

**UNIVERSITY OF NORTH FLORIDA
FOUNDATION, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
TABLE OF CONTENTS
JUNE 30, 2020 AND 2019

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Required Supplementary Information	
Management's Discussion and Analysis	3 – 12
Basic Financial Statements	
Statements of Net Position	13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15
Notes to Financial Statements	16 – 29
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 – 31
Supplemental Information	
Schedule of Expenditures of State Financial Assistance	32 – 35
Note to Schedule of Expenditures of State Financial Assistance	36
Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Auditor General of the State of Florida	37 – 38
Schedule of Findings and Questioned Costs	39 – 40

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
University of North Florida Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Florida Foundation, Inc. (the "Foundation"), a direct support organization and component unit of the University of North Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

2019 Audit

The financial statements of the Foundation for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on September 11, 2019.

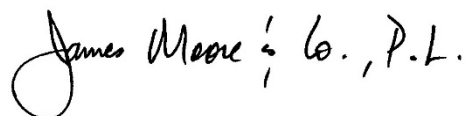
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance for the year ended June 30, 2020, as required by Chapter 10.650, Rules of the Auditor General, State of Florida, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Gainesville, Florida
September 9, 2020

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

Overview of the Financial Statements and Financial Analysis

University of North Florida Foundation, Inc. (the "Foundation") presents financial statements as of and for the years ended June 30, 2020 and 2019. The Foundation exists for the sole purpose of providing financial support to students and programs of the University of North Florida (the "University") and is a direct support organization and component unit of the University (a governmental agency).

The Foundation's financial statements are presented on an accrual basis, including the recording of depreciation, which includes 1) assets and liabilities as current and non-current; 2) revenues and expenses as operating and non-operating; 3) the use of the direct method of statement of cash flows; 4) a management's discussion and analysis ("MD&A") of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statement report includes the following:

1. Basic financial statements
 - a. Statements of Net Position
 - b. Statements of Revenues, Expenses, and Changes in Net Position
 - c. Statements of Cash Flows
 - d. Notes to the Financial Statements
2. Supplementary schedules
 - a. Schedule of Expenditures of State Financial Assistance

Financial Highlights

2020

- *2020 Fundraising.* In fiscal 2020, the Foundation recorded a total of \$8.138 million in contributions, which included endowment contributions of \$1.169 million.
- The Foundation had \$4.035 million restricted pledges receivable that have been discounted to present value, and adjusted for allowance for doubtful accounts, to a net balance of \$3.894 million, which is recorded on the Statement of Net Position.
- The 2020 annual *Foundation Board Drive* raised \$282,385. Funds raised during this drive are unrestricted and used for the Foundation's Board projects, Presidential Lecture Series, board operations and other board approved initiatives.
- *Student academic support.* In fiscal 2020, \$3.045 million was provided to 1,354 students in scholarships, fellowships and study abroad programs.
- *First Generation Matching Grant Program* provided additional scholarship funding. Approved by the Florida Legislature, the program provides State matching funds for the gifts received by the Foundation for the program. In fiscal 2020, the Foundation received an allotment of \$210,303 in gifts with a State match of twice the amount. The total available for first generation scholarship funding was \$630,909. There were an additional 333 students awarded scholarships from this program. The primary focus of this program is to provide scholarship opportunities to students who are the first- generation college students in their family. Other student criterion includes admittance of the University, attending at least six credit hours per semester at a state university and demonstrated financial need.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

- *The Foundation* continued to manage the loan agreement with the UNF Financing Corporation, Inc. (December 2014) for the East Park Warehouse renovations. The loan has a 10-year term with an interest rate of 3.00% and quarterly note payments of \$34,849, which are current at year-end.
- *Capital Assets.* In November 2015, the Athletics Department purchased a scoreboard and scoring table for the Athletics Arena. Total cost was \$700,000. In October 2017, the contract was revised to include a baseball scoring system, which totaled \$329,500. The total for the two scoring systems was \$1,029,500. The contract was revised to a four (4) year term that includes both systems. Payments totaling \$150,833 were made in fiscal year 2020.
- *Foundation Investments.* In fiscal 2020, the endowed investments and restricted cash and cash equivalents decreased by approximately \$2.022 million. The non-endowed net investment earnings totaled approximately \$749,000.
- *Net Position increased* to \$150.059 million in fiscal 2020, an increase of approximately \$2.472 million or 1.7% over fiscal 2019. This increase includes operating revenue of \$11.396 million, operating expenses of \$10.092 million, and contributions to permanent endowments of \$1.619 million.

2019

- *2019 Fundraising.* In fiscal 2019, the Foundation recorded a total of \$9.428 million in contributions, which included endowment contributions of \$2.785 million.
- The Foundation had \$3.387 million restricted pledges receivable that have been discounted to present value, and adjusted for allowance for doubtful accounts, to a net balance of \$3.227 million, which is recorded on the Statement of Net Position.
- The 2019 annual *Foundation Board Drive* raised \$256,069. Funds raised during this drive are unrestricted and used for the Foundation's Board projects, Presidential Lecture Series, board operations and other board approved initiatives.
- *Student academic support.* In fiscal 2019, \$2.947 million was provided to 1,406 students in scholarships, fellowships and study abroad programs.
- *First Generation Matching Grant Program* provided additional scholarship funding. Approved by the Florida Legislature, the program provides State matching funds for the gifts received by the Foundation for the program. In fiscal 2019, the Foundation received an allotment of \$205,311 in gifts with a State match of twice the amount. The total available for first generation scholarship funding was \$615,933. There were an additional 340 students awarded scholarships from this program. The primary focus of this program is to provide scholarship opportunities to students who are the first-generation college students in their family. Other student criterion includes admittance of the University, attending at least six credit hours per semester at a state university and demonstrated financial need.
- *The Foundation* continued to manage the loan agreement with the UNF Financing Corporation, Inc. (December 2014) for the East Park Warehouse renovations. The loan has a 10-year term with an interest rate of 3.00% and quarterly note payments of \$34,849, which are current at year-end.
- *Capital Assets.* In November 2015, the Athletics Department purchased a scoreboard and scoring table for the Athletics Arena. Total cost was \$700,000. In October 2017, the contract was revised to include a baseball scoring system, which totaled \$329,500. The total for the two scoring systems was \$1,029,500. The contract was revised to a four (4) year term that includes both systems. Payments totaling \$150,833 were made in fiscal year 2019.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

- *Foundation Investments.* In fiscal 2019, the endowed investments and restricted cash and cash equivalents increased by approximately \$8.271 million. The non-endowed net investment earnings totaled approximately \$552,000.
- *Net Position increased* to \$147.587 million in fiscal 2019, an increase of approximately \$6.588 million or 4.7% over fiscal 2018. This increase includes operating revenue of \$14.077 million, operating expenses of \$10.724 million, non-operating revenues of approximately \$450,000, and contributions to permanent endowments of \$2.785 million.

Statements of Net Position

The purpose of the Statement of Net Position is to present the reader with a look at the Foundation's financial condition as of the end of the fiscal year. In reading the Statement of Net Position, the reader will be able to determine the Foundation's ability to continue operations; how much it owes to vendors, and lending institutions; and to see a snapshot of the assets that are available to pay the expenditures of the Foundation. The Condensed Summary of Net Position below for 2019 and 2018 does not reflect the adjustments for a prior period adjustment as noted in Note 11 in the notes to the financial statements.

