THE UNIVERSITY OF GEORGIA FOUNDATION

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF GEORGIA FOUNDATION

Table of Contents

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 financial statements of The University of Georgia Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Georgia Foundation as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Atlanta, Georgia
October 1, 2021

THE UNIVERSITY OF GEORGIA FOUNDATION

Statements of Financial Position

June 30, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	26,855,006	34,802,627
Temporary investments (notes 5 and 6)		164,780,100	124,723,292
Accounts receivable		2,896,616	1,921,310
Contributions receivable, net (note 3)		91,739,808	76,372,496
Beneficial interest in perpetual trust (note 6)		5,705,526	4,592,001
Accrued interest receivable		294,978	252,805
Prepaid expenses and other assets		533,743	135,353
Investments (notes 5 and 6)		1,574,386,974	1,158,551,308
Property and equipment, net (note 12)		30,199,022	31,573,683
Works of art		2,322,808	2,322,808
Cash value of life insurance policies		3,002,210	2,678,425
Total assets	$	1,902,716,791	1,437,926,108
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	6,899,493	5,603,915
Derivative financial instruments (note 8)		2,717,071	3,983,589
Funds held for others (notes 6 and 11(d))		68,027,510	56,862,220
Deferred revenue		562,516	817,234
Obligations related to deferred gifts (notes 6 and 9)		8,719,009	8,656,016
Notes payable (note 7)		13,958,821	14,496,642
Total liabilities		100,884,420	90,419,616
Net assets:			
Without donor restrictions		206,344,219	145,785,156
With donor restrictions (note 14)		1,595,488,152	1,201,721,336
Total net assets		1,801,832,371	1,347,506,492
Commitments and contingencies (notes 7, 8, 9, 10, and 11)			
Total liabilities and net assets	$	1,902,716,791	1,437,926,108

See accompanying notes to financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION

Statement of Activities

Year ended June 30, 2021
(With summarized consolidated financial information for the year ended June 30, 2020)

	2021			
	Net assets without donor restrictions	**Net assets with donor restrictions**	**Total**	**2020 Total**
Revenue:				
Rental income (note 11(a))	$ 1,066,306	—	1,066,306	695,966
Contributions	1,159,987	120,498,712	121,658,699	96,651,293
Provision for doubtful contributions	—	(2,343,199)	(2,343,199)	(1,324,996)
Net realized and unrealized gain (loss) on investments (note 5)	51,589,147	342,174,510	393,763,657	857,547
Net gain on sale of property	—	514,587	514,587	1,117,013
Interest and dividends	3,647,348	12,145,853	15,793,201	17,195,698
Change in value of annuities	151,402	(796,695)	(645,293)	(261,343)
Change in cash surrender value of life insurance	—	122,877	122,877	23,220
Change in fair value of derivative financial instruments (note 8)	1,266,518	—	1,266,518	(1,657,800)
Change in value of beneficial interest in perpetual trust	—	1,113,525	1,113,525	8,956
Other	4,308,718	4,528,910	8,837,628	7,815,832
Net assets released from restrictions (note 13)	84,192,264	(84,192,264)	—	—
Total revenue	147,381,690	393,766,816	541,148,506	121,121,386
Expenses:				
Program services (note 11(b)):				
General college support	20,692,580	—	20,692,580	25,943,256
Student financial aid	23,510,281	—	23,510,281	22,068,270
Faculty and staff support	8,086,653	—	8,086,653	6,876,322
Research	1,832,122	—	1,832,122	2,437,675
Facilities	24,704,598	—	24,704,598	34,817,118
Total program services	78,826,234	—	78,826,234	92,142,641
General and administrative	4,598,746	—	4,598,746	5,272,184
Fundraising	3,397,647	—	3,397,647	6,446,210
Total expenses	86,822,627	—	86,822,627	103,861,035
Change in net assets	60,559,063	393,766,816	454,325,879	17,260,351
Net assets:				
Beginning of year	145,785,156	1,201,721,336	1,347,506,492	1,330,246,141
End of year	$ 206,344,219	1,595,488,152	1,801,832,371	1,347,506,492

See accompanying notes to financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION

