THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

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KPMG LLP
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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 subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, 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 Consolidated 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 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 subsidiary as of June 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Atlanta, Georgia
September 30, 2016

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	$ 12,520,353	12,333,065
Temporary investments (notes 5 and 6)	101,358,401	84,390,074
Accounts receivable	1,232,710	2,203,334
Contributions receivable, net (note 3)	56,261,978	53,324,694
Beneficial interest in perpetual trust (note 6)	4,039,790	4,482,512
Accrued interest receivable	200,845	179,349
Prepaid expenses and other assets	335,295	234,593
Investments (notes 5 and 6)	847,352,123	842,578,340
Property and equipment, net (note 13)	40,475,947	42,959,360
Works of art	2,322,808	2,317,808
Cash value of life insurance policies	2,482,855	2,291,125
Total assets	$ 1,068,583,105	1,047,294,254
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 2,800,080	8,307,693
Derivative financial instruments (notes 6 and 9)	4,273,468	2,476,363
Funds held for others (notes 6 and 12(d))	57,370,606	47,271,921
Deferred revenue (note 7)	512,603	454,777
Obligations related to deferred gifts (notes 6 and 10)	10,163,465	10,307,646
Notes payable (notes 6 and 8)	17,269,677	17,730,814
Total liabilities	92,389,899	86,549,214
Net assets:		
Unrestricted	103,852,384	102,055,010
Temporarily restricted (note 15)	387,038,762	410,425,377
Permanently restricted (note 15)	485,302,060	448,264,653
Total net assets	976,193,206	960,745,040
Commitments and contingencies (notes 5, 7, 8, 9, 10, 11, and 12)		
Total liabilities and net assets	$ 1,068,583,105	1,047,294,254

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidated Statement of Activities

Year ended June 30, 2016
(with summarized consolidated financial information for the year ended June 30, 2015)

	2016				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2015 Total**
Revenue:					
Rental income (note 12(a))	$ 1,066,187	—	—	1,066,187	858,555
Contributions	2,668,505	57,904,619	38,236,689	98,809,813	74,907,395
Provision for doubtful contributions	(220,011)	(5,495,553)	(260,875)	(5,976,439)	(1,694,000)
Net realized and unrealized loss on investments (note 5)	(3,233,848)	(16,520,895)	(92,450)	(19,847,193)	(722,709)
Interest and dividends	753,533	6,461,333	288,715	7,503,581	8,609,645
Change in value of annuities	—	184,794	(846,540)	(661,746)	(399,177)
Change in cash surrender value of life insurance	—	—	154,590	154,590	88,309
Change in fair value of derivative financial instruments (note 9)	(1,797,105)	—	—	(1,797,105)	(634,005)
Change in value of beneficial interest in perpetual trust	—	—	(442,722)	(442,722)	(185,326)
Other	7,078,530	2,147,715	—	9,226,245	7,458,222
Net assets released from restrictions (note 14)	68,068,628	(68,068,628)	—	—	—
Total revenue	74,384,419	(23,386,615)	37,037,407	88,035,211	88,286,909
Expenses:					
Program services (note 12(b)):					
General college support	23,309,906	—	—	23,309,906	22,007,525
Student financial aid	14,278,785	—	—	14,278,785	13,664,818
Faculty and staff support	5,103,328	—	—	5,103,328	4,932,238
Research	812,776	—	—	812,776	543,285
Facilities	21,321,633	—	—	21,321,633	23,666,293
Total program services	64,826,428	—	—	64,826,428	64,814,159
General and administrative	4,483,274	—	—	4,483,274	3,143,340
Fundraising	3,277,343	—	—	3,277,343	2,815,949
Total expenses	72,587,045	—	—	72,587,045	70,773,448
Change in net assets	1,797,374	(23,386,615)	37,037,407	15,448,166	17,513,461
Net assets:					
Beginning of year	102,055,010	410,425,377	448,264,653	960,745,040	943,231,579
End of year	$ 103,852,384	387,038,762	485,302,060	976,193,206	960,745,040

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidated Statement of Activities

Year ended June 30, 2015

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenue:				
Rental income (note 12(a))	$ 858,555	—	—	858,555
Contributions	7,772,729	40,286,893	26,847,773	74,907,395
Provision for doubtful contributions	(131,746)	(1,347,183)	(215,071)	(1,694,000)
Net realized and unrealized (loss) gain on investments (note 5)	(1,681,822)	1,240,426	(281,313)	(722,709)
Interest and dividends	801,490	7,502,323	305,832	8,609,645
Change in value of annuities	—	(44,501)	(354,676)	(399,177)
Change in cash surrender value of life insurance	—	—	88,309	88,309
Change in fair value of derivative financial instruments (note 9)	(634,005)	—	—	(634,005)
Change in value of beneficial interest in perpetual trust	—	—	(185,326)	(185,326)
Other	5,185,736	2,039,844	232,642	7,458,222
Net assets released from restrictions (note 14)	69,624,902	(69,624,902)	—	—
Total revenue	81,795,839	(19,947,100)	26,438,170	88,286,909
Expenses:				
Program services (note 12(b)):				
General college support	22,007,525	—	—	22,007,525
Student financial aid	13,664,818	—	—	13,664,818
Faculty and staff support	4,932,238	—	—	4,932,238
Research	543,285	—	—	543,285
Facilities	23,666,293	—	—	23,666,293
Total program services	64,814,159	—	—	64,814,159
General and administrative	3,143,340	—	—	3,143,340
Fundraising	2,815,949	—	—	2,815,949
Total expenses	70,773,448	—	—	70,773,448
Change in net assets	11,022,391	(19,947,100)	26,438,170	17,513,461
Net assets:				
Beginning of year	91,032,619	430,372,477	421,826,483	943,231,579
End of year	$ 102,055,010	410,425,377	448,264,653	960,745,040