Condensed Summary of Net Position
(In thousands of dollars)

	2020	2019	Increase (decrease)	Change	2018	Increase (decrease)	Change
Assets							
Current assets	\$ 5,857	\$ 1,694	\$ 4,163	245.7%	\$ 3,252	\$ (1,558)	-47.9%
Non-current assets	145,965	147,935	\$ (1,970)	-1.3%	139,905	8,030	5.7%
Total assets	<u>\$ 151,822</u>	<u>\$ 149,629</u>	<u>\$ 2,193</u>	<u>1.5%</u>	<u>\$ 143,157</u>	<u>\$ 6,472</u>	<u>4.5%</u>
Liabilities:							
Current liabilities	\$ 331	\$ 453	\$ (122)	-26.9%	\$ 452	\$ 1	0.2%
Non-current liabilities	1,432	1,589	(157)	-9.9%	1,706	(117)	-6.9%
Total liabilities	<u>1,763</u>	<u>2,042</u>	<u>(279)</u>	<u>-13.7%</u>	<u>2,158</u>	<u>(116)</u>	<u>-5.4%</u>
Net position:							
Restricted:							
Restricted by donors - expendable	23,401	21,609	1,792	8.3%	18,955	2,654	14.0%
Permanent endowments - nonexpendable	115,066	114,748	318	0.3%	111,094	3,654	3.3%
Net investment in capital assets	9,691	9,643	48	0.5%	9,596		
Unrestricted	1,901	1,587	314	19.8%	1,354	233	17.2%
Total net position	<u>150,059</u>	<u>147,587</u>	<u>2,472</u>	<u>1.7%</u>	<u>140,999</u>	<u>6,541</u>	<u>4.7%</u>
Total liabilities and net position	<u>\$ 151,822</u>	<u>\$ 149,629</u>	<u>\$ 2,193</u>	<u>1.5%</u>	<u>\$ 143,157</u>	<u>\$ 6,425</u>	<u>4.5%</u>

The Statements of Net Position are presented as part of the basic financial statements. For fiscal year ended June 30, 2020, the total net position increased by \$2.472 million or 1.7%. This year's activity included the following:

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Current Assets

2020

- *Current assets* totaled \$5.857 million, which is an increase of approximately \$4.163 million or 245.7%. The majority of this increase, \$4.070 million, is attributed to the withdrawal from the endowment for the FY21 spending allocation being deposited into cash instead of restricted cash as it had in prior years. The \$4.070 million was transferred to restricted cash on July 1, 2020.
- *Cash* totaled \$4.135 million. This is an increase of approximately \$3.917 million, or 1803.8%, again attributed to the FY21 spending allocation as discussed above.
- *Pledges receivable, current portion* totaled \$1.573 million, an increase of approximately \$206,000, or 15.0%.
- *Note receivable, current portion* totaled \$123,193, an increase of \$34,000 or 37.9%. In FY20, 4 quarterly payments were classified as current whereas in past years only 3 quarterly payments were classified as current.
- *Prepaid expenses* totaled \$26,570, an increase of approximately \$6,000, or 29.5%.

2019

- *Current assets* totaled \$1.694 million, which is a decrease of approximately \$1.558 million or 47.9%. The majority of this decrease (\$1.404 million) is attributed to a receivable from an art sale at the end of fiscal year 2018.
- *Cash* totaled \$217,171. This is a decrease of approximately \$151,000, or 41.1%. These funds are available for operational expenses
- *Pledges receivable, current portion* totals \$1,366,903, a decrease of approximately \$176, or 0.01%.
- *Note receivable, current portion* totals \$89,330, an increase of \$2,636 or 3%.
- *Prepaid expenses* totaled \$20,512, a decrease of approximately \$5,200, or 20.4%.

Non-current assets

2020

- *Non-current assets* totaled \$145.966 million, which is a decrease of approximately \$1.970 million, or 1.3%.
- *Foundation investments (including restricted cash and cash equivalents)* totaled \$128.112 million, a net decrease of approximately \$2.022 million or 1.6%. Restricted investments increased approximately \$2.02 million and restricted cash and cash equivalents decreased approximately \$4.04 million.
- *Notes receivable.* UNF Training & Service Institute, Inc. has a current line of credit for \$4.800 million at an interest rate of 4.5%, which is paid monthly. The funds were used to assist in the purchase of the ADT property in 2010. The terms of the loan require payment in full by the eleventh anniversary of the date of the advance. In August 2016, UNF Training & Service Institute, Inc. began paying down the principal. At June 30, 2020, the balance totaled \$4,518,000.

The UNF Financing Corporation, Inc. executed a \$1.2 million loan with the Foundation in December 2014 to assist with the renovation of the UNF East Park Warehouse building. The terms are 10 years at an interest rate of 3.0%. The non-current portion totaled \$461,441 at June 30, 2020.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

- *Pledges receivable.* The non-current portion totaled \$2.322 million, an increase of approximately \$462,000, or 24.8%.
- *Capital Assets.* In November 2015, the Foundation financed \$700,000 in connection with the purchase of a scoreboard and score table equipment in the UNF Arena. In October 2017, an additional athletic scoring system was purchased for \$329,500 and the contract was revised to include both systems. At June 30, 2020, capital assets net of depreciation totaled \$612,221.
- *Other assets* totaling \$710,196 consists of interest receivable from UNF Training & Services Institute, Inc. and a planned gift insurance policy.

2019

- *Non-current assets* totaled \$147.935 million, which is an increase of approximately \$8.030 million, or 5.7%.
- *Foundation investments (including restricted cash and cash equivalents)* totaled \$130.134 million, a net increase of approximately \$8.271 million or 6.8%. Restricted investments increased approximately \$8.182 million and restricted cash and cash equivalents increased approximately \$89,000.
- *Notes receivable.* UNF Training & Service Institute, Inc. has a current line of credit for \$4.800 million at an interest rate of 4.5%, which is paid monthly. The funds were used to assist in the purchase of the ADT property in 2010. The terms of the loan require payment in full by the eleventh anniversary of the date of the advance. In August 2016, UNF Training & Service Institute, Inc. began paying down the principal. At June 30, 2019, the balance totaled \$4,590,000.

The UNF Financing Corporation, Inc. executed a \$1.2 million loan with the Foundation in December 2014 to assist with the renovation of the UNF East Park Warehouse building. The terms are 10 years at an interest rate of 3.0%. The non-current portion totaled \$614,860 at June 30, 2019.

- *Pledges receivable.* The non-current portion totaled \$1.860 million, an increase of approximately \$132,000, or 7.7%.
- *Capital Assets.* In November 2015, the Foundation financed \$700,000 in connection with the purchase of a scoreboard and score table equipment in the UNF Arena. In October 2017, an additional athletic scoring system was purchased for \$329,500 and the contract was revised to include both systems. At June 30, 2019, capital assets net of depreciation totaled \$715,170.
- In March 2017, an in-kind gift of land was made to the Foundation. The appraisal valued the land at \$9.230 million and will be held on the books of the Foundation.
- *Other assets* totaling \$791,113 consists of interest receivable from UNF Training & Services Institute, Inc. and a planned gift insurance policy.

Liabilities

2020

- *Current liabilities* totaled \$330,757, a decrease of 27%. The net decrease is related to the increase in accounts payable and accrued expenses of approximately \$1,500 and a decrease in salaries payable of approximately \$124,000. The current portion of the note payable for the scoreboard is \$150,833, the same as prior year.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

- *Non-current liabilities* totaled \$1.432 million, a decrease of approximately \$157,000 or 9.9%. The decrease was related to the paydown of the long-term portion of the note payable to NEVCO for the two scoring systems and there is no non-current portion left of the note payable.

2019

- *Current liabilities* totaled \$453,082, a decrease of less than 1%. The net decrease is related to the increase in accounts payable and accrued expenses of approximately \$7,000, an increase in salaries payable of approximately \$96,000, and a decrease in compensated absences of approximately \$102,000 for University employees paid with Foundation funds. The current portion of the note payable for the scoreboard is \$150,833, the same as prior year.
- *Non-current liabilities* totaled \$1.589 million, a decrease of approximately \$117,000 or 6.9%. The decrease was related to the paydown of the long-term portion of the note payable to NEVCO for the two scoring systems.

Net Position

The net position at June 30, 2020, totaled \$150.059 million, an increase of approximately \$2.472 million or 1.7%.

The net position section of the Statement of Net Position provides two classifications:

1. The restricted assets are listed in three categories:
 - a) the restricted by donor's category represents amounts which are available for spending in accordance with the donor's specified criteria;
 - b) the restricted for gift annuity represents the estimated net amount available for future payments by the Foundation; and
 - c) the permanent endowments category represents the Foundation's restricted nonexpendable funds, which are required to be held in perpetuity.
2. The unrestricted assets are the amounts available to the Foundation for any purpose in support of its mission.

