



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021



UF WORKS EVERY DAY TO CHANGE TOMORROW. PRIVATE SUPPORT FROM OUR GENEROUS ALUMNI AND FRIENDS POWERS BREAKTHROUGHS AND CREATES IMPACT.

Note 1. Summary of Significant Accounting Policies

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

Reporting entity: The Foundation is a nonprofit entity established to solicit and manage funds for the benefit of the University of Florida (the University), a state university, as provided for in Section 1004.28 of the Florida Statutes and Board of Regents Rule 6C-9.011. The Foundation functions as a direct support organization of the University and is reported as a discrete component unit of the University in its financial statements. The financial statements of the Foundation include the accounts of its blended component unit, the University of Florida Alumni Association, Inc., but exclude fiduciary activities, which are reported in separate statements. The Foundation is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes pursuant to Section 501(a) of the IRC and Chapter 220.13 of the Florida Statutes, except for income from activities not related to its principal function.

Basis of accounting: The financial statements of the Foundation, as well as fiduciary funds, have been prepared 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 (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of timing of cash flows.

Financial statements for fiduciary activities are presented separately after the Statements of Cash Flows. Fiduciary activities of the Foundation include the employee defined benefit pension plan, which was terminated during fiscal year 2022, and funds held on behalf of other University related entities. Fiduciary funds are not reflected in the Foundation’s financial statements because the resources of those funds are held for the benefit of parties outside the Foundation and are not available to support the Foundation’s programs.

Fund accounting: To help to ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in the general ledger. For reporting purposes, these funds are combined into one column.

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





- **Net investment in capital assets:** Represents funds that consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to and expended on the acquisition, construction or improvement of those assets, net of any related unspent debt proceeds.
 - **Restricted:** 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. Restricted funds include:

 - **Expendable:** Represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the University and includes the expendable portion of endowment funds. These programs include student scholarships, faculty and staff support, research funding, funding for facilities and general college support.
 - **Nonexpendable:** Represents the nonexpendable portion (corpus) of endowment funds that are subject to donor, grantor or other outside party restrictions for the benefit of various programs at the University. These programs include student scholarships, faculty and staff support, research funding, funding for facilities and general college support. The corpus of the permanent endowments is retained and reported in nonexpendable, while the net earnings or losses on endowment funds are included in the expendable funds.
 - **Unrestricted:** Represents funds that are available without restriction for carrying out the Foundation's mission.
- As a general practice, the Foundation applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.
- **Operating and nonoperating activities:** 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. Operating revenues also include investment earnings on the endowment, alumni program support and license plate revenues. Nonoperating revenues and changes in nonexpendable include certain revenue sources that provide additional funding not included in operating revenues, including endowment contributions.

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.

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 values 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.

Fundraising: Costs associated with fundraising activities are included in supporting services as development expense in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Included are all direct costs associated with fundraising activities and allocable costs of activities that include both fundraising and program or management and general functions.

Use of estimates: Management uses estimates and assumptions in preparing financial statements in conformity with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses. Significant estimates used in preparing these financial statements include those used in calculating the pledges receivable and related allowance for doubtful amounts, the annuity and trust liabilities under split-interest agreements, the pension benefits obligation, and in determining the impairment of long-lived assets and the fair value of certain investments. Actual results could differ from these estimates.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, cash in banks and money market funds available for immediate use. The Foundation considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables: Receivables primarily consist of amounts due from the University (see Note 14).



Investments and fair value measurements: The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market and income approaches. Based on these approaches, the Foundation often uses certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Pledges receivable: In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, 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 contributions revenue. The Foundation uses the allowable method to determine uncollectible receivables. The allowance is based upon management estimates of current economic factors and analysis of specific accounts.

Real estate held for sale: The Foundation receives contributions in the form of real estate with donor intentions that the properties are to be sold and proceeds from the sale are to benefit the Foundation or the University. Real estate held for sale is held at fair value less estimated costs to sell.

Capital assets: All real property (buildings and land) is capitalized. Property and equipment purchased with an original cost of \$5,000 or more are recorded at cost. Contributed property and equipment having a value of \$5,000 or more are recorded at their acquisition cost on the date of donation. If donors stipulate how

long the assets must be used, the contributions are recorded as restricted support for the term of the restricted period. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Capital assets are depreciated using the straight-line method of accounting over the estimated useful lives of the assets. The estimated useful life for vehicles and equipment is three years and ranges from five years to thirty years for buildings and improvements. Land is not depreciated. If equipment is donated to the Foundation for the benefit of the University, the Foundation transfers title to the specified University recipient and no amounts are capitalized in the Foundation's financial statements. Expenditures for renewals and betterments that extend the useful lives of property are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets: The Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude, and the event or change in circumstance is outside the normal life cycle of the capital asset. As a result of any impairments, property with a permanent decrease in value is stated at the lower of the carrying value or fair value. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2022 and 2021.