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 15,448,166	17,513,461
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,313,751	1,129,060
Provision for doubtful contributions	5,976,439	1,694,000
Contributions restricted for long-term investment	(36,153,140)	(24,080,063)
Interest and dividends restricted for long-term investment	(288,715)	(305,832)
Net realized and unrealized loss on investments	19,847,193	722,709
Net (gain) loss on sales of property and equipment and works of art	(123,401)	145,428
Actuarial loss on obligations related to deferred gifts	1,124,526	786,701
Contributions of works of art	(5,000)	—
Changes in:		
Accounts receivable and accrued interest receivable	949,128	(249,842)
Contributions receivable	(8,913,723)	(9,322,337)
Derivative financial instruments	1,797,105	634,005
Prepaid expenses and other assets	(100,702)	24,503
Accounts payable and accrued expenses	(5,507,613)	3,627,325
Beneficial interest in perpetual trust	442,722	185,326
Deferred revenue	57,826	229,903
Net cash used in operating activities	(4,135,438)	(7,265,653)
Cash flows from investing activities:		
Capital expenditures	(145,256)	(6,584,633)
Proceeds from sales of property and equipment and works of art	1,438,319	786,139
Purchases of investments	(127,825,105)	(252,584,623)
Proceeds from sales and maturities of investments	86,235,802	235,654,328
Net increase in funds held for others	10,098,685	2,549,776
Change in cash value of life insurance policies	(191,730)	(53,534)
Net cash used in investing activities	(30,389,285)	(20,232,547)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	36,153,140	24,080,063
Interest and dividends restricted for long-term investments	288,715	305,832
Proceeds from issuance of tax-exempt bonds	—	12,500,000
Repayment of tax-exempt bonds	—	(12,500,000)
Proceeds from establishment of note payable	—	12,500,000
Repayment of line of credit	—	(5,640,613)
Payments of obligations related to deferred gifts	(1,268,707)	(1,268,880)
Investments subject to annuity agreements	—	150,000
Repayment of notes payable	(461,137)	(359,153)
Net cash provided by financing activities	34,712,011	29,767,249
Net change in cash and cash equivalents	187,288	2,269,049
Cash and cash equivalents – beginning of year	12,333,065	10,064,016
Cash and cash equivalents – end of year	$ 12,520,353	12,333,065
Supplemental cash flow information:		
Cash paid for interest	$ 737,897	615,044
Supplemental disclosure of noncash information:		
In-kind contribution of works of art	$ 5,000	—

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
- Owns and operates a study-abroad facility in Costa Rica for the benefit of the University through a wholly owned foreign corporation, UGA Ecolodge and Research Station S.A. (the Costa Rica Entity), established under Costa Rican law

The accompanying consolidated financial statements include the accounts of The University of Georgia Alumni Association (the Alumni Association), 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.

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, 2016 and 2015, 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 Foundation 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 Fees

Consultants, custodial managers, and investment managers receive payments for the services they provide in managing investment securities for the Foundation. Fees of $8,063,327 and $9,699,233 paid to investment managers during 2016 and 2015, respectively, are included in net realized and unrealized (loss) gain on investments in the accompanying consolidated statements of activities. Custodial and consultant expenses of $577,409 and $577,434 were paid directly to custodial managers and consultants during 2016 and 2015, respectively, and are netted against interest and dividends in the accompanying consolidated statements of activities.

(e) Investment Strategy for Cash Balances

The Foundation employs a three-tier investment strategy for short-term balances of restricted and unrestricted 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 unrestricted net assets. Any investment returns recognized from Tier 2 and Tier 3 are returned to unrestricted net assets for annual operations. For the years ended June 30, 2016 and 2015, the accumulated net gain of Tier 2 and Tier 3 was $1,090,594 and $918,893, respectively, which is reflected as an increase of unrestricted net assets within the accompanying consolidated statements of activities.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Contributions 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. 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 either temporarily or permanently restricted revenue 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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations or time restrictions. Net assets included in this class include unrestricted gifts and board-designated endowment funds.

Temporarily restricted net assets – 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 temporarily restricted net assets expire (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are transferred to unrestricted net assets 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 restricted purpose as soon as it is practical and prudent. Temporarily restricted net assets are used to provide facility support, including building construction and renovation, and program support of the University.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations requiring that the net assets be maintained permanently by the Foundation. The permanently restricted classification is used if the donor stipulations are restricted for a specified purpose, 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 permanently restricted 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, 2016 and 2015. The method used to calculate the annual endowment spending budget is described in note 4(d).

(k) 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 permanently restricted net assets in the accompanying consolidated statements of activities.

(l) 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.

(m) Rental Income

Rental income is recognized monthly when earned and collectibility of the associated receivable is reasonably assured. Any rental payments received, but not yet earned, are included in deferred revenue in the accompanying consolidated statements of financial position.

(n) Administrative Fees

The Foundation charges an administrative fee to restricted endowed funds and transfers this amount to the unrestricted fund to cover operating expenses. For the years ended June 30, 2016 and 2015, the administrative fee charged was $7,339,882 and $7,366,849, 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, 2016 and 2015. 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 unrestricted net assets from temporarily restricted net assets 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) Reclassifications

Certain 2015 expenses included in the consolidated statement of activities have been reclassified to conform to the 2016 presentation.

(r) Recently Issued Accounting Standards

In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Interest–Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03)*. This ASU requires that debt issuance costs shall be reported in the balance sheet as a direct deduction from the face amount of the related debt, which is consistent with the presentation of debt discounts and premiums. The ASU is effective for all business entities for fiscal years beginning after December 15, 2015 and early adoption is permitted. In fiscal 2015, the Foundation elected to early adopt the provisions of ASU 2015-03.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (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 June 2015, the FASB released ASU 2015-10, *Technical Corrections and Improvements*, which included amendments to the definition of readily determinable fair value (RDFV). These amendments clarified that investments in both mutual funds and investments in structures similar to mutual funds have a RDFV when certain criteria are met. Prior to these amendments, the definition of RDFV did not include reference to structures similar to mutual funds (typically measured using Net Asset Value as a practical expedient). As a result, a portion of the Foundation’s investments that was previously classified as “Investments measured at NAV” in fiscal 2015 was reclassified to Level 1 as an immaterial correction (note 6).

