



UNIVERSITY OF GEORGIA  
FOUNDATION



*Endowment Policies & Stewardship*





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FOUNDATION

Dear Bulldog Community,

One word to sum up the investment results for fiscal year 2021: extraordinary.

During the fiscal year that ran from July 1, 2020 – June 30, 2021, the investment portfolio delivered a 36.7% return, which is the highest fiscal year return rate on record for the UGA Foundation.

For decades, generous support from donors like you and steady investment returns have provided consistent and growing support to our university and students, which support today stands at all-time high levels. While the one-year return is incredible, the Foundation has a long-term history of stewarding life-changing gifts for the benefit of our students, faculty, programs, and research endeavors.

Yet just twelve months ago, who would have predicted these results?

The year was defined by an evolving global pandemic, uncertainty surrounding school and work life, and extreme financial market volatility. Through this chaos and the worst economic shock since the Great Depression, we maintained a long-term view and a steady decision-making process. The investment team frequently rebalanced the portfolio and leaned into attractive opportunities. The investment team does not focus on making predictions, which may have caused panic in a year like this just completed. Instead, we prepare. This approach has guided this Foundation and the investment portfolio well and will continue to serve as its North Star.

For the year, every segment within the investment portfolio contributed meaningfully. The portfolio's largest segment, public equities, generated a substantial 43% return and remains well diversified across regions and sectors. The private equity portfolio was the best performing segment, delivering more than 72% in returns for the year, with

significant distributions. Importantly, the portfolio holds 10% of its value in cash, or nearly three years' worth of spending. This provides significant liquidity for rebalancing, capital calls, and spending purposes.

It is important to celebrate wins when they occur. However, we also know that financial markets will continue to surprise with volatility. The steady hands that led the portfolio through the highs and lows over the previous fiscal year will again be the guiding force that leads us through the next unpredictable crisis. Through this, we remain dedicated to supporting our students and educating tomorrow's leaders who will shepherd our nation through tomorrow's challenges.

Go Dawgs!

Jason Bull

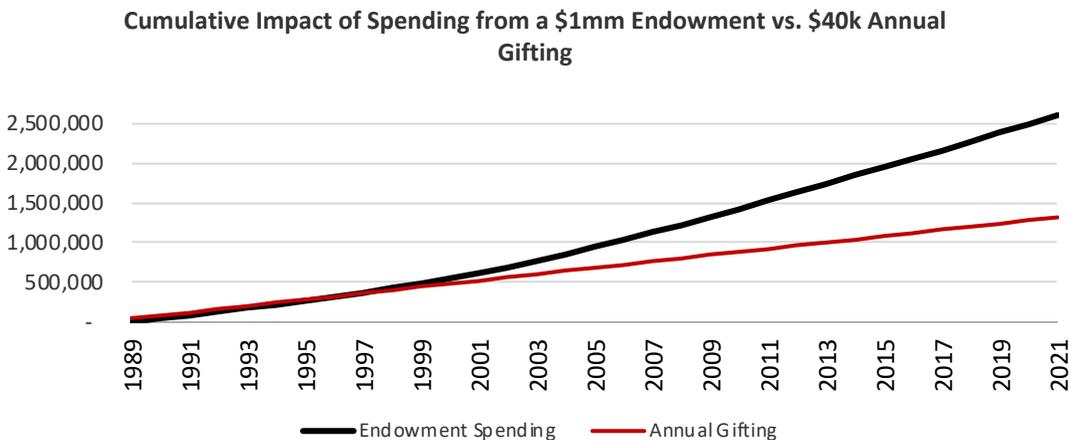
*Chief Investment Officer*

*UGA Foundation*

## WHY AN ENDOWMENT?

A bright future for the University of Georgia means a bright future for our state, nation and world and endowments are critical to secure that future. Gifts made to endowments are invested rather than spent, and the University of Georgia Foundation works to maximize the return on investment and create income that funds specific areas as designated by the endowment's creator. Over time, investment appreciation of an endowed gift has a powerful impact on future spending amounts distributed by the endowment.

The graph below illustrates an endowment's cumulative spending using our spending rules and actual annual portfolio returns over the past 30 years versus a \$40,000 gift made every year over the same time period. As you can see, cumulative spending generated from an endowment has the potential to provide significantly more financial support to UGA than spending the same annual gift each year.