Permanent collections: The Foundation owns most of the collection of the Samuel P. Harn Museum of Art (Harn). These collection items are under the control of the Harn, and these items are cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections, which were acquired through contributions and purchases since inception, are not recognized as assets on the Statements of Net Position. The Foundation does not capitalize its permanent collections due to accreditation requirements imposed by the American Alliance of Museums. Contributed collection items are recorded as in-kind contributions and offsetting decreases (program expense) in the appropriate net position class. Purchases of collection items are recorded as decreases (program expense) in the appropriate net position class in the year in which the items are acquired. Proceeds from sales or insurance recoveries are reflected as increases (other revenues) in the appropriate net position class.

Subscription-based information technology arrangements (SBITA):

The Foundation capitalizes costs associated with the payment of software subscription agreements (SBITA) greater than one year. The asset is measured as the sum of: (1) the initial subscription liability amount; (2) payments made to the SBITA vendor before the commencement of the subscription term; and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the Foundation, which may be implicit, or the Foundation’s incremental borrowing rate if the interest rate is not readily determinable.

Split-interest agreements: The Foundation accepts gifts subject to split-interest agreements. These gifts may be in the form of annuities, life estates or charitable remainder trusts. At the time of receipt, a deferred inflow is recorded based upon the fair value of assets donated and a liability based on the present value of projected future distributions to the beneficiaries. All activity related to the split-interest agreements is recorded as a deferred inflow. No revenue is recognized until termination of the split-interest agreement, when the remaining deferred inflow will be recognized. Liabilities include the present value of projected future distributions to the annuity

or trust beneficiaries and are determined using mortality tables and the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift ranging from 0.60% to 8.00%. Funds subject to split-interest agreements are classified as restricted expendable or restricted nonexpendable based upon donor designations.

Current Florida law requires charities to maintain certain minimum gift annuity reserves. As of June 30, 2022 and 2021, the Foundation held assets in excess of the minimum required by state law.

Fiduciary funds: The Foundation has two fiduciary funds. They are:

- **Pension Trust Funds** – accounts for the activities of the Foundation employee defined benefit pension plan.
- **Custodial Funds** – accounts for the activities of Gator Boosters, Inc., the University of Florida Health Proton Therapy Institute and Shands Teaching Hospital and Clinics, Inc. These University of Florida related entities have entered into agreements with the Foundation for administrative services.

Functional allocation of expenses: The costs of providing various programs and support services have been summarized on the functional basis in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Accordingly, certain costs have been allocated to the programs and supporting services receiving benefit from the expenditures.



Fundraisers' salaries and expenses paid by various colleges of the University:

A portion of certain fundraisers' salaries and expenses is paid either directly to the fundraisers by the colleges which they represent or it is reimbursed to the Foundation by the colleges. These amounts which totaled \$14,091,634 and \$13,103,704 for the fiscal years ended June 30, 2022 and 2021, respectively, are included in unrestricted operating revenues as support from the University and in supporting services as development expenses. At June 30, 2022 and 2021, \$585,944 and \$1,128,725 of these amounts are included in other current liabilities, respectively.

Compensated absences, other post-employment benefits and pension liability:

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Board of Governors and University Regulations. Leave earned is accrued to the credit of the employee and records are kept once each employee's unpaid (unused) leave balance. All Foundation employees are considered University employees. The University accrues up to 200 hours of vacation leave per employee, which reflects the maximum payout allowable upon termination of employment. Additionally, employees are entitled to use up to 160 hours beyond the 200 hour payout upon termination, which is accrued by the Foundation and included in the accompanying Statements of Net Position.

Employees also accrue retirement benefits for pension and other post-employment benefits over the time of employment at the University. Since all the employees who work for the Foundation are considered employees of the University, the liabilities for pensions and other post-employment benefits are reported by the University and therefore, are not reflected on the Foundation's financial statements.

The Foundation terminated its legacy defined benefit plan for former Foundation employees effective January 2022. There are no active participants in the plan. For details of the plan, see Note 12 of the accompanying notes to the financial statements.