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, which have not yet been issued or made available for issuance. The Foundation will implement the provisions of ASU 2016-01 during fiscal year 2019. The Foundation has not yet determined the impact of the new standard on its current policies.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB 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 all business entities for fiscal years 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 lessee accounting.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Non-for-Profit Entities*. ASU 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. The Foundation will implement the provisions of ASU 2016-14 during fiscal year 2019. The Foundation has not yet determined the impact of the new standard on its current policies.

(3) Contributions Receivable, Net

Unconditional promises to give as of June 30, 2016 and 2015 are due as follows:

		2016	2015
Within one year	$	5,203,506	14,850,659
One to five years		56,082,764	50,515,621
More than five years		2,375,864	3,713,926
Gross contributions receivable		63,662,134	69,080,206
Less:			
Allowance for uncollectible contributions		(2,636,930)	(10,976,088)
Present value component		(4,763,226)	(4,779,424)
Contributions receivable, net	$	56,261,978	53,324,694

The discount rates used to calculate the present value component range from 2.46% to 6.69%.

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 26% and 41% of contributions receivable, net as of June 30, 2016 and 2015, respectively.

Fundraising expenses incurred by the Foundation totaled $3,277,343 and $2,815,949 during 2016 and 2015, respectively. Fundraising expenses incurred by the University are not included in the accompanying consolidated statements of activities.

(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.

As of July 1, 2008, the Foundation adopted 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. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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 unrestricted funds to function as endowments, they are classified as unrestricted net assets.

The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2016 and 2015:

		As of June 30, 2016			
Endowment net asset composition by type of fund		**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	(2,757,835)	280,168,460	455,227,557	732,638,182
Board-designated endowment funds		88,782,050	—	—	88,782,050
Total funds	$	86,024,215	280,168,460	455,227,557	821,420,232

		Year ended June 30, 2016			
Changes in endowment net assets		**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$	80,123,265	307,360,671	419,283,668	806,767,604
Investment return:					
Investment income		649,238	5,129,425	11,789	5,790,452
Market value adjustment		(2,226,226)	(17,270,210)	—	(19,496,436)
Total investment (loss) return		(1,576,988)	(12,140,785)	11,789	(13,705,984)
Contributions		9,781,750	15,243,351	35,932,100	60,957,201
Appropriation of endowment assets for expenditure		(2,303,812)	(30,294,777)	—	(32,598,589)
Endowment net assets, end of year	$	86,024,215	280,168,460	455,227,557	821,420,232

Endowment net asset composition by type of fund		As of June 30, 2015 Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(2,266,186)	307,360,671	419,283,668	724,378,153
Board-designated endowment funds		82,389,451	—	—	82,389,451
Total funds	$	80,123,265	307,360,671	419,283,668	806,767,604

Changes in endowment net assets		Year ended June 30, 2015 Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	70,142,904	323,964,163	395,240,048	789,347,115
Investment return:					
Investment income		724,638	6,115,532	8,734	6,848,904
Market value adjustment		132,441	75,683	—	208,124
Total investment return		857,079	6,191,215	8,734	7,057,028
Contributions		10,601,478	4,884,735	24,034,886	39,521,099
Appropriation of endowment assets for expenditure		(1,478,196)	(27,679,442)	—	(29,157,638)
Endowment net assets, end of year	$	80,123,265	307,360,671	419,283,668	806,767,604

(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. Donor endowment deficits are classified as a reduction of unrestricted net assets. Deficits occurred during 2016 and 2015 due to certain unfavorable market conditions that resulted in negative investment returns accumulated. Deficits of this nature reported in unrestricted net assets were $2,757,835 and $2,266,186 as of June 30, 2016 and 2015, respectively, (note 10). Subsequent recovery of investment market value will reduce these accumulated deficits through the reinstatement of unrestricted amounts.

(b) Return Objectives and Risk Parameters

The Foundation has adopted endowment investment and spending policies that attempt 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 6.6% annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Investment Objectives

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

(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 2016 and 2015 based on the endowment value at December 31, 2014 and 2013, 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 2016 spending budget is ((80% * (1+ Consumer Price Index)) * fiscal year 2015 spending budget) + (20% * (fiscal year 2016 spending rate * endowment market value at December 31, 2014)). The formula used for the fiscal year 2016 spending budget is consistent with that for 2015. 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 1.6% annually, consistent with its intention to maintain the purchasing power of the endowment assets. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the individual endowment.

(5) Investment Securities and Temporary Investments

The fair value of investment securities and temporary investments as of June 30, 2016 and 2015 totaled $948,710,524 and $926,968,414, respectively. Included in the fair value of investments is $502,382,101 and $447,156,545 related to investments with estimated fair values based on quoted market prices or other observable market inputs and $446,328,423 and $479,811,869 related to investments that do not have readily determinable fair values provided by external investment managers as estimates of fair value at June 30, 2016 and 2015, respectively.

Net realized and unrealized (loss) gain on investments include $(16,246,407) and $(9,240,146) for investments with estimated fair values based on quoted market prices or other observable market inputs and $(3,600,786) and $8,517,437 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, 2016 and 2015, 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, 2016 and 2015, the Foundation had outstanding commitments of $92,715,941 and $66,865,408, 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:

		2016	2015
Private equity	$	49,693,879	25,017,828
Real assets		43,022,062	41,847,580
	$	92,715,941	66,865,408

(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, which 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 the risks or liquidity, but is based on the observability of the valuation inputs. In accordance with Subtopic 820-10, *Fair Value Measurement – Overall*, certain investments that are measured at fair value using the 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, 2016 and 2015 are as follows:

	2016						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Assets:							
Recurring:							
Cash and cash equivalents	$ 12,520,353	—	—	—	12,520,353	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
Large cap equity	25,151,291	—	—	—	25,151,291	Daily	1
Student Managed Investment Fund	792,802	—	—	—	792,802	Daily	1
Small/mid cap equity	18,383,014	—	—	—	18,383,014	Daily	1
Global equity	21,111,759	—	—	—	21,111,759	Daily	1
Exchange traded funds:							
International core equity	2,974,282	—	—	—	2,974,282	Daily	1
Commodities and Natural Resources	28,992,017	—	—	—	28,992,017	Daily	1
Emerging market equity	1,089,865	—	—	—	1,089,865	Daily	1
Mutual funds:							
Small cap equity	20,417,224	—	—	—	20,417,224	Daily	1
Large cap equity	29,194,766	—	—	—	29,194,766	Daily	1
International equity	46,843,530	—	—	—	46,843,530	Daily	1
Emerging market equity	58,514,213	—	—	—	58,514,213	Daily	1
Equity long/short	23,288,849	—	—	—	23,288,849	Daily	1
U.S. Treasury and related securities	51,574,653	—	—	—	51,574,653	Daily	1
Other commingled funds:							
Global equity	11,651,178	—	—	—	11,651,178	Monthly	6
International equity	64,112,598	—	—	—	64,112,598	Monthly	5
Emerging market equity	1,852,669	—	—	—	1,852,669	Monthly	30
Global fixed income	36,819,284	—	—	—	36,819,284	Monthly	10
Real estate investment trust securities	—	—	—	24,057,955	24,057,955	Monthly	15
Portable alpha strategies (note (a)):							
U.S. government securities	—	—	—	11,863,921	11,863,921	Quarterly	60
Commodity index	—	—	—	2,426,735	2,426,735	Quarterly	60
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	75,745,980	75,745,980	See note (a)	See note (a)
Fund of funds	—	—	—	21,973,200	21,973,200	See note (a)	See note (a)
Equity long/short	—	—	—	136,788,555	136,788,555	See note (a)	See note (a)
Private equity limited partnerships:							
Direct private equity	—	—	—	18,594,168	18,594,168	Illiquid	N/A
Coinvestments	—	—	—	1,288,273	1,288,273	Illiquid	N/A
Private venture	—	—	148,585	1,452,200	1,600,785	Illiquid	N/A
Secondary private equity	—	—	—	4,771,652	4,771,652	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	1,083,804	1,083,804	Illiquid	N/A
Fund of funds	—	—	—	9,337,502	9,337,502	Illiquid	N/A
Real asset limited partnerships – diversified private real estate	—	—	—	21,934,762	21,934,762	Illiquid	N/A
Timber/oil/gas:							
Commodities common trust fund	23,327,756	—	—	—	23,327,756	Monthly	9
Fund of funds – timber/oil/gas	—	—	—	323,449	323,449	Illiquid	N/A
Direct private equity limited partnership – oil/gas (1)	—	—	12,134,130	14,553,213	26,687,343	Illiquid	N/A
Certain split-interest investments:							
Cash and cash equivalents	71,666	—	—	—	71,666	Illiquid	N/A
Equities	478,504	—	—	—	478,504	Illiquid	N/A
Fixed income	121,142	—	—	—	121,142	Illiquid	N/A
Mutual funds	10,586,612	—	—	—	10,586,612	Illiquid	N/A
Nonmarketable	—	—	2,373,654	—	2,373,654	Illiquid	N/A
Cash – operating principal	2,095,135	—	—	—	2,095,135	Daily	1
Certificates of deposit	10,000	—	—	—	10,000	Daily	1
U.S. government and agency fixed income securities	—	—	—	—	—	Daily	1
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	—	4,508,450	1,229,036	—	5,737,486	Illiquid	N/A
Other stocks	39,219	—	—	—	39,219	Daily	1

	2016						
	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Temporary investments:							
Mutual funds	$ 22,888,073	—	—	—	22,888,073	Daily	1
Treasury notes	—	17,682,799	—	—	17,682,799	Monthly	30
Bonds	—	60,787,529	—	—	60,787,529	Monthly	30
Total investments and temporary investments	502,382,101	82,978,778	17,154,276	346,195,369	948,710,524		
Beneficial interest in perpetual trust	—	—	4,039,790	—	4,039,790	N/A	N/A
Total assets	$ 514,902,454	82,978,778	21,194,066	346,195,369	965,270,667		
Liabilities:							
Recurring:							
Derivative financial instruments	$ —	4,273,468	—	—	4,273,468	N/A	N/A
Nonrecurring:							
Obligations related to deferred gifts	—	—	10,163,465	—	10,163,465	N/A	N/A
Disclosure:							
Notes payable	—	17,269,677	—	—	17,269,677	N/A	N/A
Total liabilities	$ —	21,543,145	10,163,465	—	31,706,610		

(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, 2016):

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 $144,882,045 at June 30, 2016. 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 $67,815,704 at June 30, 2016. Three hedge funds have side pockets totaling $1,782,296 at June 30, 2016. Five hedge funds currently have lockups that expire more than 90 days following the fiscal year-end and total $34,170,109. Two hedge funds with an estimated total fair value of $148,237 have been redeemed, but the timing of the cash flows is uncertain.