Statements of Revenues, Expenses, and Changes in Net Position

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to provide the details of the Foundation's operating and non-operating activities for the fiscal year. This includes the revenues (net of discounts and allowances) displayed by major source, expenses, and gains and losses received or incurred by the Foundation. For fiscal year 2020, the Statements of Revenues, Expenses, and Changes in Net Position reflect a \$2.472 million increase in net position or 1.7%.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Condensed Summary of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2020

Condensed Summary of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2020

	2020	2019	Increase (decrease)	Change	2018	Increase (decrease)	Change
Operating revenues:							
Contributions	\$ 6,968	\$ 6,643	\$ 325	4.9%	\$ 6,598	\$ 45	0.7%
Programs	789	822	(33)	-4.0%	716	\$ 106	14.8%
Investment earnings	3,638	6,612	(2,974)	-45.0%	8,338	\$ (1,726)	-20.7%
Total operating revenues	11,395	14,077	\$ (2,682)	-19.1%	15,652	\$ (1,575)	-10.1%
Operating expenses	10,092	10,724	(632)	-5.9%	11,935	\$ (1,211)	-10.1%
Operating gain	1,303	3,353	(2,050)	-61.1%	3,717	(364)	-9.8%
Non-operating revenue:							
Other Income	-	450	(450)	-100.0%	-	450	100.0%
Non-operating income	-	450	(450)	-100.0%	-	450	100.0%
Change in net position before contributions to endowments	1,303	3,803	(2,500)	-65.7%	3,717	86	-2.3%
Contributions to permanent endowments	1,169	2,785	(1,616)	-58.0%	2,387	398	-16.7%
Change in net position	2,472	6,588	(4,116)	-62.5%	6,104	484	-7.9%
Net position, beginning of year	147,587	140,999	6,588	4.7%	134,895	6,104	4.5%
Net position, end of year	\$ 150,059	\$ 147,587	\$ 2,472	1.7%	\$ 140,999	\$ 6,588	4.7%

The Statements of Revenues, Expenses, and Changes in Net Position include the following categories:

- Operating revenues are revenues received from donors (i.e. contributions, etc.) and services provided (i.e. workshops, lecture series, special events, etc.) to various customers and constituents of the Foundation.
- Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Foundation. They are detailed by expenditure type, which include educational items, program and professional fees, scholarships, fellowships, study abroad, etc.
- Net operating gain represents the amount of operating revenue in excess of the year's operating expenses and does not include non-operating revenue (expenses).
- Non-operating revenue is received from sources for which no service is provided by the Foundation, e.g. investments.
- Additions to endowments represent contributions received for the permanent endowments.
- The change in net position is the result of the fiscal year's excess (deficiency) of revenues over expenses, which is also the difference in total net position on the Statements of Net Position.

The Statements of Revenues, Expenses and Changes in Net Position presented as part of the basic financial statements. For fiscal year 2020, the Foundation's change in net position before contributions to endowments was approximately \$1.303 million. The Statements' highlights are as follows:

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Operating Revenues

2020

- *Operating revenues* totaled \$11.395 million, a decrease of approximately \$2.682 or 19.1%.
- *The non-endowed contributions* totaled \$6.968 million, which is an increase of approximately \$325,000 or 4.9%. Contributions shown under Operating Revenues are exclusive of the contributions to permanent endowments.
- *Program revenues* totaled \$788,821, a decrease of approximately \$33,000 or 4.0%. The decrease is primarily attributed to less non-gift monies received in FY20 of \$78,000 an increase in sponsorship and other revenue of \$45,000.
- *Investment earnings* totaled \$3.638 million net gain. Investment earnings include interest and dividends of \$565,000 and net appreciation (depreciation) in investments of \$3.073 million. The endowed funds are managed by Perella Weinberg Partners /Agility Comprehensive Solutions.

2019

- *Operating revenues* totaled \$14.077 million, a decrease of \$1.614 million or 10.3%.
- *The non-endowed contributions* totaled \$6.643 million, which is an increase of approximately \$45,000 or 0.7%. Contributions shown under Operating Revenues are exclusive of the contributions to permanent endowments.
- *Program revenues* totaled \$822,349, a decrease of approximately \$33,000 or 4.0%. The increase is primarily attributed to fundraising events with a non-gift portion for goods and services received.
- *Investment earnings* totaled \$6.612 million net gain. Investment earnings include interest and dividends of \$552,122 and net appreciation (depreciation) in investments of \$6.164 million. The endowed funds are managed by Perella Weinberg Partners /Agility Comprehensive Solutions.

Operating Expenses

2020

Operating expenses totaled \$10.092 million, which is a decrease of approximately \$632,000 or 5.9%. The following details several expense categories:

- *Education Programs* totaled \$342,000, an increase of approximately \$9,900 or 3.0%.
- *Scholarships, Fellowships and Study Abroad.* The Foundation disbursed \$3.256 million to the University for educational support to students. This is an increase of approximately \$103,000 or 3.3%. The amounts disbursed by category:

	Amount
Scholarships	\$ 2,622,482
Fellowships	335,178
Study Abroad	87,570
First Generation	210,303
	\$ 3,255,533

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

- *Program fees* totaled \$3.250 million, an increase of approximately \$257,000 or 8.6%. The net decrease is primarily due to an increase in the number of University employees paid with Foundation funds and an increase in salary supplements offset by a decrease in amounts paid for personal service contracts.
- *Professional Fees* totaled \$293,240, an increase of approximately \$59,000 or 25.0%. The increase represents the expenses associated with the consultants, training and workshop facilitator fees.
- *General and administrative expenses* totaled \$2.952 million, a decrease of approximately \$611,000 or 17.2%. These expenses are operational expenses, which include educational material, printing, telephone, meeting, travel, public relations, registrations, memberships, annuitants and other fees, etc.

2019

Operating expenses totaled \$10.274 million, which is a decrease of approximately \$1.211 million or 10.1%. The following details several expense categories:

- *Education Programs* totaled \$332,022, an increase of approximately \$7,600 or 2.4%. The net increase is the result of an increase in equipment purchased or donated and transferred to the University offset by decreases in the purchase of small office equipment and computers.
- *Scholarships, Fellowships and Study Abroad.* The Foundation disbursed \$3.153 million to the University for educational support to students. This is a decrease of approximately \$273,000 or 8.0%. The amounts disbursed by category:

	Amount
Scholarships	\$ 2,447,521
Fellowships	234,387
Study Abroad	265,467
First Generation	205,311
	\$ 3,152,686

- *Program fees* totaled \$2.992 million, a decrease of approximately \$290,000 or 8.8%. The net decrease is primarily due to a decrease in the number of University employees paid with Foundation funds and a decrease in salary supplements offset by an increase in amounts paid for personal service contracts.
- *Professional Fees* totaled \$234,537, a decrease of approximately \$383,000 or 62.0%. The decrease represents the expenses associated with the consultants, training and workshop facilitator fees.
- *General and administrative expenses* totaled \$4.013 million, a decrease of approximately \$273,000 or 6.4%. These expenses are operational expenses, which include educational material, printing, telephone, meeting, travel, public relations, registrations, memberships, annuitants and other fees, etc.

Non-operating Revenues/Expenses

2019

- *Non-operating revenue/expenses* totaled approximately \$450,000 of other income.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Additions to Endowments

2020

- *Permanent Endowments.* The Foundation received \$1.169 million in donor contributions to its permanent endowments. Of the \$1.169 million, \$249,000 was contributions received in for 19 new permanent endowments.

2019

- *Permanent Endowments.* The Foundation received \$2.785 million in donor contributions to its permanent endowments. Of the \$2.785 million, \$2.018 million was contributions received in for 26 new permanent endowments.

Statements of Cash Flows

The Statements of Cash Flows show the cash provided and used for operating, capital and related financing activities and investing activities.

- Operating activities include funds received (i.e. from private donors, student rentals, parking fees, matching programs, etc.) and payments (i.e. for programs, employee services, and suppliers for goods and services) made for Foundation operations.
- Capital and related financing activities include funds received from donor annuities and contributions to permanent endowments; and funds used to pay annuity payables and a note payable.
- Investing activities represent funds used to purchase investments and loan funds to a related party; and funds received from proceeds of investment sales, interest and dividends.

Economic Outlook

The Foundation has no knowledge of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

Management believes the Foundation's overall financial position is strong. With detailed monitoring of each account, the Foundation has sufficient funds to cover its obligations.

Requests for Information

This financial report is designed to provide a general overview of the Foundation's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Valerie Stevenson, Controller University of North Florida Foundation Accounting
Hicks Hall, Suite 2900 1 UNF Drive
Jacksonville, FL 32224-2648
(904) 620-2989

THE UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 4,134,592	\$ 217,171
Prepaid expenses	26,570	20,512
Notes receivable, current portion	123,193	89,330
Pledges receivable, net	1,572,601	1,366,903
Total current assets	5,856,956	1,693,916
Noncurrent assets		
Restricted Cash and cash equivalents	5,276,398	9,319,481
Investments	122,835,326	120,814,394
Notes receivable	4,979,441	5,204,860
Capital assets, net	9,842,221	9,945,171
Pledges receivable, net	2,321,689	1,859,961
Other assets	710,196	791,113
Total noncurrent assets	145,965,271	147,934,980
Total assets	\$ 151,822,227	\$ 149,628,896
 <u>LIABILITIES</u> 		
Current liabilities		
Accounts payable and accrued expenses	\$ 161,130	\$ 159,627
Salaries payable - due to UNF	18,794	142,622
Note payable, current portion	150,833	150,833
Total current liabilities	330,757	453,082
Noncurrent liabilities		
Amounts held on behalf of MOCA	1,431,731	1,437,913
Note payable, long term	-	150,834
Total non-current liabilities	1,431,731	1,588,747
Total liabilities	\$ 1,762,488	\$ 2,041,829
 <u>NET POSITION</u> 		
Restricted		
Restricted by donors - expendable	\$ 23,401,417	\$ 21,608,521
Permanent endowments - nonexpendable	115,066,190	114,747,970
Net investment in capital assets	9,691,388	9,643,504
Unrestricted		
Unrestricted	1,900,744	1,587,072
Total net position	\$ 150,059,739	\$ 147,587,067

The accompanying notes to the financial statements are an integral part of these financial statements.