Income taxes: The Foundation is exempt from federal income taxes under section 501(a) of the IRC as an organization described in section 501(c)(3). However, the Foundation is subject to income tax on unrelated business income. The Foundation's primary source of unrelated business income is from certain

investments in private equity partnerships. For the fiscal years ended June 30, 2022 and 2021, the Foundation had current income tax (benefit) expense of \$(177,005) and \$(35,391), respectively, which are included as an adjustment to investment return in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Foundation files income tax returns in the U.S. federal jurisdiction and in various state and local jurisdictions. Tax periods open to examination by major taxing jurisdictions to which the Foundation is subject include fiscal years ended June 30, 2019 through June 30, 2022.

The Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with U.S. GAAP for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation.

Recent accounting pronouncement: In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for the periods beginning after June 15, 2021.

Management has adopted GASB Statement No. 87 for the fiscal year ended June 30, 2022, and has determined the impact of this statement to be immaterial, both individually and in the aggregate, to the Foundation's financial statements taken as a whole. Management will monitor the impact of any leases entered into in prospective fiscal years and will update this determination as appropriate.

Note 2. Reporting Changes

There were no new accounting pronouncements or reporting changes that materially impacted the Foundation's financial statements for the fiscal year ended June 30, 2022.

Note 3. Cash and Cash Equivalents

The amounts reported by the Foundation as cash and cash equivalents consists of cash on hand, cash in bank demand accounts, cash held at the University and money market funds. Cash and cash equivalents at June 30, 2022 and 2021 are as follows:

	2022	2021
Cash in bank demand accounts	\$ 18,582,505	\$ 17,049,183
Money market funds	728,465	1,064,305
Cash held at the University of Florida	721,645	1,061,706
Cash on hand	<u>1,812</u>	<u>1,812</u>
Total cash and cash equivalents	<u>\$ 20,034,427</u>	<u>\$ 19,177,006</u>
Cash in bank demand accounts for fiduciary custodial funds	<u>\$ 4,703,905</u>	<u>\$ 4,071,578</u>

Cash in bank demand accounts are held in banks qualified as public depositories under Florida law. All such deposits are insured by federal depository insurance, up to specific limits, or collateralized with securities held in Florida's multiple financial institutional collateral pool required by Florida Statutes, Chapter 280. Money market funds are uninsured and collateralized by securities held by the institution.

At June 30, 2022 and 2021, \$728,465 and \$1,064,305, respectively, in cash deposits are not insured by federal depository insurance and are not collateralized.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation has no formal policy for custodial credit risk, but manages liquidity to minimize exposure of uninsured balances.

Note 4. State Match Receivable

In accordance with Florida Statute Chapter 1011.94, *University Major Gifts Program*, endowment contributions of \$100,000 or more, made after July 1, 1985, with income to be used to support libraries and instruction and research programs, were eligible for state match. As of June 30, 2022 and 2021, the Foundation has approved state matching requests that have not yet been received or recognized in the financial

statements totaling \$130,905,263 for both fiscal years. The State of Florida suspended funding for this program, effective July 1, 2011, and has not appropriated any funds since this date; therefore, no receivable has been recorded in the accompanying financial statements.

Note 5. Pledges Receivable

Pledges receivable and the unrelated allowance for potentially uncollectible amounts at June 30, 2022 and 2021, are summarized as follows:

	2022	2021
Due in less than one year	\$ 31,503,300	\$ 18,963,999
Due in one to five years	75,171,525	45,434,964
Due after five years	<u>87,901,667</u>	<u>9,482,601</u>
	194,576,492	73,881,564
Less:		
Allowance for doubtful amounts	(18,095,614)	(6,870,985)
Unamortized discounts	<u>(20,988,723)</u>	<u>(4,597,429)</u>
Total pledges receivable, net	<u>\$155,492,155</u>	<u>\$ 62,413,150</u>
Current pledges receivable, net	\$ 28,573,493	\$ 17,200,347
Noncurrent pledges receivable, net	<u>126,918,662</u>	<u>45,212,803</u>
Total pledges receivable, net	<u>\$155,492,155</u>	<u>\$ 62,413,150</u>
Pledges held in fiduciary custodial funds:		
Due in less than one year	\$ 8,076,574	\$ 6,730,894
Due in one to five years	32,761,586	22,152,608
Due after five years	<u>4,504,839</u>	<u>5,483,435</u>
	45,342,999	34,366,937
Less:		
Allowance for doubtful amounts	(4,216,899)	(2,221,125)
Unamortized discounts	<u>(3,537,130)</u>	<u>(2,931,018)</u>
Total pledges receivable, net	<u>\$ 37,588,970</u>	<u>\$ 29,214,794</u>
Current pledges receivable, net	\$ 7,325,453	\$ 6,104,920
Noncurrent pledges receivable, net	<u>30,263,517</u>	<u>23,109,874</u>
Total pledges receivable, net	<u>\$ 37,588,970</u>	<u>\$ 29,214,794</u>