	2015						
	Level 1 (1)	Level 2	Level 3	Investments measured at NAV (1)	Total	Redemption or liquidation	Days notice
Assets:							
Recurring:							
Cash and cash equivalents	$ 12,333,065	—	—	—	12,333,065	Daily	None
Investments and temporary investments:							
Separately managed accounts:							
Large cap equity	24,870,647	—	—	—	24,870,647	Daily	1
Small/mid cap equity	18,633,692	—	—	—	18,633,692	Daily	1
Global equity	20,243,185	—	—	—	20,243,185	Daily	1
Exchange traded funds:							
International equity	3,487,887	—	—	—	3,487,887	Daily	1
Commodities and Natural Resources	15,646,496	—	—	—	15,646,496	Daily	1
Mutual funds:							
Small cap equity	21,737,817	—	—	—	21,737,817	Daily	1
Large cap equity	29,161,190	—	—	—	29,161,190	Daily	1
International equity	44,674,725	—	—	—	44,674,725	Daily	1
Emerging market equity	57,558,169	—	—	—	57,558,169	Daily	1
Equity long/short	17,136,656	—	—	—	17,136,656	Daily	1
U.S. Treasury and related securities	44,550,044	—	—	—	44,550,044	Daily	1
Other commingled funds:							
Global equity	10,320,275	—	—	—	10,320,275	Monthly	6
International equity	71,214,053	—	—	—	71,214,053	Monthly	5
Emerging market equity	1,027,527	—	—	—	1,027,527	Monthly	30
Global fixed income	35,195,906	—	—	—	35,195,906	Monthly	10
Real estate investment trust securities	—	—	—	21,436,728	21,436,728	Monthly	15
Portable alpha strategies (note (a)):							
U.S. government securities	—	—	—	18,065,131	18,065,131	Quarterly	60
Commodity index	—	—	—	2,972,217	2,972,217	Quarterly	60
Hedge fund limited partnerships:							
Event-driven absolute return	—	—	—	89,748,445	89,748,445	See note (a)	See note (a)
Fund of funds	—	—	—	23,435,355	23,435,355	See note (a)	See note (a)
Equity long/short	—	—	—	151,621,390	151,621,390	See note (a)	See note (a)
Private equity limited partnerships:							
Direct private equity	—	—	—	16,828,635	16,828,635	Illiquid	N/A
Coinvestments	—	—	—	639,411	639,411	Illiquid	N/A
Private venture	—	—	150,776	1,993,360	2,144,136	Illiquid	N/A
Secondary private equity	—	—	—	5,932,921	5,932,921	Illiquid	N/A
Diversified private equity – distressed oriented	—	—	—	1,354,510	1,354,510	Illiquid	N/A
Fund of funds	—	—	—	9,065,264	9,065,264	Illiquid	N/A
Real asset limited partnerships – diversified private real estate	—	—	—	23,748,663	23,748,663	Illiquid	N/A
Timber/oil/gas:							
Commodities common trust fund	9,805,335	—	—	—	9,805,335	Monthly	9
Fund of funds – timber/oil/gas	—	—	—	317,182	317,182	Illiquid	N/A
Direct private equity limited partnership – oil/gas (2)	—	—	13,000,621	13,354,252	26,354,873	Illiquid	N/A
Certain split-interest investments:							
Cash and cash equivalents	100,498	—	—	—	100,498	Illiquid	N/A
Equities	486,356	—	—	—	486,356	Illiquid	N/A
Fixed income	91,375	—	—	—	91,375	Illiquid	N/A
Mutual funds	11,387,451	—	—	—	11,387,451	Illiquid	N/A
Nonmarketable	—	—	2,373,654	—	2,373,654	Illiquid	N/A

	2015						
	Level 1 (1)	Level 2	Level 3	Investments measured at NAV (1)	Total	Redemption or liquidation	Days notice
Cash – operating principal	1,952,258	—	—	—	1,952,258	Daily	1
Certificates of deposit	10,000	—	—	—	10,000	Daily	1
U.S. government and agency fixed income securities	—	28	—	—	28	Daily	1
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	—	4,729,832	1,213,611	—	5,943,443	Illiquid	N/A
Other stocks	35,941	—	—	—	35,941	Daily	1
Temporary investments:							
Mutual funds	19,894,742	—	—	—	19,894,742	Daily	1
Treasury notes	—	15,612,229	—	—	15,612,229	Monthly	30
Bonds	—	48,883,103	—	—	48,883,103	Monthly	30
Total investments and temporary investments	459,222,225	69,225,192	18,007,533	380,513,464	926,968,414		
Beneficial interest in perpetual trust	—	—	4,482,512	—	4,482,512	N/A	N/A
Total assets	$ 471,555,290	69,225,192	22,490,045	380,513,464	943,783,991		
Liabilities:							
Recurring:							
Derivative financial instrument	$ —	2,476,363	—	—	2,476,363	N/A	N/A
Nonrecurring:							
Obligations related to deferred gifts	—	—	10,307,646	—	10,307,646	N/A	N/A
Disclosure:							
Notes payable	—	17,730,814	—	—	17,730,814	N/A	N/A
Total liabilities	$ —	20,207,177	10,307,646	—	30,514,823		

(1) Due to the implementation of ASU 2015-10 and other changes, certain investments totaling $139,628,775 that were previously classified as "Investments measured at NAV" in fiscal 2015 were reclassified to Level 1 as an immaterial correction.

(2) 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, 2015):

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 $157,022,254 at June 30, 2015. 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 $74,967,538 at June 30, 2015. Four hedge funds have side pockets totaling $1,650,491 at June 30, 2015. Six hedge funds currently have lockups that expire more than 90 days following the fiscal year-end and total $52,118,030. One hedge fund has been redeemed, but the timing of the cash flows is uncertain. It has a total fair value of $84,223.

For the years ended June 30, 2016 and 2015, the changes in investments classified as Level 3 are as follows:

	2016				
		Private equity	**Natural resources**	**Other investments**	**Total**
Balance, beginning of year	$	150,776	13,000,621	4,856,136	18,007,533
Net realized and unrealized gains (losses)		8,124	(1,316,491)	41,228	(1,267,139)
Purchases		—	450,000	—	450,000
Sales		(10,315)	—	(3,790)	(14,105)
Transfers (out) of Level 3		—	—	(22,013)	(22,013)
Balance, end of year	$	148,585	12,134,130	4,871,561	17,154,276
Net unrealized gains (losses) relating to assets held as of June 30, 2016	$	8,124	(1,316,491)	36,692	(1,271,675)

	2015				
		Private equity	**Natural resources**	**Other investments**	**Total**
Balance, beginning of year	$	107,894	11,964,799	9,634,040	21,706,733
Net realized and unrealized gains (losses)		42,882	(264,178)	(181,506)	(402,802)
Purchases		—	1,300,000	—	1,300,000
Sales		—	—	(2,294)	(2,294)
Transfers (out) of Level 3		—	—	(4,594,104)	(4,594,104)
Balance, end of year	$	150,776	13,000,621	4,856,136	18,007,533
Net unrealized gains (losses) relating to assets held as of June 30, 2015	$	42,882	(264,178)	(178,445)	(399,741)

The Foundation’s accounting policy is to recognize transfers among levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. During fiscal year 2016, one investment received a distribution and converted to cash from Level 3 to Level 1 totaling $22,013. During fiscal year 2015, a portion of outside managed funds were transferred from Level 3 to Level 2 totaling $4,594,104.