Statement of Activities

Year ended June 30, 2020

	2020		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue:			
Rental income (note 11(a))	$ 695,966	—	695,966
Contributions	1,598,659	95,052,634	96,651,293
Provision for doubtful contributions	—	(1,324,996)	(1,324,996)
Net realized and unrealized gain (loss) on investments (note 5)	(47,924)	905,471	857,547
Net gain on sale of property	—	1,117,013	1,117,013
Interest and dividends	2,715,651	14,480,047	17,195,698
Change in value of annuities	(43,917)	(217,426)	(261,343)
Change in cash surrender value of life insurance	—	23,220	23,220
Change in fair value of derivative financial instruments (note 8)	(1,657,800)	—	(1,657,800)
Change in value of beneficial interest in perpetual trust	—	8,956	8,956
Other	4,502,380	3,313,452	7,815,832
Net assets released from restrictions (note 13)	97,686,991	(97,686,991)	—
Total revenue	105,450,006	15,671,380	121,121,386
Expenses:			
Program services (note 11(b)):			
General college support	25,943,256	—	25,943,256
Student financial aid	22,068,270	—	22,068,270
Faculty and staff support	6,876,322	—	6,876,322
Research	2,437,675	—	2,437,675
Facilities	34,817,118	—	34,817,118
Total program services	92,142,641	—	92,142,641
General and administrative	5,272,184	—	5,272,184
Fundraising	6,446,210	—	6,446,210
Total expenses	103,861,035	—	103,861,035
Change in net assets	1,588,971	15,671,380	17,260,351
Net assets:			
Beginning of year	144,196,185	1,186,049,956	1,330,246,141
End of year	$ 145,785,156	1,201,721,336	1,347,506,492

See accompanying notes to financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION

Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	454,325,879	17,260,351
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		631,070	1,239,072
Provision for doubtful contributions		2,343,199	1,324,996
Contributions restricted for long-term investment		(39,887,711)	(29,708,559)
Interest and dividends restricted for long-term investment		(226,330)	(281,628)
In-kind gifts of capital assets		(133,799)	(1,000,000)
Net realized and unrealized gain on investments		(393,763,657)	(857,547)
Net gain on sale of property and equipment		(514,587)	(1,117,013)
Change in fair value of derivative financial instruments		(1,266,518)	1,657,800
Changes in:			
Accounts receivable and accrued interest receivable		(1,017,479)	885,154
Obligations related to deferred gifts		1,288,146	1,044,901
Contributions receivable		(17,710,511)	(2,949,381)
Prepaid expenses and other assets		(398,390)	153,437
Accounts payable and accrued expenses		1,295,578	(2,007,909)
Beneficial interest in perpetual trust		(1,113,525)	(8,956)
Deferred revenue		(254,718)	(425,215)
Net cash provided by (used in) operating activities		3,596,647	(14,790,497)
Cash flows from investing activities:			
Capital expenditures		—	(33,582)
Proceeds from sales of property and equipment		1,391,977	1,928,512
Purchases of investments		(353,149,122)	(305,266,537)
Proceeds from sales and maturities of investments		302,185,595	308,571,249
Change in cash surrender value of life insurance policies		(323,785)	2,456
Net cash (used in) provided by investing activities		(49,895,335)	5,202,098
Cash flows from financing activities:			
Proceeds from contributions restricted for long-term investment		39,887,711	29,708,559
Interest and dividends restricted for long-term investments		226,330	281,628
Payments of obligations related to deferred gifts		(1,225,153)	(1,198,525)
Repayment of notes payable		(537,821)	(514,880)
Net cash provided by financing activities		38,351,067	28,276,782
Net change in cash and cash equivalents		(7,947,621)	18,688,383
Cash and cash equivalents – beginning of year		34,802,627	16,114,244
Cash and cash equivalents – end of year	$	26,855,006	34,802,627
Supplemental cash flow information:			
Cash paid for interest	$	589,665	611,485

See accompanying notes to 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

(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 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.

(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 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.

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, 2021 or 2020, 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 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 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.

Investment 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, 2021 and 2020, the accumulated net gain of Tier 2 and Tier 3 was $7,943,479 and $3,706,628, respectively, which is reflected as an increase of 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.

(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.

(Continued)

(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 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 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 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

(Continued)

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, 2021 and 2020. 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 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.