THE UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Contributions	\$ 6,968,647	\$ 6,642,846
Programs	788,821	822,349
Investment earnings	3,638,099	6,612,118
Total operating revenues	<u>11,395,567</u>	<u>14,077,313</u>
Operating expenses		
Program services:		
Education programs	341,951	332,022
Scholarships, fellowships and study abroad	3,255,533	3,152,686
	<u>3,597,484</u>	<u>3,484,708</u>
Supporting services:		
Program fees	3,249,545	2,992,189
Professional fees	293,240	234,537
	<u>3,542,785</u>	<u>3,226,726</u>
Other expenses:		
General and administrative expenses	2,952,057	4,012,591
Total operating expenses	<u>10,092,326</u>	<u>10,724,025</u>
Operating income	<u>1,303,241</u>	<u>3,353,288</u>
Non-operating revenues		
Other income	-	449,438
Total non-operating revenues	<u>-</u>	<u>449,438</u>
Change in net position before contributions to endowments	1,303,241	3,802,726
Contributions to permanent endowments	<u>1,169,431</u>	<u>2,784,821</u>
Change in net position	2,472,672	6,587,547
Net position , beginning of year, as restated (see Note 12)	147,587,067	140,999,520
Net position , end of year	<u>\$ 150,059,739</u>	<u>\$ 147,587,067</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

THE UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Received from private donors	\$ 6,299,881	\$ 6,510,810
Received from other sources	788,821	2,226,349
Payments to the University for programs	(3,597,484)	(3,484,708)
Payments to employees for services	(3,542,785)	(3,328,778)
Payments to suppliers for goods and services	(2,983,786)	(3,801,540)
Net cash used in operating activities	(3,035,353)	(1,877,867)
Cash flows from capital and related financing activities		
Payments on note payable	(150,833)	(150,833)
Cash flows from noncapital and related financing activities		
Contributions to permanent endowments	1,169,431	2,784,821
Cash flows from investing activities		
Purchases of investments	(16,668,132)	(18,320,727)
Proceeds from sales of investments	18,059,829	17,026,086
Interest and dividends received	307,839	288,000
Repayments of related party notes receivable	191,557	188,028
Net cash provided by (used in) investing activities	1,891,093	(818,613)
Net decrease in cash and cash equivalents	(125,662)	(62,492)
Cash and cash equivalents, beginning of year	9,536,652	9,599,144
Cash and cash equivalents, end of year	\$ 9,410,990	\$ 9,536,652
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 1,303,241	\$ 3,353,288
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	102,950	102,949
Change in allowance and discount of pledges receivable	9,576	9,576
Investment earnings	(3,638,099)	(6,612,118)
Changes in assets and liabilities:		
Prepaid expenses	(6,058)	5,266
Pledges receivable	(677,002)	(141,612)
Other assets	(1,450)	-
Accounts payable and accrued expenses	(128,511)	1,506,836
Accrued compensated absences	-	(102,052)
Net cash used in operating activities	\$ (3,035,353)	\$ (1,877,867)
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 4,134,592	\$ 217,171
Restricted cash and cash equivalents	5,276,398	9,319,481
Total cash and cash equivalents	\$ 9,410,990	\$ 9,536,652

The accompanying notes to the financial statements are an integral part of these financial statements.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of the University of North Florida Foundation, Inc. (the Foundation), which affect significant elements of the accompanying basic financial statements.

(a) **Reporting entity**—The Foundation, is a not-for-profit entity organized to provide financial support to the students and programs of the University of North Florida (the “University”). It is a direct support organization (“DSO”) and proprietary fund component unit of the University.

(b) **Basis of accounting**—The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

The net position of the Foundation is reported in three categories as follows:

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation, reduced by outstanding balances of any debt that is attributable to those assets.
- *Restricted net position* represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable restricted net position includes resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

- *Unrestricted net position* represents funds that are available without restriction for carrying out the Foundation’s objectives.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation’s policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(c) **Cash and cash equivalents**—For purposes of the statement of cash flows, the Foundation considers cash on hand, cash on deposit, and investments with original maturities of ninety days or less to be cash and cash equivalents.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Investments**—Investments are stated principally at fair value based on quoted market prices with the exception of the alternative investments (hedge, private equity and other fund investments) which are based on external valuation sources. To the extent investments are held in co-mingled funds, the recorded amount is based on an allocation of the fair value based on the underlying securities of the fund. The Foundation intends to hold its investments for the long term. However, the needs of the Foundation may require the sale of a portion of these assets on a short-term basis, subject to the approval of the Investment Committee.

(e) **Notes receivable**—The notes receivable are stated at the amount the Foundation expects to collect from the outstanding balances. An allowance for uncollectible amounts is estimated and recorded based on management's judgment of the collectability of the notes receivable in future years. At June 30, 2020 and 2019, the Foundation considered the full balance of the notes receivable to be collectible. Accordingly, there was no allowance for doubtful accounts.

(f) **In-kind contributions**—Donated educational materials, equipment, books and other non-cash contributions are recorded at their estimated fair values, if determinable, at the date of the donations. Nominal values are recorded if fair values are not determinable.

Administrative and fiscal services, office space and other miscellaneous support services are provided to the Foundation by the University at no cost. No value has been assigned to these services in the accompanying statement of revenues, expenses, and changes in net position, since there is no objective basis for determining the value.

(g) **Pledges receivable**—All nonendowed pledges that have met all the eligibility requirements that are verifiable, probable and measurable are recorded at their estimated realizable value on a discounted basis. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk adjusted discount rate applicable to the month in which the promises are received. Amortization of the discounts is included in the contribution revenue. The Foundation uses the allowance method to determine uncollectible receivables. The allowance for uncollectible pledges is based on historical collection rates estimated at 3% of receivables.

(h) **Income taxes**—The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material uncertain tax positions as of June 30, 2020.

(i) **Operating income**—Operating revenues and expenses represent ongoing activities of the Foundation as well as ongoing activities that are in support of the University's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, hold, invest and administer charitable contributions for the benefit of the University. Nonoperating revenues include certain revenue sources that provide additional funding not included in operating revenues, including endowment contributions.

(j) **Revenue recognition**—Revenues are reported as increases in unrestricted net position unless use of the related assets is limited by donor-imposed restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted expendable or restricted nonexpendable support that increases these net position classes. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net position unless their use is restricted by explicit donor stipulations or by law.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

In the normal course of business, the Foundation accepts financial assets from donors on behalf of specified beneficiaries to which it is financially interrelated and recognizes the fair value of assets received as contributions. Contributions, including unconditional promises to give, are recognized as revenues in the period received and are recorded at their estimated fair value on the date of contribution. Contributions of cash, investment securities or pledges receivable are recognized at fair value when all eligibility requirements have been met and are reported as increases in net position, with the exception of pledges to the endowment which are recognized when funds are received. Property and equipment donated to the Foundation are recorded at their estimated value at the dates of donation. Donated services are not recognized by the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

(k) **Vacation and sick leave accrual**—Employees earn the right to be compensated during absences for annual leave (“vacation”) and sick leave pursuant to Section 6C-5.305 of the Florida Administrative Code. Employees earn annual and sick leave based on their years of service. For annual leave, a maximum of 352 hours can be carried forward from one year to the next or paid upon termination for administrative and professional (“A&P”) employees and 240 hours can be carried forward from one year to the next or paid upon termination for University support personnel services (“USPS”) employees. Employees who have completed at least ten years of service are eligible to receive payment for one fourth of their accrued sick leave hours, upon termination, not to exceed 480 hours. Vacation pay and sick leave payments are expensed in the period earned by the employee. Effective July 1, 2018 compensated absences are maintained by the University and no longer held on the Foundation books.