For the years ended June 30, 2016 and 2015, the changes in beneficial interest in perpetual trust classified as Level 3 are as follows:

		2016	2015
Balance, beginning of year	$	4,482,512	4,667,838
Contribution/distribution		—	—
Change in valuation		(442,722)	(185,326)
Balance, end of year	$	4,039,790	4,482,512

For the years ended June 30, 2016 and 2015, the changes in obligations related to deferred gifts classified as Level 3 are as follows:

		2016	2015
Balance, beginning of year	$	10,307,646	10,639,825
Actuarial loss		1,124,526	786,701
Additions		—	150,000
Annuity payments		(1,268,707)	(1,268,880)
Balance, end of year	$	10,163,465	10,307,646

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 risks involved, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value at June 30, 2016 and 2015 were approximately $3,000,000 and $21,000,000, respectively, and are classified as Level 3 within the fair value hierarchy.

(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 12(d).

(Continued)

(d) Derivative Financial Instruments

The fair value of derivative financial instruments is determined using an income approach using the following significant inputs (note 9): 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. The discount rates are determined using daily U.S. Department of Treasury yield curve rates ranging from 1.1% to 2.1%.

(g) Notes Payable and Line of Credit

The carrying amounts of notes payable and line of credit approximate fair value because the variable interest rates approximate current rates at which similar loans could be obtained from lenders for the same remaining maturities.

(7) Deferred Revenue

The Foundation entered into a contract with Bank of America beginning July 1, 2013 for a period of five years, ending June 30, 2018. A guaranteed royalty income is shared by the Foundation and the University of Georgia Athletic Association (the Athletic Association) and begins at $600,000 in year one and graduates downward to $450,000 in year five. During the contract term, the difference between the guaranteed royalty income payments received by the Foundation and the amount of royalties earned from card sales have been recorded as deferred revenue. At June 30, 2016 and 2015, the total deferred affinity contract obligation included in deferred revenue is $505,393 and $354,777, respectively. For the years ended June 30, 2016 and 2015, the amounts recognized under the contract totaled $216,050 and $236,764, respectively, and are included in other revenue in the accompanying consolidated statements of activities.

(8) Notes Payable and Line of Credit

(a) Notes Payable

During 2007, the Foundation signed a $6,200,000 promissory loan agreement with a bank, which expires on November 1, 2017 and is collateralized by certain real property. Interest is charged at the bank's 30-day London InterBank Offered Rate (LIBOR) plus 32.5 basis points; such rate was 0.78% and 0.51% at June 30, 2016 and 2015, respectively. Principal and interest are payable monthly. The outstanding balance at June 30, 2016 and 2015 was $5,354,677 and $5,475,814, 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 and (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, is collateralized by certain real property, and includes certain debt covenants and restrictions. As of June 30, 2016 and June 30, 2015, the Foundation was in compliance with all required debt covenants and restrictions. Interest on the promissory loan agreement is charged at 75% of the sum of one-month (LIBOR) plus 1.60%; such rate was 1.57% and 1.34% at June 30, 2016 and 2015, respectively. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2016 and 2015 was $11,915,000 and $12,255,000, respectively.

A summary as of June 30, 2016 of principal payments due under both notes payable during each of the next five years and thereafter is as follows:

Year ending June 30:		
2017	$	478,541
2018		5,586,136
2019		375,000
2020		385,000
2021		400,000
Thereafter		10,045,000
Total	$	17,269,677

(b) Line of Credit

During 2014, the Foundation entered into a line-of-credit agreement totaling $9.5 million. As of June 30, 2016 and 2015, no amounts are outstanding under the line of credit.

(9) 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. As of June 30, 2016 and 2015, the total notional amount of the swap was $5,365,052 and $5,485,588, respectively. As of June 30, 2016 and 2015, the fair value of this interest rate swap was a liability of $2,674,620 and $1,988,175, respectively, in the accompanying consolidated statements of financial position. The Foundation recorded an unrealized loss on such swap of $686,445 and $145,817 for the years ended June 30, 2016 and 2015, 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, 2016, the total notional amount of the swap was $12,000,000. As of June 30, 2016, the fair value of this interest rate swap was a liability of $1,598,848, and is included in the accompanying 2016 consolidated statement of financial position. The Foundation recorded an unrealized loss on such swap of $1,150,660 for the year ended June 30, 2016.

(10) 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 $14,586,616 and $15,934,062 at June 30, 2016 and 2015, respectively. Estimated future payments on deferred gift obligations as of June 30, 2016 are as follows:

Year ending June 30:		
2017	$	741,550
2018		768,369
2019		796,261
2020		825,269
2021		855,437
Thereafter		7,272,682
		11,259,568
Less amount representing interest (rates ranging from 1.1% to 2.1%)		(1,096,103)
Total	$	10,163,465

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. The present value of this commitment is greater than the related endowment fund balances, resulting in deficits totaling $2,225,215 and $2,227,353 at June 30, 2016 and 2015, respectively. 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.

(11) Operating Leases

The Foundation is a lessee under operating leases for property and equipment. Total rent expense for the years ended June 30, 2016 and 2015 was $1,672,689 and $1,500,461, 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, 2016 is as follows:

Year ending June 30:		
2017	$	281,499
2018		187,048
2019		191,716
2020		196,511
2021		32,886
Total	$	889,660

(12) Related Party Transactions

(a) Rental Income

The Foundation leases certain property, which has a total carrying value of $21,460,266 and $21,993,374 as of June 30, 2016 and 2015, respectively, to the Board of Regents. Rental income includes $1,066,187 and $800,550 for the years ended June 30, 2016 and 2015, respectively, related 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 existing agreement was amended and restated.