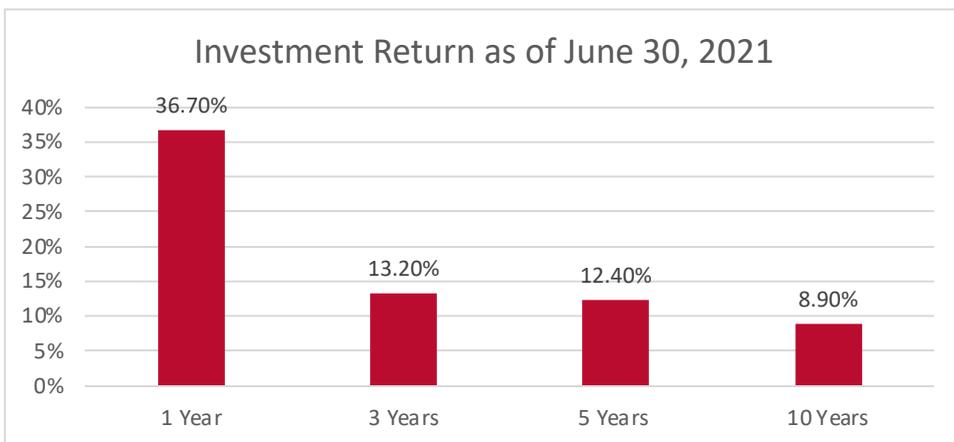
## ENDOWMENT INVESTMENT AND SPENDING

The Foundation's investment objective is to preserve and grow its purchasing power while providing a continuing and stable funding source to support its mission of support to the University of Georgia. To accomplish this objective, the goal of the Foundation is to generate a total return that will exceed spending, investment, expenses, and inflation.

### MANAGEMENT

The UGA Foundation Investment Committee is responsible for the oversight and management of the Long-Term Fund on behalf of the Foundation's Board of Trustees.

The Committee sets the investment policy of the Foundation including asset allocation, manager selection, and spending policy. The Committee currently employs a Chief Investment Officer (CIO) within the Foundation to provide strategic advice on asset allocation, for investment manager selections, and to oversee daily operations associated with managing the investment portfolio. The Foundation’s CIO is supported by an internal investment team, and may use outside consultants as part of the management of the assets. Prime Buchholz is currently engaged by the Foundation in this role.



## PERFORMANCE

The Long-Term Fund is managed with a perpetual time horizon and the investment objective of preserving purchasing power while providing a continuing and stable funding source to support the University of Georgia. Performance is calculated on a total return basis (income, dividends, gains and losses) net of manager fees.

### Investment Return Ending June 30, 2021

	1 year	3 years	5 years	10 years
UGAF	36.7%	13.2%	12.4%	8.9%
Actual Index	35.2%	12.6%	11.7%	8.1%

*Actual Index:* A custom benchmark consisting of a number of indices, which are weighted based on the actual allocation of each asset class within a client’s overall structure from the previous month. The Index measures the return of the asset allocation if it were implemented using passive (index) portfolios.

## **ALLOCATION**

All endowed gifts are pooled for purposes of investment and are invested across the managers in the Long-Term Fund. More than 60 underlying investment managers are currently in the Fund across these asset classes.

<b>Asset Class</b>	<b>Allocation Ranges</b>	<b>Asset Characteristics</b>
Publicly Traded Equities	35-65%	Capital appreciation, global diversification, highly liquid
Fixed Income & Cash	0-30%	Capital preservation and income, highly liquid
Private Equity	7-25%	High return potential, illiquid
Flexible Capital	10-20%	Moderate return potential with low volatility
Real Estate	5-10%	Inflation hedge and income generation

## **SPENDING**

The Foundation calculates endowment spending using a method which reduces volatility each year by placing more emphasis on prior year spending amounts versus annual investment performance.

Before a spending budget is calculated, each fund must be invested for one full year, have positive investment appreciation, and meet the minimum gift requirement.

## **ENDOWMENT MANAGEMENT FEE**

The expenses of The University of Georgia Foundation are paid, in part, through the assessment of a support fee from each endowment fund. Under current policy, the support fee is charged quarterly at the annual rate of 1% of the fund value. This covers direct expenses associated with the administration of the fund and a reasonable general overhead charge that permits the Foundation to recover the cost of other institutional resources that are essential to the accomplishment of the overall institutional and charitable purposes of the Foundation and the University, but which cannot practicably be traced to the individual fund's activities.

## FREQUENTLY ASKED QUESTIONS

### **What is the minimum gift amount that can create an endowment?**

The endowment minimum depends on the type of support the endowment will provide. UGA has several endowment options available at the \$25,000 level. A list of standard endowment minimums may be found here:

- Faculty/Staff Enhancement: [give.uga.edu/facultystaffenhancement](http://give.uga.edu/facultystaffenhancement)
- Student Support: [give.uga.edu/studentssupport](http://give.uga.edu/studentssupport)

### **How long do I have to reach the endowment minimum?**

To establish an endowment immediately, you may have up to five years to make gifts to meet the endowment minimum. You may also make plans to establish an endowment at a later date via a deferred gift such as a bequest or trust or by making the Foundation a beneficiary of a retirement account or life insurance policy. For more information on making a gift contact your development officer.

