's gift and alumni software. Other costs are classified in each functional category based on the underlying purpose of each transaction.

(17) U.S. 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 consolidated financial statements for 2019 and 2018.

(18) Subsequent Events

Subsequent to June 30, 2019 and through October 11, 2019 the date through which management evaluated subsequent events and on which the consolidated financial statements were available for issuance, management of the Foundation has concluded that there are no subsequent events to be disclosed.