Programs and Scholarships – During fiscal years 2016 and 2015, the Foundation expensed $64,826,428 and $64,814,159, respectively, in support of the University's programs and scholarships. Of this amount, during fiscal years 2016 and 2015, $44,355,884 and $31,000,350, respectively, was paid directly to the University. As of June 30, 2016 and 2015, outstanding transfers of $1,981,458 and $2,606,487, 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 2016 and 2015, the Foundation transferred $5,540,362 and $4,833,671, respectively, to the Athletic Association for University facility renovation and program support. As of June 30, 2016, there were no outstanding transfers due to the Athletic Association. As of June 30, 2015, outstanding transfers are due to the Athletic Association totaling $1,069,997.

Rentals – During 2016 and 2015, the Foundation made annual payments totaling $633,600 and 660,000, 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 2016 and 2015 totaled $3,306,444 and $2,110,079, 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 request that all funds be returned at any time. As of June 30, 2016 and 2015, the total value of the funds held for the Athletic Association, including investment earnings, was $45,515,888 and $46,708,954, respectively.

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

		2016	2015
Balance, beginning of year	$	46,708,954	44,212,208
Additions		—	2,000,000
Investment gains, net of fees, attributable to balances		(1,193,066)	496,746
Balance, end of year	$	45,515,888	46,708,954

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 request that all funds be returned at any time. As of June 30, 2016, the total value of funds held for the Real Estate Foundation, including investment earnings, totaled $11,259,680.

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

		2016
Balance, beginning of year	$	—
Additions		10,862,596
Investment gains, net of fees, attributable to balances		397,084
Balance, end of year	$	11,259,680

Revocable Gifts – During both fiscal years 2016 and 2015, the Foundation received a revocable gift of $50,000 from a Trustee. As of June 30, 2016, the total amount of revocable gifts received to date is $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, 2016 and 2015, the fair value of the total amounts of revocable gifts received to date and included in funds held for others totaled $595,038 and $562,967, respectively.

(Continued)

(e) Commitment

A memorandum of understanding between the Foundation and the UGA Real Estate Foundation (UGAREF) was executed March 1, 2013, describing the reimbursement obligations of the Foundation for Phase I construction of the Terry College Complex, which was completed in 2016. At the completion of Phase I, no unreimbursed costs were remaining. No amounts are outstanding for the Phase I construction at June 30, 2016 and 2015. Reimbursed costs related to this commitment are recorded in program services – facilities expense in the accompanying consolidated statements of activities.

(13) Property and Equipment, Net

Property and equipment at June 30, 2016 and 2015 consist of the following:

		2016	2015
Land	$	20,636,475	21,951,390
Buildings and improvements		20,708,625	20,626,885
Furniture, fixtures, and equipment		5,583,765	5,454,419
		46,928,865	48,032,694
Less accumulated depreciation		(6,460,154)	(5,146,401)
		40,468,711	42,886,293
Construction in progress		7,236	73,067
Total	$	40,475,947	42,959,360

Depreciation expense totaled $1,313,751 and $1,129,060 for the years ended June 30, 2016 and 2015, respectively.

(14) Net Assets Released from Restrictions

Net assets were released from donor-imposed temporary 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, 2016 and 2015 is as follows:

		2016	2015
General college support	$	27,642,030	28,821,262
Student financial aid		11,735,239	10,181,734
Faculty and staff support		5,751,539	5,963,190
Research		1,291,750	1,098,107
Facilities		21,648,070	23,560,609
	$	68,068,628	69,624,902

(15) Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 were available for the following purposes:

		2016	2015
General college support	$	161,370,693	168,100,907
Student financial aid		84,617,376	87,042,967
Faculty and staff support		75,366,346	85,180,794
Research		13,988,617	12,743,285
Facilities		51,695,730	57,357,424
Total	$	387,038,762	410,425,377

Permanently restricted net assets totaling $485,302,060 and $448,264,653 as of June 30, 2016 and 2015 consist of $17,234,337 and $13,811,936, respectively, for contributions receivable and $468,067,723 and $434,452,717, 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.

(16) 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 2016 and 2015.

(17) Subsequent Events

Subsequent to June 30, 2016 and through September 30, 2016, 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 there are no subsequent events to be disclosed.

Schedule 1

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidating Statement of Financial Position Information

June 30, 2016

	Total Foundation	Total Costa Rica Entity	Eliminations	Consolidated
Assets:				
Cash and cash equivalents	$ 12,239,932	280,421	—	12,520,353
Temporary investments	101,358,401	—	—	101,358,401
Accounts receivable	1,170,473	62,237	—	1,232,710
Contributions receivable, net	56,261,978	—	—	56,261,978
Beneficial interest in perpetual trust	4,039,790	—	—	4,039,790
Accrued interest receivable	200,845	—	—	200,845
Prepaid expenses and other assets	313,014	22,281	—	335,295
Investments	847,352,123	—	—	847,352,123
Investment in subsidiary	2,328,158	—	(2,328,158)	—
Property and equipment, net	38,048,864	2,427,083	—	40,475,947
Works of art	2,322,808	—	—	2,322,808
Cash value of life insurance policies	2,482,855	—	—	2,482,855
Total assets	$ 1,068,119,241	2,792,022	(2,328,158)	1,068,583,105
Liabilities:				
Accounts payable and accrued expenses	$ 2,336,216	463,864	—	2,800,080
Derivative financial instruments	4,273,468	—	—	4,273,468
Funds held for others	57,370,606	—	—	57,370,606
Deferred revenue	512,603	—	—	512,603
Obligations related to deferred gifts	10,163,465	—	—	10,163,465
Notes payable	17,269,677	—	—	17,269,677
Total liabilities	91,926,035	463,864	—	92,389,899
Net assets:				
Unrestricted	103,852,384	2,328,158	(2,328,158)	103,852,384
Temporarily restricted	387,038,762	—	—	387,038,762
Permanently restricted	485,302,060	—	—	485,302,060
Total net assets	976,193,206	2,328,158	(2,328,158)	976,193,206
Total liabilities and net assets	$ 1,068,119,241	2,792,022	(2,328,158)	1,068,583,105