Noncurrent pledges receivable are net of discounts amounting to \$20,988,723 and \$4,597,429 at June 30, 2022 and 2021, respectively. For fiduciary custodial funds, noncurrent pledges receivable are net of discounts amounting to \$3,537,130 and \$2,931,018 at June 30, 2022 and 2021, respectively. All pledges receivable are discounted using a risk adjusted discount rate for the month the pledge was initially recognized. The risk adjusted discount rate consists of the 5-year Treasury yield plus a 1.00% risk premium. Discount rates used ranged from 1.20% to 4.01%.

Note 6. Investment Management Agreement

The University of Florida Board of Trustees created the University of Florida Investment Corporation (UFICO), a direct support organization, to manage University investments. UFICO is governed by a volunteer board of directors independent from the Foundation. The Foundation has a management agreement with UFICO to manage a significant portion of its investments. Management fees are payable at the beginning of each quarter and are computed based on amounts budgeted by UFICO and the market value of the assets as reported by the custodians at the previous quarter-end. The asset valuations used in the fee calculations include all funds and assets under management, including cash and accrued income. Annualized fees charged were 0.14% and 0.15% for the years ended June 30, 2022 and 2021, respectively. Management fees expenses during the fiscal years ended June 30, 2022 and 2021, under this agreement totaled \$3,512,944 and \$3,362,846, respectively, which are included in investment return in

the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Note 7. Investments

Investments: The goals of the Foundation's investment program for endowments and other investments are set forth in the investment policy as approved by the Foundation's Board. The goals are specific to individual investment pools but in general it is to provide a total return from the assets invested that will preserve the purchasing power of those assets and, additionally for endowment invested assets, to also generate an income stream to support the activities of the colleges and units of the University. The investment policy provides guidelines as to risk and investment time horizon but does not address specific types of risks such as custodial risk, credit risk, interest rate risk and foreign currency risk that the Foundation may be exposed to as outlined below.

Investments at June 30, 2022 and 2021, are summarized as follows:

NOTE 7. INVESTMENTS							
	Endowments	Split-interest Agreements	Other	Total	Fiduciary Funds		
					Pension Trust Funds	Custodial Funds	Total
JUNE 30, 2022							
Government issues - domestic	\$ -	319,184	\$ -	\$ 319,184	\$ -	\$ 6,453	\$ 6,453
Government issues - foreign	-	-	20,000	20,000	-	-	-
Equities	-	-	1,203,297	1,203,297	-	-	-
Short-term investments	42,791	1,614,889	47,042	1,704,722	-	5,634	5,634
Mutual funds - equities	-	35,593,300	-	35,593,300	-	170,567	170,567
Mutual funds - fixed income	-	16,713,937	-	16,713,937	-	116,272	116,272
Private equity investments	2,292,015	-	-	2,292,015	-	-	-
Private equity investments - UFICO limited partnerships ⁽¹⁾	2,275,209,927	-	-	2,275,209,927	-	3,338,846	3,338,846
Total investments	\$ 2,277,544,733	\$ 54,241,310	\$ 1,270,339	\$ 2,333,056,382	\$ -	\$ 3,637,772	\$ 3,637,772
JUNE 30, 2021							
Government issues - domestic	\$ -	\$ 380,072	\$ -	\$ 380,072	\$ -	\$ 7,993	\$ 7,993
Equities	-	-	1,141,934	1,141,934	-	-	-
Short-term investments	52,779	1,455,193	35,285	1,543,257	343,576	7,592	351,168
Mutual funds - equities	-	44,273,614	-	44,273,614	16,709,703	198,053	16,907,756
Mutual funds - fixed income	-	19,941,701	-	19,941,701	21,752,717	133,974	21,886,691
Private equity investments	2,292,015	-	-	2,292,015	-	-	-
Private equity investments - UFICO limited partnerships ⁽¹⁾	2,380,993,078	-	-	2,380,993,078	-	3,506,094	3,506,094
Total investments	\$ 2,383,337,872	\$ 66,050,580	\$ 1,177,219	\$ 2,450,565,671	\$ 38,805,996	\$ 3,853,706	\$ 42,659,702

(1) Consists of investments in two limited partnerships managed by UFICO. See Limited Partnerships section.