(l) **Amounts held on behalf of Museum of Contemporary Art (“MOCA”)**—Amounts held on behalf of MOCA represent funds held and invested on behalf of MOCA for investment management services. The liability included in the accompanying Statement of Net Position represent the amounts due to MOCA, including any share of investment returns.

(m) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(n) **Capital assets**—All real property (buildings and land) is capitalized. Property and equipment purchased or donated with an original cost of \$5,000 or more are recorded at cost. Capital assets are depreciated using the straight-line method of depreciation over the estimated useful lives of the assets. The estimated useful life for equipment is ten years.

(o) **Reclassifications**—Certain reclassifications have been made in the 2019 financial statements to conform to the 2020 presentation. Such reclassifications had no effect on previously reported change in net position or net position. Additionally, a prior period adjustment was made that did impact previously reported net position (see Note 12).

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(2) Cash, Cash Equivalents and Investments:

Investment decisions are made subject to guidelines established by the Foundation’s Investment Committee and approved by the Board. All deposits and investments are held at the financial institutions in the name of the Foundation.

(a) **Cash and cash equivalents**—As of June 30, 2020 unrestricted cash included bank demand accounts and consisted of the following:

	2020	2019
Cash on deposit	\$ 4,134,592	\$ 217,171

As of June 30, 2020, restricted cash equivalents included money market funds and “2a7-like” investment pools subject to immediate withdrawal and consisted of the following:

	2020	2019
Money market funds	\$ 775,914	\$ 7,037,679
FL CLASS	4,500,484	2,281,802
	\$ 5,276,398	\$ 9,319,481

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of a depository financial institution’s failure, the Foundation’s deposits may not be returned to it. The Foundation periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

The Foundation’s total restricted cash and cash equivalents are restricted for endowment purposes. FL CLASS is rated by S&P Global Ratings. The current rating is ‘AAAm.’

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above. As of June 30, 2020, the dollar weighted average days to maturity (WAM) of FLCLASS at September 30, 2019, is 54 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of FLCLASS at September 30, 2019, is 81 days.

(b) **Investments**—Investments are recorded at fair value and consist of government and agency mortgage backed securities, corporate bonds, mutual funds, and alternative investments which include hedge funds, private equity funds, global equities and fixed income funds, absolute return fund, and real assets funds.

The Foundation’s investment policy states equity securities will be broadly diversified (e.g. country, economic sector, industry, etc.) to minimize the impact during sudden and severe market downturns, as equity markets have historically displayed a high degree of such correlation during these periods.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(2) **Cash, Cash Equivalents and Investments:** (Continued)

The role of the alternative investment funds described above is to reduce the overall volatility of the equity fund performance. Fixed income securities will be diversified among different sectors of the fixed income market. With the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5% of the fixed income fund to be invested in the securities of any one issuer.

The estimated fair values of investments were based on valuations provided by external investment managers at June 30, and consisted of the following:

<u>Investment Type</u>	<u>2020</u>	<u>2019</u>
U.S. Government bonds and agency securities	\$ 6,383,098	\$ 4,915,684
Fixed Income - corporate bonds	4,842,525	3,771,614
Fixed income mutual funds	90,412	123,854
Equity mutual funds	948,304	1,043,066
Stocks	-	132,421
Absolute return fund	12,883,742	17,997,192
Global equities fund	62,572,727	52,535,369
Global fixed income fund	6,009,299	10,492,628
Hedge funds	25,381	32,880
Private equity funds	23,678,789	23,446,446
Real assets fund	5,401,038	6,323,240
	<u>\$ 122,835,325</u>	<u>\$ 120,814,394</u>

Credit risk. Credit risk was the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020 and 2019, the quality ratings of the Foundation's investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>2020 Quality Rating</u>				
		<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>BBB</u>	<u>Unrated</u>
U. S. Government bonds and agency securities	\$ 6,383,098	\$ -	\$ 1,056,817	\$ 5,005,265	\$ -	\$ 321,017
Fixed Income - corporate bonds	4,842,525	3,490,963	925,339	76,774	349,449	-
Fixed income mutual funds	90,412	-	-	-	-	90,412
Equity mutual funds	948,304	-	-	-	-	948,304
Absolute return fund	12,883,742	-	-	-	-	12,883,742
Global equities fund	62,572,737	-	-	-	-	62,572,727
Global fixed income fund	6,009,299	-	-	-	-	6,009,299
Hedge funds	25,381	-	-	-	-	25,381
Private equity funds	23,678,789	-	-	-	-	23,678,789
Real assets fund	5,401,038	-	-	-	-	5,401,038
	<u>\$ 122,835,325</u>	<u>\$ 3,490,963</u>	<u>\$ 1,982,156</u>	<u>\$ 5,082,039</u>	<u>\$ 349,449</u>	<u>\$ 111,930,709</u>

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(2) **Cash, Cash Equivalents and Investments:** (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>2019 Quality Rating</u>				<u>Unrated</u>
		<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>BBB</u>	
U. S. Government bonds and agency securities	\$ 4,915,684	\$ -	\$ 152,661	\$ 4,444,202	\$ -	\$ 318,821
Fixed Income - corporate bonds	3,771,614	2,908,822	717,482	75,072	70,238	-
Fixed income mutual funds	123,854	-	-	-	-	123,854
Equity mutual funds	1,043,066	-	-	-	-	1,043,066
Stock	132,421	-	-	-	-	132,421
Absolute return fund	17,997,192	-	-	-	-	17,997,192
Global equities fund	52,535,369	-	-	-	-	52,535,369
Global fixed income fund	10,492,628	-	-	-	-	10,492,628
Hedge funds	32,880	-	-	-	-	32,880
Private equity funds	23,446,446	-	-	-	-	23,446,446
Real assets fund	6,323,240	-	-	-	-	6,323,240
	<u>\$ 120,814,394</u>	<u>\$ 2,908,822</u>	<u>\$ 870,143</u>	<u>\$ 4,519,274</u>	<u>\$ 70,238</u>	<u>\$ 112,445,917</u>

Money market funds are presented in restricted cash and cash equivalents on the Foundation's Statements of Net Position.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above. As of June 30, 2020, the Foundation's investments and money market funds had the following maturities:

	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>
U.S. Government Bonds and Agency Securities	\$ 6,383,098	\$ 779,469	\$ 5,603,629
Fixed income - corporate bonds	4,842,525	1,275,342	3,567,182
Money market funds	5,276,399	5,276,399	-
	<u>\$ 16,502,022</u>	<u>\$ 7,331,211</u>	<u>\$ 9,170,811</u>

Concentration Risk. The Foundation's portfolio includes alternative investment funds ("Funds") as of June 30, 2020 and 2019, respectively. The Funds' investments are subject to various risk factors including market, credit, and currency risk. The Funds' investments are made in the United States and internationally and thus have concentrations in such regions. The Funds' investments are also subject to the risk associated with investing in private equity securities. The investments in private equity securities are generally illiquid, and there can be no assurance that the fund will be able to realize the value of such investments in a timely manner.

The Funds have invested, for purposes of capital appreciation, in various underlying funds that vary by size, industry and geographical concentration. Investment performance of an industry sector in which the Funds have a concentration of investments may have a significant impact on the performance of the Funds.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(2) **Cash, Cash Equivalents and Investments:** (Continued)

The Funds participate in assets and securities of non-U.S. issuers. Investments of this type may be subject to significant price fluctuations and above-average risk. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to currency exchange matters, differences between the and non-U.S. securities markets, certain economic and political risks, and the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities.

Investment income. The following summarizes net investment income for the years ended June 30, 2020 and 2019:

	2020	2019
Net unrealized and realized gains	\$ 3,714,467	\$ 6,813,053
Investment management fees	(633,489)	(615,107)
Interest and dividends	339,527	552,123
	\$ 3,420,505	\$ 6,750,069

Endowment fees. In accordance with the policies of the Foundation’s Board, the Foundation received \$1,479,053 and \$1,684,674 in investment management fees from the permanently endowed accounts during the years ended June 30, 2020 and 2019, respectively. These fees are to be utilized for unrestricted purposes. The investment management fees are calculated as 1.60% and 1.75% of the respective fair value of the endowed investments for the years ended June 30, 2020 and 2019, respectively, and deducted quarterly from the total return of the pooled and non-pooled endowment funds. The fees assessed by the Foundation are for expenses related to the operation of the Foundation such as management of the endowment, audit and accounting functions, development and alumni related activities, as they relate to the operations and fund-raising, gift receipting, acknowledging, and recognition of donors.

Endowment deficiencies. The aggregate amount of deficiencies for all donor-restricted endowment funds for which the fair value of the assets was less than the level required by donor stipulations was \$8,624,047 and \$7,909,619 as of June 30, 2020 and 2019, respectively.