(Continued)

Schedule 1

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidating Statement of Financial Position Information

June 30, 2015

		Total Foundation	Total Costa Rica Entity	Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$	12,169,854	163,211	—	12,333,065
Temporary investments		84,390,074	—	—	84,390,074
Accounts receivable		2,046,527	156,807	—	2,203,334
Contributions receivable, net		53,324,694	—	—	53,324,694
Beneficial interest in perpetual trust		4,482,512	—	—	4,482,512
Accrued interest receivable		179,349	—	—	179,349
Prepaid expenses and other assets		211,206	23,387	—	234,593
Investments		842,578,340	—	—	842,578,340
Investment in subsidiary		2,464,238	—	(2,464,238)	—
Property and equipment, net		40,509,994	2,449,366	—	42,959,360
Works of art		2,317,808	—	—	2,317,808
Cash value of life insurance policies		2,291,125	—	—	2,291,125
Total assets	$	1,046,965,721	2,792,771	(2,464,238)	1,047,294,254
Liabilities:					
Accounts payable and accrued expenses	$	7,979,160	328,533	—	8,307,693
Derivative financial instruments		2,476,363	—	—	2,476,363
Funds held for others		47,271,921	—	—	47,271,921
Deferred revenue		454,777	—	—	454,777
Obligations related to deferred gifts		10,307,646	—	—	10,307,646
Notes payable		17,730,814	—	—	17,730,814
Total liabilities		86,220,681	328,533	—	86,549,214
Net assets:					
Unrestricted		102,055,010	2,464,238	(2,464,238)	102,055,010
Temporarily restricted		410,425,377	—	—	410,425,377
Permanently restricted		448,264,653	—	—	448,264,653
Total net assets		960,745,040	2,464,238	(2,464,238)	960,745,040
Total liabilities and net assets	$	1,046,965,721	2,792,771	(2,464,238)	1,047,294,254

See accompanying independent auditors' report.

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidating Statement of Activities Information

Year ended June 30, 2016

	Total Foundation	Total Costa Rica Entity	Eliminations	Consolidated
Revenue:				
Rental income	$ 1,066,187	—	—	1,066,187
Contributions	98,809,813	—	—	98,809,813
Provision for doubtful contributions	(5,976,439)	—	—	(5,976,439)
Net realized and unrealized loss on investments	(19,847,193)	—	—	(19,847,193)
Interest and dividends	7,503,581	—	—	7,503,581
Change in value of annuities	(661,746)	—	—	(661,746)
Change in cash surrender value of life insurance	154,590	—	—	154,590
Change in fair value of derivative financial instruments	(1,797,105)	—	—	(1,797,105)
Change in value of beneficial interest in perpetual trust	(442,722)	—	—	(442,722)
Investment loss from subsidiary	(136,080)	—	136,080	—
Other	7,865,158	1,361,087	—	9,226,245
Total revenue and gains	86,538,044	1,361,087	136,080	88,035,211
Expenses:				
Program services				
General college support	21,812,739	1,497,167	—	23,309,906
Student financial aid	14,278,785	—	—	14,278,785
Faculty and staff support	5,103,328	—	—	5,103,328
Research	812,776	—	—	812,776
Facilities	21,321,633	—	—	21,321,633
Total program services	63,329,261	1,497,167	—	64,826,428
General and administrative	4,483,274	—	—	4,483,274
Fundraising	3,277,343	—	—	3,277,343
Total expenses	71,089,878	1,497,167	—	72,587,045
Change in net assets	15,448,166	(136,080)	136,080	15,448,166
Net assets:				
Beginning of year	960,745,040	2,464,238	(2,464,238)	960,745,040
End of year	$ 976,193,206	2,328,158	(2,328,158)	976,193,206

(Continued)

Schedule 2

THE UNIVERSITY OF GEORGIA FOUNDATION AND SUBSIDIARY

Consolidating Statement of Activities Information

Year ended June 30, 2015

	Total Foundation	Total Costa Rica Entity	Eliminations	Consolidated
Revenue:				
Rental income	$ 858,555	—	—	858,555
Contributions	74,907,395	—	—	74,907,395
Provision for doubtful contributions	(1,694,000)	—	—	(1,694,000)
Net realized and unrealized loss on investments	(722,709)	—	—	(722,709)
Interest and dividends	8,609,645	—	—	8,609,645
Change in value of annuities	(399,177)	—	—	(399,177)
Change in cash surrender value of life insurance	88,309	—	—	88,309
Change in fair value of derivative financial instruments	(634,005)	—	—	(634,005)
Change in value of beneficial interest in perpetual trust	(185,326)	—	—	(185,326)
Investment loss from subsidiary	(10,388)	—	10,388	—
Other	6,012,434	1,445,788	—	7,458,222
Total revenue and gains	86,830,733	1,445,788	10,388	88,286,909
Expenses:				
Program services				
General college support	20,551,349	1,456,176	—	22,007,525
Student financial aid	13,664,818	—	—	13,664,818
Faculty and staff support	4,932,238	—	—	4,932,238
Research	543,285	—	—	543,285
Facilities	23,666,293	—	—	23,666,293
Total program services	63,357,983	1,456,176	—	64,814,159
General and administrative	3,143,340	—	—	3,143,340
Fundraising	2,815,949	—	—	2,815,949
Total expenses	69,317,272	1,456,176	—	70,773,448
Change in net assets	17,513,461	(10,388)	10,388	17,513,461
Net assets:				
Beginning of year	943,231,579	2,474,626	(2,474,626)	943,231,579
End of year	$ 960,745,040	2,464,238	(2,464,238)	960,745,040

See accompanying independent auditors’ report.