(l) Rental Income

Rental income is recognized monthly when earned and collectability 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, 2021 and 2020, the administrative fee charged was $13,306,520 and $11,433,372, 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, 2021 and 2020. 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 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 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, 2019 (as further amended in May 2020 by ASU No. 2020-05, *Revenues From Contracts with Customers (Topic 606) and Leases (Topic 842); Effective Dates for Certain Entities*). The Foundation implemented the provisions of ASU 2014-09 during fiscal year 2021. The adoption of this ASU did not have a material impact on the Foundation's financial statements.

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. ASU 2020-05 deferred the effective date of ASU 2016-02 by one year. Therefore, the ASU is effective for the Foundation's fiscal year beginning after December 15, 2021. The Foundation will implement the provisions of ASU 2016-02 during fiscal year 2023. The Foundation has not yet determined the impact of the new standard on its current policies for lease accounting.

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). The Foundation implemented the provisions of ASU 2018-08 during fiscal year 2020. 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 is effective for the Foundation's fiscal year ended June 30, 2021 and is reflected in the relevant fair value disclosures.

In March 2019, the FASB issued ASU 2019-03, *Not-For-Profit Entities (Topic 958): Updating the Definition of Collections*. The amendments in this Update modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The new standard is effective for the Foundation for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Foundation will implement the provisions of ASU 2019-03 during fiscal year 2021. 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, 2021 and 2020 are due as follows:

		2021	2020
Within one year	$	8,527,343	11,084,135
One to five years		89,934,666	71,726,160
More than five years		4,378,216	1,562,597
Gross contributions receivable		102,840,225	84,372,892
Less:			
Allowance for uncollectible contributions		(4,239,565)	(2,749,903)
Present value component		(6,860,852)	(5,250,493)
Contributions receivable, net	$	91,739,808	76,372,496

The discount rates used to calculate the present value component range from 2.29% 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 ten largest outstanding donor pledge balances represented 31% and 24% of contributions receivable, net as of June 30, 2021 and 2020, 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, 2021 and 2020:

		June 30, 2021		
Endowment net asset composition by type of fund		**Net assets without donor restrictions**	**Net assets with donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	1,381,919,383	1,381,919,383
Board-designated endowment funds		192,585,824	—	192,585,824
Total endowment net assets	$	192,585,824	1,381,919,383	1,574,505,207

Changes in endowment net assets		Year ended June 30, 2021 Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of year	$	138,391,165	1,021,542,578	1,159,933,743
Investment return:				
Investment income		3,343,305	11,920,050	15,263,355
Market value adjustment		51,381,585	340,021,643	391,403,228
Total investment return		54,724,890	351,941,693	406,666,583
Contributions and other income		1,091,997	48,913,214	50,005,211
Appropriation of endowment assets for expenditure		(1,622,228)	(40,478,102)	(42,100,330)
Endowment net assets, end of year	$	192,585,824	1,381,919,383	1,574,505,207

Endowment net asset composition by type of fund		June 30, 2020 Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	$	—	1,021,542,578	1,021,542,578
Board-designated endowment funds		138,391,165	—	138,391,165
Total endowment net assets	$	138,391,165	1,021,542,578	1,159,933,743

Changes in endowment net assets		Year ended June 30, 2020 Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, beginning of year	$	134,489,797	1,003,201,534	1,137,691,331
Investment return:				
Investment income		1,658,383	12,458,715	14,117,098
Market value adjustment		21,064	269,901	290,965
Total investment return		1,679,447	12,728,616	14,408,063
Contributions and other income		3,687,108	40,024,951	43,712,059
Appropriation of endowment assets for expenditure		(1,465,187)	(34,412,523)	(35,877,710)
Endowment net assets, end of year	$	138,391,165	1,021,542,578	1,159,933,743

(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. No deficits of this nature are reported for the period ending June 30, 2021. Deficits occurred during 2020 due to certain unfavorable market conditions that resulted in negative investment returns accumulated. Deficits of this nature related to original gifts totaling $17,802,999 and reported in net assets with donor restrictions were $294,495 as of June 30, 2020.