### **When will my gift start making an impact?**

Your endowment may start generating an annual spending allocation once the fund agreement is signed by all parties, the endowment minimum is met, and the money has been invested for one year. If the fund agreement has been signed by all parties, you may provide a current year gift(s) to be spent before the endowment minimum is met. The current year gift(s) will not count toward reaching the endowment minimum.

### **If I make a gift to the spendable account associated with my endowed fund, is it reflected on my financial endowment report?**

Yes. Each year, endowment reports are provided to show all activity in your endowed fund. This includes gifts for investment as well as any spendable gifts provided for immediate support.

### **How do I know the fund is being spent in accordance with my intentions and objectives?**

The UGA Foundation is required to use your gift as intended. The intent should be clearly stated and agreed upon by all parties. A fund agreement is created to describe the purpose of the gift and to document the mutual approval of the donor(s), the Dean of the benefitting school or college, the University of Georgia, and the UGA Foundation. A fund agreement serves as a guide to ensure gifts are deposited correctly, spent appropriately, and stewarded accordingly.

## May I choose the award recipient of my endowed fund?

In order for your gift to be considered tax-deductible by the IRS, you must relinquish all control over the gift. However, you may include criteria in the fund agreement to help guide the selection committee when choosing the recipient. The criteria must be ascertainable and must be allowable by federal and state laws and regulations and UGA policy.

## STEWARDSHIP

The University of Georgia is fortunate to be supported by loyal donors whose gifts make a meaningful difference for our students, faculty and staff and the communities they serve. Stewardship through reporting and recognition shows our sincerest appreciation to those who help our university improve lives for years to come.

### ENDOWED FUND REPORTING

Financial endowment reports are generated annually for funds that have reached the financial minimum. Reports are personalized to provide a summary of each fund's balance, disbursement, investment return, and fees within the previous fiscal year (July 1–June 30). In addition to financial reporting, donors may receive special messages of gratitude from students, faculty, and staff who have benefitted from the gift, but this cannot be guaranteed. It is possible to add recipients of this type of stewardship so that family members, honorees, and other major donors can see the fund's annual impact on the university.

### GIVING SOCIETIES

#### Cumulative Giving Societies

Three giving societies recognize donors whose cumulative generosity has made a significant impact on our university: Crystal Arch Society, Abraham Baldwin Society, and 1785 Society. These societies recognize donors whose gifts have reached \$10 million, \$5 million, and \$1 million, respectively.

As part of the university's recognition of their considerable giving, members of these societies receive a welcome packet with a presidential letter, an invitation to the annual Presidents Club Reception, a listing on the historic donor wall in the Presidents Garden at Old College on North Campus, and additional stewardship that may occur from the schools and colleges that the donor supports.

*Qualifying Gifts — Recognition into a Cumulative Giving Society is calculated by university-wide lifetime giving and includes gifts made to Athletic Ticket Priority funds. Open pledge balances and documented planned gifts do not qualify donors for Cumulative Giving Society membership. Planned gifts qualify upon realization.*

## **Presidents Club**

Presidents Club honors alumni and friends whose annual support makes an immediate impact at UGA. The Presidents Club recognizes donors who give \$1,500 or more each fiscal year. The Presidents Club recognizes donors at four levels: Bronze (\$1,500–\$4,999), Silver (\$5,000–\$9,999), Gold (\$10,000–\$24,999) and Platinum (\$25,000 and above). Their collective generosity serves as an endorsement of UGA and our commitment to inspire future leaders, advance global research, and improve lives everywhere.

As part of the university's recognition of their giving, Presidents Club members receive a Presidents Club lapel pin and decal, a bi-annual digital newsletter detailing the impact of the Presidents Club's generosity, and an invitation to the Presidents Club Reception.

*Qualifying Gifts — Recognition into Presidents Club is calculated by university-wide annual giving during the fiscal year (July 1–June 30) and does not include gifts made to Athletic Ticket Priority funds. Open pledge balances and documented planned gifts do not qualify donors for Presidents Club membership.*

## **Heritage Society**

Heritage Society recognizes the generosity of alumni and friends of the university that have documented a deferred gift to benefit the University of Georgia, University of Georgia Foundation, or one of its affiliated organizations. Heritage Society membership demonstrates that deferred giving is a superb avenue through which to support the university, its students, and faculty in perpetuity.

*Qualifying Gifts — Individuals are automatically welcomed into Heritage Society once they have documented a commitment through any of the following gift vehicles: bequest, retirement plan beneficiary designation, life insurance beneficiary designation, irrevocable life insurance gift, charitable gift annuity, pooled income fund, charitable remainder unitrust, charitable lead trust, or life estate reserved (real property).*





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FOUNDATION

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