(3) **Fair Value Measurements:**

The Foundation has provided additional information about fair value measurements which is based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes the information used to develop these assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that an entity has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable, about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) **Fair Value Measurements:** (Continued)

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Foundation uses the market approach valuation technique to value its investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

There have been no changes in the methodologies used at June 30, 2020 and 2019. Following is a description of the valuation methodologies use for assets measured at fair value.

The fair value of U.S. government bonds and agency securities, corporate bonds, and mutual funds are based on quoted prices in active markets.

The investments presented as hedge funds, absolute return funds, global equities funds, global fixed income funds, and real assets funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such funds governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e., the more liquid the investments in the portfolio, the greater the liquidity provided the investors). Liquidity of individual hedge funds varies based on various factors and may include "gates," "holdbacks" and "side pockets" imposed by the manager of the hedge fund, as well as redemption fees which may also apply. These investments are generally illiquid in whole or in part. These funds are generally measured at fair value using net asset value ("NAV") as a practical expedient.

Most private equity funds are structured as closed-end, commitment-based investment funds where the entity commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors, and subsequent to final closing, do not permit subscriptions by new or existing investors. Accordingly, the entity generally holds interests in such funds for which there is no active market. These funds are generally measured at fair value using NAV as a practical expedient.

The following tables present the assets carried on the Statements of Net Position by level within the valuation hierarchy as of June 30, 2020 and 2019.

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
U.S. government bonds and agency securities	\$ -	\$ 6,383,098	\$ -	\$ 6,383,098
Fixed Income - Corporate bonds	-	4,842,525	-	4,842,525
Fixed income mutual funds	90,413	-	-	90,413
Equity mutual funds	948,304	-	-	948,304
Total	\$ 1,038,717	\$ 11,225,623	\$ -	12,264,340
Investments measured at NAV (a)				110,570,986
Investments at fair value				<u>\$122,835,325</u>

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) **Fair Value Measurements:** (Continued)

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
U.S. government bonds and agency securities	\$ -	\$ 4,915,684	\$ -	\$ 4,915,684
Fixed Income - Corporate bonds	-	3,771,614	-	3,771,614
Fixed income mutual funds	123,854	-	-	123,854
Equity mutual funds	1,043,066	-	-	1,043,066
Equities	132,421	-	-	132,421
Total	\$ 1,166,920	\$ 8,687,298	\$ -	9,986,639
Investments measured at NAV (a)				<u>110,927,755</u>
Investments at fair value				<u>\$120,814,394</u>

(a) *In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Position.*

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2020 and 2019.

	Fair Value at June 30, 2020	Fair Value at June 30, 2019	Unfunded Commitments	Withdrawal Frequency	Redemption Notice Period
Absolute return fund	\$ 12,883,472	\$ 17,997,192	None	Monthly, Quarterly, Semi-Annually, Annually, Biennially	3 to 90 Days
Global equities fund	62,572,737	52,535,369	None	Daily, Monthly, Quarterly	6 to 90 Days
Global fixed income fund	6,009,299	10,492,628	None	Daily, Monthly, Monthly, Quarterly, Semi-Annually,	2 to 60 days 30 to 105 Days
Hedge funds	25,381	32,880	None	Annually, Biennially	Days
Private equity funds	23,678,789	23,446,446	\$ 18,524,499	None	None
Real assets fund	5,390,122	6,323,240	None	Semi-Monthly, Monthly, Annually	5 to 60 days

Investment Manager Subscription Agreements

The Foundation is a party to various subscription agreements with hedge fund managers. Due to the illiquid nature of the investments in these types of funds, there is redemption, notification requirements before an account can be closed, and proceeds paid to the Foundation. The stated redemption notice on the majority of funds is approximately 95 days, however, the Foundation has annually been permitted to withdraw cash to meet its operational needs.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) **Fair Value Measurements:** (Continued)

The Foundation is also a party to various subscription agreements with private equity managers which provide for capital contributions as requested by the funds. At June 30, 2020, the Foundation has future funding commitments to the following funds:

Morgan Creek Partners I	\$	337,500
Morgan Creek Partners II		270,000
Morgan Creek Partners III		540,000
Morgan Creek Partners IV		30,000
Agility Private Capital II		3,245,988
Agility Private Capital III		1,828,299
Agility Private Capital IV		2,329,861
Agility Private Capital V		2,378,161
Total Private Capital	\$	<u>10,959,809</u>
Agility - Private Real Assets I	\$	2,902,340
Agility - Private Real Assets II		2,304,124
Agility - Private Real Assets III		2,358,226
Total Real Assets	\$	<u>7,564,690</u>

(4) **Notes Receivable:**

(a) **UNF Training & Service Institute, Inc.**—The Foundation entered into a Memorandum of Understanding (“MOU”) in May 2010 between the UNF Foundation, Inc., UNF Training & Services Institute, Inc. (“TSI”) and UNF TSI Investments, LLC (“LLC”) to purchase the ADT property. The MOU includes a) loan funding to the LLC in an amount not to exceed \$4,800,000; b) terms for the loan: interest will accrue at the rate of 4.50% per annum, and the principal and all accrued interest on the loan will be payable in full on or in part at any time prior to its due date in ten years (May 2021); c) no additional encumbrance or loan to any party a security interest in or otherwise pledge, collateralize or encumber the ADT Property; and d) no TSI funding of capital projects for as long as any portion of the loan or interest thereon remains unpaid, TSI will not advance, loan or contribute to UNF or a UNF-related entity any sum for the purpose of funding a UNF capital project.

At June 30, 2020 and 2019, the loan totaled \$4,518,000 and \$4,590,000 respectively, and the related loan interest receivable totaled \$712,671 and \$795,038, respectively.

(b) **UNF Financing Corporation, Inc.**—In December 2014, the Foundation executed a \$1,200,000 agreement with the UNF Financing Corporation, Inc. for the purpose of renovations to the East Park Warehouse. The loan terms include a maturity date of April 2025, interest rate of 3.00% and quarterly principal and interest payments of \$34,849.

At June 30, 2020 and 2019 the loan principal totaled \$584,634 and \$704,191, respectively.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Notes Receivable: (Continued)**

Maturities of notes receivable over the next five years, and in the aggregate, are as follows:

Year Ended	Amount
2021	\$ 123,193
2022	126,937
2023	130,798
2024	134,776
2025	68,930
Thereafter	4,518,000
Total	\$ 5,102,634

(5) **Capital Assets:**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Arena Scoring and Display System	\$ 597,464	\$ -	\$ -	\$ -	\$ 597,464
Arena Scoring Table	102,536	-	-	-	102,536
Baseball Scoreboard, Signage, and related Equipment	329,500	-	-	-	329,500
Land	9,230,000	-	-	-	9,230,000
	10,259,500	-	-	-	10,259,500
Less accumulated depreciation	314,329	102,950	-	-	417,279
Capital assets, net	\$ 9,945,171	\$ (102,950)	\$ -	\$ -	\$ 9,842,221

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Arena Scoring and Display System	\$ 597,464	\$ -	\$ -	\$ -	\$ 597,464
Arena Scoring Table	102,536	-	-	-	102,536
Baseball Scoreboard, Signage, and related Equipment	329,500	-	-	-	329,500
Land	9,230,000	-	-	-	9,230,000
	10,259,500	-	-	-	10,259,500
Less accumulated depreciation	211,380	102,949	-	-	314,329
Capital assets, net	\$ 10,048,120	\$ (102,949)	\$ -	\$ -	\$ 9,945,171

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(5) **Capital Assets:** (Continued)

Depreciation expense for property and equipment was \$102,949 for the years ended June 30, 2020 and 2019, respectively.

(6) **Pledges Receivable:**

Pledges receivable are recorded in the Statements of Net Position for restricted accounts at net realizable value in accordance with GASB 33. Pledge receivables were discounted using a discount rate of 3.0% and an allowance for bad debts as of June 30, 2020.

Pledges receivable as of June 30, 2020, are summarized as follows:

Due in year ending June 30:

Year Ended	Amount
2021	\$ 2,105,819
2022	968,186
2023	536,118
2024	397,467
Thereafter	27,000
Subtotal pledges	4,034,590
Less: Allowance for bad debts	(120,442)
Less: Present value discounts	(19,858)
Total pledges receivable, net	3,894,290
Less: Current portion of pledges receivable	(1,572,601)
Long-term portion of pledges receivable	\$ 2,321,689

Unrestricted and endowment pledge receivables not recognized in the Statements of Net Position under the provisions of GASB 33 were \$11,587,848 and \$11,644,839 at June 30, 2020 and 2019, respectively.