(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 7.3% 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 both fiscal years 2021 and 2020, based on the endowment value at December 31, 2019 and 2018, 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 2021 spending budget is ((20% * (1+ Consumer Price Index)) * fiscal year 2020 spending budget) + (4% * (fiscal year 2021 spending rate * endowment market value at December 31, 2019)). The formula used for the fiscal year 2021 spending budget is consistent with that for 2020. 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 2.3% 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, 2021 and 2020 totaled $1,739,167,074 and $1,283,274,600, respectively. As of June 30, 2021 and 2020, the estimated fair values of investment securities and temporary investments based on quoted market prices or other observable market inputs totaled $943,142,012 and $691,665,307, respectively. As of June 30, 2021 and 2020, the estimated fair values of investment securities and temporary investments that do not have readily determinable fair values totaled $796,025,062 and $591,609,293, respectively. Recorded amounts are provided by external investment managers as estimates of fair value at June 30, 2021 and 2020, respectively.

Net realized and unrealized (loss) gain on investments include $196,347,473 and $(9,078,864) for investments with estimated fair values based on quoted market prices or other observable market inputs and $197,416,184 and $9,936,411 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, 2021 and 2020, 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 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.

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, 2021 and 2020, the Foundation had outstanding commitments of $184,229,876 and $157,034,173, 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:

	2021	2020
Private equity	$ 119,313,681	89,268,658
Real assets	64,916,195	67,765,515
	$ 184,229,876	157,034,173

(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, 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 tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The levels of the fair value hierarchy into which the Foundation’s financial instruments are categorized as of June 30, 2021 and 2020 are as follows:

	2021						
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**	**Redemption or liquidation**	**Day(s) notice**
Assets:							
Recurring:							
Cash and cash equivalents	$ 26,855,006	—	—	—	26,855,006	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
U.S. large-cap growth equity	43,941,375	—	—	—	43,941,375	Daily	1
Student Managed Investment Fund	1,835,677	—	—	—	1,835,677	Daily	1
Exchange-traded funds:							
Global REIT Securities	52,264,341	—	—	—	52,264,341	Daily	1
Mutual funds:							
U.S. large-cap core equity	247,591,997	—	—	—	247,591,997	Daily	1
International core equity	222,610,280	—	—	—	222,610,280	Daily	1
International growth equity	36,640,794	—	—	—	36,640,794	Daily	1
Emerging market equity	12,946,897	—	—	—	12,946,897	Daily	1
Other commingled funds:							
International core equity	36,206,659	—	—	—	36,206,659	Monthly	10
Emerging market equity	39,701,488	—	—	—	39,701,488	Monthly/Quarterly	30
Emerging Market Equity China	—	—	—	61,528,178	61,528,178	Quarterly see note (a)	60
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	181,859,427	181,859,427	See note (a)	See note (a)
Fund of funds	—	—	—	11,701,795	11,701,795	See note (a)	See note (a)
Equity long/short	—	—	—	150,568,175	150,568,175	See note (a)	See note (a)
Private equity limited partnerships:							
Direct private equity	—	—	—	153,273,687	153,273,687	Illiquid	N/A
Coinvestments	—	—	—	3,963,792	3,963,792	Illiquid	N/A
Private venture	—	—	12,821	43,386,937	43,399,758	Illiquid	N/A
Secondary private equity	—	—	—	1,179,878	1,179,878	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	1,425,814	1,425,814	Illiquid	N/A
Fund of funds	—	—	—	13,114,835	13,114,835	Illiquid	N/A
Real asset limited partnerships – diversified private real estate	—	—	—	23,964,916	23,964,916	Illiquid	N/A

	2021						
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**	**Redemption or liquidation**	**Day(s) notice**
Timber/oil/gas:							
Fund of funds – timber/oil/gas	—	—	—	180,811	180,811	Illiquid	N/A
Direct private equity limited partnerships – oil/gas	—	—	5,164,470	55,132,655	60,297,125	Illiquid	N/A
Certain split-interest investments:							
Cash and cash equivalents	140,410	—	—	—	140,410	Daily	1
Equities	1,344,725	—	—	—	1,344,725	Daily	1
Fixed income	97,036	—	—	—	97,036	Daily	1
Mutual funds	9,367,861	—	—	—	9,367,861	Daily	1
Nonmarketable	—	—	1,313,431	—	1,313,431	Illiquid	N/A
Cash – operating principal	151,073,258	—	—	—	151,073,258	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	—	7,676,049	277,723	—	7,953,772	Illiquid	N/A
Other stocks	1,629,910	—	—	—	1,629,910	Daily	1
Temporary investments:							
Mutual funds	85,749,304	—	—	—	85,749,304	Daily	1
Treasury notes	—	18,520,936	—	—	18,520,936	Daily/Monthly	1/30
Bonds	—	60,509,861	—	—	60,509,861	Daily/Monthly	1/30
Total investments and temporary investments	943,142,012	86,706,846	8,037,316	701,280,900	1,739,167,074		
Beneficial interest in perpetual trust	—	—	5,705,526	—	5,705,526	N/A	N/A
Total	$ 969,997,018	86,706,846	13,742,842	701,280,900	1,771,727,606		
Liabilities:							
Recurring:							
Derivative financial instruments	$ —	2,717,071	—	—	2,717,071	N/A	N/A

Note (a) – Hedge Funds and Commingled Emerging Market Equity China (June 30, 2021):

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 $248,040,993 at June 30, 2021. Two hedge funds have semi-annual 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 $45,900,401. 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 $58,240,059 at June 30, 2021. One hedge fund has a side pocket totaling $5,960,283 at June 30, 2021. Two hedge funds have lock-ups that expire more than 90 days following the fiscal year-end and total $46,739,042. Two hedge funds have been redeemed, but the timing of the cash flows is uncertain. These hedge funds have total fair value of $776,797.

	2020						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Assets:							
Recurring:							
Cash and cash equivalents	$ 34,082,627	—	—	—	34,082,627	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
U.S. large-cap growth equity	38,278,258	—	—	—	38,278,258	Daily	1
Student Managed Investment Fund	1,303,084		—	—	1,303,084	Daily	1
U.S. SMID cap core equity	—	—	—	—	—	Daily	1
Global-equity	25,275,941	—	—	—	25,275,941	Daily	1
Exchange-traded funds:							
Global REIT Securities	30,105,598	—	—	—	30,105,598	Daily	1
Mutual funds:							
U.S. large-cap core equity	171,447,853	—	—	—	171,447,853	Daily	1
International core equity	137,496,501	—	—	—	137,496,501	Daily	1
International growth equity	26,290,840	—	—	—	26,290,840	Daily	1
Emerging market equity	18,732,920	—	—	—	18,732,920	Daily	1
U.S. Treasury securities	42,840,950	—	—	—	42,840,950	Daily	1
High Yield Bond	11,072,270	—	—	—	11,072,270	Daily	1
Other commingled funds:							
Global equity	20,807,671	—	—	—	20,807,671	Monthly	6
International core equity	48,379,442	—	—	—	48,379,442	Monthly	10
International SMID cap equity	22,373,260	—	—	—	22,373,260	Monthly	10
Emerging market equity	27,753,115	—	—	—	27,753,115	Monthly/Quarterly	30
Emerging Market Equity China	—	—	—	39,441,730	39,441,730	Quarterly see note (a)	60
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	116,991,208	116,991,208	See note (a)	See note (a)
Fund of funds	—	—	—	34,532,971	34,532,971	See note (a)	See note (a)
Equity long/short	—	—	—	128,994,436	128,994,436	See note (a)	See note (a)