(7) **Note Payable:**

In August 2015, the Foundation executed an agreement with a vendor to purchase a scoreboard and scoring table for \$700,000. In October 2017, an amendment was made to the existing contract to include an additional scoreboard which increased the total to \$1,029,500. The note is non-interest bearing and matures in August 2020.

A summary of changes in note payable activity for the year ended June 30, 2020 is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
\$ 301,667	\$ -	\$ (150,833)	\$ 150,833	\$ 150,833

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(7) **Note Payable:** (Continued)

A summary of changes in note payable activity for the year ended June 30, 2019 is as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$ 452,500	\$ -	\$ (150,833)	\$ 301,667	\$ 150,833

The scheduled maturity of the note payable is as follows at June 30:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ 150,833

(8) **Related Party Transactions:**

The Foundation makes contributions to the University for equipment purchases. The University maintains title to all such equipment purchases with the Foundation having use of all equipment without further charges. Contributions to the University for equipment purchases were \$142,106 and \$192,441 for the years ended June 30, 2020 and 2019, respectively.

The Foundation contributes funds to the University of North Florida Training and Services Institute, Inc. (the "Institute") for reimbursement of Foundation operating costs paid by the Institute. Contributions for the above costs were \$393,000 and \$450,000 for the years ended June 30, 2020 and 2019, respectively.

The University contributes funds to the Foundation for reimbursement of the University operating costs paid by the Foundation. Contributions for the above costs were \$107,818 and \$190,173 at June 30, 2020 and 2019, respectively.

(9) **Retirement Benefits:**

The Foundation's employees are employed by the University. The Foundation does not administer a separate retirement plan for its employees; however, pursuant to law, all salaried employees are members of retirement plans of the State of Florida. The retirement plans accounting and funding policies, actuarial present value of accumulated plan benefits, net assets available for benefits and other related matters are the responsibility of the Florida State Department of Administration, Division of Retirement. Other postemployment benefits (OPEB), primarily subsidized premiums for health insurance, are provided by the University. The complete disclosures for the retirement plan and OPEB can be located in the audited financial statements of the University. Payments made to the University for contributions on behalf of the Foundation's employees were \$97,708 and \$84,558 for the years ended June 30, 2020 and 2019, respectively.

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(10) Restricted Net Position:

At June 30, 2020 and 2019, the restricted nonexpendable endowments net position consisted of endowment funds. Investment earnings earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual meeting. The spending rate for the year ending June 30, 2020 was 4.1% to support donor-designated scholarships and programs and administrative fees. The spendable earnings are recorded as increases to the restricted expendable net position.

At June 30, 2020 and 2019, the restricted expendable net position includes undistributed earnings related to endowment funds, which represents gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Restricted expendable amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure. All excess earnings and spending appropriations not distributed will remain as part of the endowment fund to hedge against inflation and other threats to loss of purchasing power.

The Foundation follows the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and its own governing documents. FUPMIFA requires the Foundation to prudently manage its funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under FUPMIFA. The majority of the Foundation's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

(11) Risks and Uncertainties – COVID-19:

In early 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Foundation as of September 9, 2020, management believes that a material impact on the Foundation's financial position and results of future operations is reasonably possible.

(12) Prior Period Adjustment:

During the year ended June 30, 2020, the Foundation determined that certain amounts held as an endowment for MOCA should actually be reflected as a liability to MOCA (rather than net position of the Foundation) since the funds have been determined to be owned by MOCA. The accompanying financial statements reflect an adjustment to reduce net position at June 30, 2019 and July 1, 2018 by \$1,437,913 and \$1,404,000, respectively, from previously reported financial statements of the Foundation.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
University of North Florida Foundation, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University of North Florida Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the deficiency described below to be a significant deficiency.

2020-001 Amounts held on behalf of the Museum of Contemporary Art Jacksonville ("MOCA"): We noted the Foundation holds and invests certain amounts on behalf of MOCA represent funds investment management services. These amounts were contributed to MOCA by the City of Jacksonville ("COJ") through the sale of art collections. From these funds, an endowment was

created to provide restricted operational support for the acquisition and preservation of the permanent collection. As the agreement is between MOCA and the COJ, the Foundation holds no rights to the assets within its possession. Thus, the proper accounting of this transaction is to remove the corresponding amounts from the Foundation's restricted net position and report as a liability. The liability included in the accompanying Statement of Net Position represent the amounts due to MOCA, including any share of investment returns. The adjustments to the financial statements for the years ended June 30, 2020 and 2019, were as follows:

6/30/2019: Amounts held on behalf of MOCA and restricted net position reduced \$1,437,913.

6/30/2020: Amounts held on behalf of MOCA and restricted net position reduced \$1,431,731.

Management Response: The Financial Statements of the Foundation have been audited annually by independent CPA firms for over the past three years relative to the endowment contribution from the City of Jacksonville. However, the Foundation concurs with the Auditors' assessment based on recent research. Internal controls implemented will ensure assessment in accordance with the applicable GASB statements.

Compliance and Other Matters

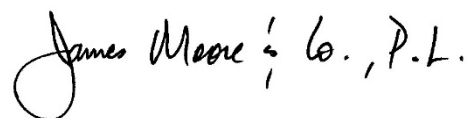
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

University of North Florida Foundation's Response to Findings

The University of North Florida Foundation's response to the findings identified in our audit is described in the body of this report. The University of North Florida Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gainesville, Florida
September 9, 2020

SUPPLEMENTAL INFORMATION

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2020

CSFA No. 48.074
Agency: State of Florida Department of Education and Commissioner of Education
Program: University Major Gift Challenge Grant Program

Account Number	Account Name	State Expenditures Total
7001	Andrew Robinson Scholarship Endowment	\$ 8,750
7002	Lovee and Hy Kliman Family Scholars Endowment	8,000
7003	Captain Blanchart Maritime Endowed Scholarship	75,956
7004	Wells Fargo Bank Scholarship Endowment	5,498
7005	Herman & Virginia Terry Scholars Endowment	116,317
7009	Mayor Jake Godbold Endowed Scholarship	5,000
7017	Presidential Endowed Scholarship	17,500
7018	Eminent Scholar Char in American Music	30,732
7020	Danciger Scholarship Endowment	-
7021	Madison-Mullis Endowment	3,000
7027	Richard deRaimis Kip Professor of International Business	21,401
7028-7032	de R. Kip Endowment	90,372
7048	de R. Kip Professorship in Financial Services	9,218
7049	Eminent Scholar Chair in Wholesaling	50,356
7050	Eminent Scholar Chair in Transportation	-
7051	AT&T Scholarship Endowment	9,500
7052	Alumni Association Scholarship Endowment	6,000
7054	Hercules Scholarship Endowment - COAS	-
7055	Hercules Scholarship Endowment - COCSE	2,000
7057	Fred and Rose Cobb Endowment Scholarship	5,000
7059	Martinez Family Scholarship Endowment	8,000
7060	Eminent Scholar Chair in Education	65,774
7063	R Ernest & D Ferrell Endowed Scholarship	14,371
7064	Elizabeth Larsen Music Scholarship	9,450
7065	John E Mathews Endowment	3,702
7067	Marcus E Drewa Distinguished Professorship Endowment	18,756
7068	Jacksonville Kennel Club Scholarship Endowment	3,000
7069	William Sheffield Real Estate Professorship Endowment	-
7071	Delores Kesler Scholarship Endowment	19,875
7072	Pre-Law: Brown, Terrell, Hogan et al	-
7073	Pre-Law: Coker Visiting Professorship	-
7074	Pre-Law: RP & KR Liles Lecture	-

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2020

CSFA No. 48.074
Agency: State of Florida Department of Education and Commissioner of Education
Program: University Major Gift Challenge Grant Program