	2020						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Day(s) notice
Private equity limited partnerships:							
Direct private equity	—	—	—	87,910,740	87,910,740	Illiquid	N/A
Coinvestments	—	—	—	2,905,137	2,905,137	Illiquid	N/A
Private venture	—	—	64,552	13,417,006	13,481,558	Illiquid	N/A
Secondary private equity	—	—	—	1,038,268	1,038,268	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	536,342	536,342	Illiquid	N/A
Fund of funds	—	—	—	8,765,232	8,765,232	Illiquid	N/A
Real asset limited partnerships – diversified private real estate	—	—	—	20,580,022	20,580,022	Illiquid	N/A
Timber/oil/gas:							
Fund of funds – timber/oil/gas	—	—	—	140,703	140,703	Illiquid	N/A
Direct private equity limited partnerships – oil/gas	—	—	12,286,925	33,071,796	45,358,721	Illiquid	N/A
Certain split-interest investments:							
Cash and cash equivalents	146,435	—	—	—	146,435	Daily	1
Equities	521,172	—	—	—	521,172	Daily	1
Fixed income	79,199	—	—	—	79,199	Daily	1
Mutual funds	7,868,776	—	—	—	7,868,776	Daily	1
Nonmarketable	—	—	1,877,277	—	1,877,277	Illiquid	N/A
Cash – operating principal	17,652,397	—	—	—	17,652,397	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	1,569	6,033,435	267,406	—	6,302,410	Illiquid	N/A
Temporary investments:							
Mutual funds	43,238,056	—	—	—	43,238,056	Daily	1
Treasury notes	—	19,285,782	—	—	19,285,782	Daily/Monthly	1/30
Bonds	—	62,199,454	—	—	62,199,454	Daily/Monthly	1/30
Total investments and temporary investments	691,665,307	87,518,671	15,765,031	488,325,591	1,283,274,600		
Beneficial interest in perpetual trust	—	—	4,592,001	—	4,592,001	N/A	N/A
Total	$ 725,747,934	87,518,671	20,357,032	488,325,591	1,321,949,228		
Liabilities:							
Recurring:							
Derivative financial instruments	$ —	3,983,589	—	—	3,983,589	N/A	N/A

Note (a) – Hedge Funds and Commingled Emerging Market Equity China (June 30, 2020):

Certain investments may be redeemed upon 45- to 95-days' notice to the fund manager and permit a quarterly exit from the fund. The fair values of these funds total $203,763,383 at June 30, 2020. One hedge fund has a semi-annual exit date which occurs more than 90 days after the Foundation's fiscal year-end. The fair value of this fund with a notice of redemption period of 90 days is $26,396,147. 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 $57,777,527 at June 30, 2020. One hedge fund has a side pocket totaling $4,226,864 at June 30, 2020. Two hedge funds have lock-ups that expire more than 90 days following the fiscal year-end and totals $26,816,955. Three hedge fund have been redeemed, but the timing of the cash flows is uncertain. These hedge funds have total fair value of $979,469.

For the years ended June 30, 2021 and 2020, the changes in investments classified as Level 3 are as follows:

		2021			
		Private Equity	Natural resources	Other investments	Total
Purchases	$	—	—	—	—
Sales		—	(7,270,042)	—	(7,270,042)
Transfers out of Level 3		—	—	(563,846)	(563,846)

		2020			
		Private equity	Natural resources	Other investments	Total
Purchase	$	—	—	—	—
Sales		—	—	—	—
Transfers out of Level 3		(794)	—	(274,345)	(275,139)

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 .576% to 2.01%.

(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 0.417% and 0.498% at June 30, 2021 and 2020, respectively. Principal and interest are payable monthly. The outstanding balance at June 30, 2021 and 2020 was $3,913,821 and $4,051,642, 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 75.00% of the sum of one-month LIBOR plus 1.6%; such rate was 1.27% and 1.33% at June 30, 2021 and 2020, respectively. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2021 and 2020 was $10,045,000 and $10,445,000, respectively.

(Continued)

A summary as of June 30, 2021 of principal payments due under both notes payable during each of the next five years and thereafter is as follows:

Year ending June 30:		
2022	$	561,250
2023		580,193
2024		604,682
2025		634,754
2026		660,439
Thereafter		10,917,503
Total	$	13,958,821

(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, 2021 and 2020, the total notional amount of the swap was $3,925,621 and $4,062,762, respectively. As of June 30, 2021 and 2020, the fair value of this interest rate swap was a liability of $1,537,522 and $2,051,676, respectively. The Foundation recorded a related unrealized gain of $514,154 and unrealized loss of $533,686 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the total notional amount of the swap was $10,145,000 and $10,545,000, respectively. As of June 30, 2021 and 2020, the fair value of this interest rate swap was a liability of $1,179,549 and $1,931,913, respectively. The Foundation recorded a related unrealized gain of $752,364 and unrealized loss of $1,124,114 for the years ended June 30, 2021 and 2020, 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 $12,263,464 and $10,492,858 at June 30, 2021 and 2020, respectively, and are included in investments in the accompanying statements of financial position. Estimated future payments on deferred gift obligations as of June 30, 2021 are as follows:

Year ending June 30:		
2022	$	866,877
2023		899,507
2024		933,442
2025		785,214
2026		51,134
Thereafter		5,283,104
		8,819,278
Less amount representing interest (rates ranging from 0.576% to 2.01%)		(100,269)
Total	$	8,719,009

Obligations related to deferred gifts in the accompanying statements of financial position include liabilities associated with charitable gift annuity arrangements totaling $2,196,901 and $1,850,638 as of June 30, 2021 and 2020, 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) Operating Leases

The Foundation is a lessee under operating leases for property and equipment. Total rent expense for the years ended June 30, 2021 and 2020 was $155,496 and $1,473,280, 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, 2021 is as follows:

Year ending June 30:		
2022	$	236,480
2023		243,438
2024		250,612
2025		42,642
Total	$	773,172

(Continued)

(11) Related-Party Transactions

(a) Rental Income

The Foundation leases certain property, which has a total carrying value of $16,086,136 and $16,684,420 as of June 30, 2021 and 2020, respectively, to the Board of Regents. Related rental income totaled $1,066,306 and $695,966 for the years ended June 30, 2021 and 2020, respectively, and relate to annual renewable leases with the Board of Regents. These lease agreements for fiscal year 2022 have been executed, and the Foundation expects to receive rental revenue during fiscal year 2022 totaling $1,443,379.

(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. The Foundation renewed the agreement during fiscal year 2021 through June 30, 2026.

Programs and Scholarships – During fiscal years 2021 and 2020, the Foundation expensed $78,826,234 and $92,142,641, respectively, in support of the University's programs and scholarships. Of this amount, during fiscal years 2021 and 2020, $52,391,399 and $54,199,865, respectively, was paid directly to the University. As of June 30, 2021 and 2020, outstanding transfers of $5,983,143 and $5,396,788, 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 2021 and 2020, the Foundation transferred $22,292,723 and $31,602,636, respectively, to the University of Georgia Athletic Association (Athletic Association) for University facility renovation and program support. As of June 30, 2021, outstanding transfers of $41,207 were due to the Athletic Association and are included in accounts payable and accrued expenses in the accompanying 2021 statement of financial position.

Rentals – During 2021 and 2020, the Foundation made annual payments totaling $433,967 and $700,800, respectively to the Athletic Association related to the use of skyboxes at Sanford Stadium.

(c) Personnel Costs

Personnel of the Foundation are employees of the University 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 2021 and 2020 totaled $4,294,734 and $4,167,954, 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.

(Continued)

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

		2021	2020
Balance, beginning of year	$	49,827,507	51,808,178
Distributions		(5,030,706)	(2,074,427)
Investment gains, net of fees, attributable to balances		15,884,189	93,756
Balance, end of year	$	60,680,990	49,827,507

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 is as follows:

		2021	2020
Balance, beginning of year	$	6,393,333	12,257,546
Distributions		—	(6,428,120)
Investment gains, net of fees, attributable to balances		151,346	563,907
Balance, end of year	$	6,544,679	6,393,333

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, 2021 and 2020, the fair value of the total amounts of revocable gifts received to date and included in funds held for others totaled $801,841 and $641,380, respectively.

(12) Property and Equipment, Net

Property and equipment at June 30, 2021 and 2020 consist of the following:

		2021	2020
Land	$	17,550,671	18,070,558
Buildings and improvements		18,929,163	19,152,867
Furniture, fixtures, and equipment		4,033,632	4,033,632
		40,513,466	41,257,057
Less accumulated depreciation		(10,314,444)	(9,683,374)
Total	$	30,199,022	31,573,683

Depreciation expense totaled $631,070 and $1,239,072 for the years ended June 30, 2021 and 2020, respectively.

(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, 2021 and 2020 is as follows:

	2021	2020
General college support	$ 17,481,973	24,619,399
Student financial aid	20,734,947	19,157,772
Faculty and staff support	8,025,157	6,780,696
Research	1,832,122	2,437,675
Facilities	24,590,978	34,817,118
Administrative fees	11,527,087	9,874,331
	$ 84,192,264	97,686,991

(14) Net Assets

Net assets with donor restrictions as of June 30, 2021 and 2020 were available for the following purposes:

	2021	2020
Spendable donor-restricted net assets:		
General college support	$ 82,242,661	229,148,917
Student financial aid	222,784,956	110,294,453
Faculty and staff support	180,439,471	100,420,270
Research	27,693,803	18,532,954
Facilities	351,494,068	72,509,596
Total	$ 864,654,959	530,906,190

Net assets donor-restricted in perpetuity totaling $730,833,193 and $670,815,146 as of June 30, 2021 and 2020 consist of $41,145,958 and $24,565,350, respectively, for contributions receivable and $689,687,235 and $646,249,796, 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, 2021 and 2020:

	2021	2020
Designated to function as endowment:		
General support	$ 148,304,602	104,084,144
Student financial aid	29,358,127	21,591,732
Faculty and staff support	14,923,095	12,715,289
	192,585,824	138,391,165
Other board-designated:		
General support	2,269,683	1,137,560
Student financial aid	3,327,655	3,640,715
Facilities	1,640,104	859,491
	7,237,442	5,637,766
Total	$ 199,823,266	144,028,931

(15) Liquidity and Availability

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

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 26,855,006	34,802,627
Accounts receivable	2,896,616	1,921,310
Temporary investments	164,780,100	124,723,292
Contributions receivable	91,739,808	76,372,496
Beneficial interest in perpetual trust	5,705,526	4,592,001
Investments	1,574,386,974	1,158,551,308
Total financial assets	1,866,364,030	1,400,963,034
Less financial assets not available for general expenditures due to nature:		
Deferred gift assets	(12,263,464)	(10,492,858)
Less financial assets with contractual or donor-imposed restrictions:		
Permanent endowments	(672,641,855)	(631,395,287)
Spendable donor-restricted financial assets	(805,412,488)	(469,570,209)
Contributions receivable, net	(91,739,808)	(76,372,496)
Funds held on behalf of other organizations	(68,027,510)	(56,862,220)

(Continued)

		2021	2020
Less board designated endowments	$	(192,585,824)	(138,391,165)
Less other board designated funds		(7,237,442)	(5,637,766)
Financial assets available to meet cash needs for general expenditures within one year	$	16,455,639	12,241,033

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 $192,585,824 and $7,237,442, respectively, as of June 30, 2021 and $138,391,165 and $5,637,766, respectively, as of June 30, 2020. 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 $322,286,723 and $198,779,292 as of June 30, 2021 and 2020, respectively. The timing of liquidation or redemption of these investments is unknown, except for the Foundation's investment in certain charitable limited family partnerships totaling $1,230,560, which may be liquidated beginning on December 31, 2022.

(16) Functional Expenses

Expenses on a functional basis were as follows for the years ended June 30, 2021 and 2020:

	2021				2020			
	Program	General and administrative	Fundraising	Total	Program	General and administrative	Fundraising	Total
Salaries, wages, and benefits	$ —	4,122,406	172,328	4,294,734	—	4,167,954	—	4,167,954
Supplies and other services	2,921,377	472,686	3,147,052	6,541,115	5,090,511	1,053,939	5,576,679	11,721,129
Travel	—	3,654	78,267	81,921	—	50,291	268,603	318,894
Distributions to the University	52,391,399	—	—	52,391,399	54,199,865	—	—	54,199,865
Distributions to University				—				
affiliates	22,292,723	—	—	22,292,723	31,602,636	—	—	31,602,636
Depreciation and amortization	631,070	—	—	631,070	638,144	—	600,928	1,239,072
Interest	589,665	—	—	589,665	611,485	—	—	611,485
	$ 78,826,234	4,598,746	3,397,647	86,822,627	92,142,641	5,272,184	6,446,210	103,861,035

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 financial statements for 2021 and 2020.

(18) COVID-19 Pandemic

During the fourth calendar quarter of 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world and in the U.S. during 2020 and continuing into 2021 has caused significant volatility in the global financial markets, including those in the U.S. There is continued uncertainty as to the breadth and duration of this pandemic and the resultant market disruption. Mandates from state and local authorities have required periodic temporary closure and/or limited operations of certain schools, businesses and other facilities and organizations. While such closures and limitations on movement, both globally and in the U.S., are expected to be temporary, the potential continued spread of COVID-19 and its impact on social interaction, economic activity and financial markets may adversely affect the Foundation's operations and financial position.

(19) Subsequent Events

Subsequent to June 30, 2021 and through October 1, 2021, 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.