<u>Account Number</u>	<u>Account Name</u>	<u>State Expenditures Total</u>
7075	Pre-Law: Child Advocacy Program	\$ -
7076-7079	Hicks and Gray Scholars Endowment	164,065
7080	Fidelity National Financial - Ann & David Hicks Scholarship	1,700
7081	Florida Book Depository Endowed Graduate Fellows	10,060
7083	Coggin Professorship Endowment	-
7084	Coggin Endowment Scholarship	1,000
7085	Adam W. Herbert Scholarship Endowment	14,000
7086	E & I Zekaria Scholarship Endowment	14,500
7088	Bank of America Information Technology Endowed Professorship	-
7089	Bank of America Endowed Scholarship	2,500
7090	Jacksonville Jaguars Foundation Endowed Scholarship	22,000
7093-7098	Brooks Health Endowment Scholarships, Professorships	61,982
7099	Gerson Yessin Distinguished Endowed Professorship	-
7104	David A Stein Business Ethics Scholarship Endowment	63,041
7105	Donna L Harper Endowment Professor Business Admin	10,000
7106-7107	M & H Scheidel Scholarship Endowment	124,915
7108-7109	Jody & Layton Smith Professorship and Osprey Financial Group	-
7110	Jody & Layton Smith Scholarship Endowment	17,000
7111	Pat H Foster Graduate Nurse Fellowship Endowment	11,274
7114	University Scholars Endowment	8,000
7115	Memorial Hospital Jacksonville Auxiliary Endowment Scholarship	5,000
7116	St. Joe Company Endowed Scholarship	4,600
7117	Dixon, Hughes, Goodman LLP Endowed Accounting Scholarship	10,102
7118	Weaver Family Foundation Business Endowment Scholarship	82,836
7120	CSX Transportation Scholarship Endowment	5,000
7122	Lazzara Family Scholarship Endowment	8,125
7123	Elkins Constructors Endowment Scholarship	6,000
7124	Fidelity National Financial Distinguished Professorship in CIS	38,000
7125	The Haskell Company Endowed Scholarship	5,400
7129	Let Us Play Scholarship Endowment	6,000
7130	Bill & Angie Halimandaris Endowed Scholarship	-
7131	Dr. Reza Vaghefi Endowed Scholarship	-

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2020

CSFA No. 48.074
Agency: State of Florida Department of Education and Commissioner of Education
Program: University Major Gift Challenge Grant Program

<u>Account Number</u>	<u>Account Name</u>	<u>State Expenditures Total</u>
7132	David A. Smith & PSS World Medical Inc., Endowed Scholar	\$ 2,850
7134	Ann C. Hicks Endowed Merit Scholarship	15,534
7137	Compass Bank Endowed Scholarship in International Business	2,250
7138	Baptist Health MSN Endowed Fellowships	20,000
7140	James Van Vleck Endowed Scholarship	-
7141	Dannehl & Kevin Twomey Endowed Scholarship	5,400
7142-7143	Blue Cross Blue Shield - Florida Ethics Center, Public Policy Professorship, Scholarships, Fellowships	142,667
7144	Stellar Group Scholarship Endowment	3,750
7146-7151	Coggin Scholarships, Fellowships, Professorships	384,242
7152	Mayor John A. Delaney Endowed Scholarship	9,500
7153	James Van Vleck Endowed Leadership & Ethics	-
7154	Pajcic Scholars Program Endowment	12,125
7155	Katherine H. Lovett Endowed Scholarship	59,697
7157	Mark E. Workman Endowed Professorship	5,000
7159	Thomas F & Eleanor H Aretz Endowed Nursing Scholarship	15,816
7167 - 7168	Crawford Early Literacy Faculty Fellow Corpus/Early Childhood Research Prof	39,567
7179	Women & Girls Health Research Professorship Endowment	9,822
7180	Terry Presidential Professorship Endowment	7,500
7182	Pre-Law Scholarship Endowment	1,700
7184	Paul Mucciolo MD Pre-Medical Scholarship	1,300
7186	Panides-Doughty Memorial Endowed Scholarship	7,806
7187	Debra Doughty-Jason Panides Endowed Memorial Scholarship	501
7188	Betty Lawson Endowed Physical Therapy Fellowship	5,000
7191	James Kufeldt Memorial Endowed Scholarship	8,000
7195	Gate Petroleum Company Entrepreneurial Endowed Scholarship	4,000
7199	Sam E Mousa Endowed Merit Scholarship	1,000
7205	Linda Carter & Tom H Slade III Endowed Prof of Entrepreneurial Studies	21,033
7207	James Van Vleck Promising Future Endowed Scholarship	1,300
7213	The Wachovia Foundation Endowed Scholarship	5,000
7217	Blue Cross Blue Shield Endowed Nursing Professorship	72,031
7222	Brooks College of Health Physical Therapy Professorship 1	-

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2020

CSFA No. 48.074
Agency: State of Florida Department of Education and Commissioner of Education
Program: University Major Gift Challenge Grant Program

Account Number	Account Name	State Expenditures Total
7223	Brooks College of Health Physical Therapy Professorship 2	\$ (725)
7224	Brooks College of Health Physical Therapy Professor 3	20,282
7225	Brooks College of Health Physical Therapy Professor 4	-
7226	Brooks College of Health Nursing Professorship 1	-
7227	Brooks College of Health Nursing Professorship 2	-
7228	Pamela S Chally Distinguished Professorship	-
7229	Taylor Engineering Endowed Professorship	38,490
7232	Charles M & Doris B Nevasier Endowed Nursing Scholarship	311
7242	River Branch Foundation Endowment	4,815
7246	Thad M Moseley, MD Endowed Scholarship	10,000
7247	Donald Loop Spanish Scholarship Endowment	2,000
Total State Expenditures		<u>\$ 2,244,191</u>

CSFA No. 76.035
Agency: Florida Department of Highway Safety and Motor Vehicles
Program: University of North Florida License Plate Project

Account Number	Account Name	State Expenditures Total
0368	Collegiate License Plate Transfer	\$ 31,255
0369	Collegiate License Plate Administration	8,037
0875	Collegiate License Plate - Academic Enhancement Fund	5,358
Total State Expenditures		<u>\$ 44,650</u>

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of State Financial Assistance (the “Schedule”) presents the activity of the state award program of the University of North Florida Foundation, Inc. (the “Foundation”) for the year ended June 30, 2020.

(2) **Summary of Significant Accounting Policies:**

The accompanying Schedule is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida.

The University Major Gifts Program has been temporarily suspended by the State of Florida, and no funding was received from the state in the form of matching funds during the year ended June 30, 2020. The expenditures under the University Major Gifts Program in the accompanying schedule of expenditures of state financial assistance represent expenditures of earnings on endowments that have received state matching funds or have been submitted for matching. These expenditures include amounts spent from earnings on both the state match portion and the private donor portions of the endowments.

(3) **Scope of Audit to the State Single Audit Act:**

All state grant operations of the Foundation are included in the scope of the Florida Single Audit Act. The Florida Single Audit Act was performed in accordance with the provisions of the Department of Financial Services’ State Projects Compliance Supplement. Compliance testing of all requirements, as described in the State Projects Compliance Supplement, was performed for the grant program noted in the accompanying Schedule.

(4) **Subrecipients:**

During the year ended June 30, 2020, the Foundation provided no state assistance to subrecipients.

(5) **Contingency:**

The grant revenue amount received is subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for the reimbursement to the grantor agency would become a liability of the Foundation. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and regulations.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

To the Board of Directors,
University of North Florida Foundation, Inc.:

Report on Compliance for Each Major State Project

We have audited the University of North Florida Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Foundation's major state projects for the year ended June 30, 2020. The Foundation's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state projects applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Florida Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2020.

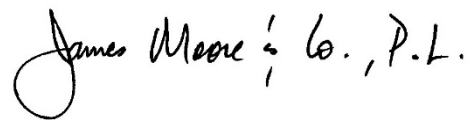
Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Gainesville, Florida
September 9, 2020

UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

2020-001 Amounts held on behalf of the Museum of Contemporary Art Jacksonville (“MOCA”):

Criteria: Statement No. 34 of the Governmental Accounting Standards Board requires that governments engaged only in business-type activities separately report assets that are held in a trustee or agency capacity for others and that cannot be used to support the government’s own programs.

Condition: In the course of evaluating the health of the Foundation’s restricted net position, it was determined that the Foundation held funds in a fiduciary capacity which were not segregated for financial statement purposes.

Cause: During the course of the financial statement audit, it was noted that the Foundation held certain funds in its endowment which were to be invested on behalf of MOCA. The Foundation held no legal claim to these funds but did not segregate them from other endowment funds with which they were comingled for investment purposes.

Effect: The restricted net position of the Foundation was overstated by approximately \$1.4M.

Recommendation: We recommended that the Foundation segregate these assets from their net position by recording them as a liability for their fair value at 6/30/2020. Management agreed with this recommendation and posted the relevant entries.

- C. **State Project Findings and Questioned Costs:** None.
- D. **Summary Schedule of Prior Audit Findings:** None.
- E. **Corrective Action Plan:** Not applicable as there are no current year findings.
- F. **Management Letter:** No management letter is required because there were no findings required to be reported in the management letter (Section 10.656(3)(e), Rules of the Auditor General).