



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



UNIVERSITY *of* FLORIDA
FOUNDATION

CONTENTS

- 2** Independent Auditor's Report
- 4** University of Florida Foundation Mission & Vision
- 6** Management's Discussion & Analysis (Unaudited)
- 16** Lasting Impact (Unaudited)
- 18** Financial Statements:
 - Statements of Net Position
 - Statements of Revenues, Expenses, and Changes in Net Position
 - Statements of Cash Flows
 - Statements of Fiduciary Net Position
 - Statements of Changes in Fiduciary Net Position
- 26** Notes to the Financial Statements
- 48** Supplementary Information:
 - Supplemental Schedules of Revenues, Expenses and Changes in Net Position
- 52** Independent Auditor's 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*





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Independent Auditor's Report

Executive Board
University of Florida Foundation, Inc.
Gainesville, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the University of Florida Foundation, Inc. (Foundation), a discretely presented component unit of the University of Florida, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Foundation as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The supplemental schedules of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the supplemental schedules of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the University of Florida Foundation Mission & Vision and Lasting Impact sections listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2023 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 the Foundation's 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.

BDO USA, P.C.

September 27, 2023



UNIVERSITY OF FLORIDA FOUNDATION

MISSION: To promote the University, increase philanthropy, manage and grow the endowment, ensure the appropriate use of funds and pursue best governance practices.

VISION: To be a valued partner with the University by connecting donor resources in the pursuit of excellence.





MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



The Foundation operates as part of University Advancement to support the University's trifold mission of teaching, research and service.

INTRODUCTION

The University of Florida Foundation, Inc. (the Foundation) is a nonprofit entity established to solicit and manage funds for the benefit of the University of Florida (the University). The Foundation is governed by a board of directors (Board) consisting of a majority of volunteer board members, some of whom are significant donors to the Foundation. The Board also includes ex-officio University and Foundation officials. Board members are subject to approval by the University Board of Trustees. The Foundation is presented as a discrete component unit of the University and is certified as a direct support organization. The Foundation operates as an integral part of the wider consortium of offices and individuals known as University Advancement that work collaboratively to marshal resources in support of the University's trifold mission of teaching, research and service. In addition to the Foundation, this integrated model includes the University of Florida Alumni Association, Inc., as well as development and alumni relations teams embedded in the colleges and units of the University.

OVERVIEW OF FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Foundation, including its blended component unit, the University of Florida Alumni Association, Inc., but excludes fiduciary activities, which are reported in separate statements, as of and for the years ended June 30, 2023, 2022 and 2021 and should be read in conjunction with the financial statements and notes thereto.

The financial statements are prepared on 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). See the notes to the financial statements for a summary of the Foundation's significant accounting policies.

Pursuant to GASB Statement No. 35, *Basic Financial Statements-Management's Discussion and Analysis-for Public Colleges and Universities*, the Foundation's basic

financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. Additionally, pursuant to GASB Statement No. 84, *Fiduciary Activities*, the Foundation includes the Statement of Fiduciary Net Position and the Statement of Revenues, Expenses and Changes in Fiduciary Net Position as it relates to its pension trust fund (Foundation retirement plan) and custodial funds (funds held on behalf of University entities).

STATEMENT OF NET POSITION

The Statement of Net Position reflects the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Foundation and presents the financial position of the Foundation at a point in time. Assets and deferred outflows less liabilities and deferred inflows equal net position, which is one indicator of the Foundation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Foundation's financial condition. Net investment in capital assets presents the Foundation's equity in property and equipment. Restricted net position is comprised of expendable and nonexpendable and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislation. Nonexpendable assets represent endowment assets whose principal cannot be spent and are required by the donor to be held in perpetuity. Unrestricted net position consists of assets, net of liabilities and deferred inflows of resources, that do not meet the definition of restricted net investment in capital assets and are available to the Foundation for any legal use.

The Foundation's assets totaled \$2.7 billion as of June 30, 2023. This balance reflects a increase of \$38.7 million, or 1.4% compared to June 30, 2022. Current assets increased \$29.9 million due to increases in receivables and current pledges receivable of \$31.9 million and \$3.0 million, respectively, net of decreases in cash and cash equivalents and current investments of \$4.7 million and \$0.4 million, respectively. Noncurrent investments increased by \$57.2 million, driven by investment performance. Other noncurrent assets decreased \$48.1 million, primarily due to a decrease in noncurrent pledges receivable of \$47.6 million.

The Foundation's assets totaled \$2.7 billion as of June 30, 2022. This balance reflects a decrease of \$12.5 million, or 0.5% compared to June 30, 2021. Current assets increased \$33.6 million due to increases in cash and cash equivalents, receivables, current investments and

current pledges receivable of \$0.9 million, \$20.6 million, \$0.8 million and \$11.4 million, respectively. Noncurrent investments decreased by \$118.3 million, driven by investment performance. Other noncurrent assets increased \$69.9 million, primarily due to increases in noncurrent notes receivable and noncurrent pledges receivable of \$1.8 million

and \$81.7 million, respectively, offset by a decrease in the net pension asset of \$14.5 million.

The following table summarizes the Foundation's Statements of Net Position as of June 30, 2023 and the two preceding fiscal years:

CONDENSED STATEMENTS OF NET POSITION (in thousands)							
			2023-2022		2021	2022-2021	
	2023	2022	Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Assets							
Current assets	\$ 148,472	\$ 118,611	\$ 29,861	25.18%	\$ 84,998	\$ 33,613	39.55%
Noncurrent investments	2,388,599	2,331,352	57,247	2.46%	2,449,612	(118,260)	-4.83%
Capital assets, net	107,638	107,917	(279)	-0.26%	105,690	2,227	2.11%
Other noncurrent assets	100,541	148,661	(48,120)	-32.37%	78,735	69,926	88.81%
Total assets	<u>2,745,250</u>	<u>2,706,541</u>	<u>38,709</u>	<u>1.43%</u>	<u>2,719,035</u>	<u>(12,494)</u>	<u>-0.46%</u>
Liabilities							
Current liabilities	7,851	7,773	78	1.00%	6,282	1,491	23.73%
Noncurrent liabilities	38,832	39,823	(991)	-2.49%	45,343	(5,520)	-12.17%
Total liabilities	<u>46,683</u>	<u>47,596</u>	<u>(913)</u>	<u>-1.92%</u>	<u>51,625</u>	<u>(4,029)</u>	<u>-7.80%</u>
Deferred inflows of resources	<u>18,402</u>	<u>17,277</u>	<u>1,125</u>	<u>6.51%</u>	<u>28,427</u>	<u>(11,150)</u>	<u>-39.22%</u>
Total liabilities and deferred inflows of resources	<u>65,085</u>	<u>64,873</u>	<u>212</u>	<u>0.33%</u>	<u>80,053</u>	<u>(15,180)</u>	<u>-18.96%</u>
Net position							
Net investment in capital assets	106,770	106,328	442	0.42%	103,748	2,580	2.49%
Restricted – expendable	919,999	959,050	(39,051)	-4.07%	1,015,441	(56,391)	-5.55%
Restricted – nonexpendable	1,614,108	1,535,474	78,634	5.12%	1,478,236	57,238	3.87%
Unrestricted	39,288	40,816	(1,528)	-3.74%	41,557	(741)	-1.78%
Total net position	<u>\$ 2,680,165</u>	<u>\$ 2,641,668</u>	<u>\$ 38,497</u>	<u>1.46%</u>	<u>\$ 2,638,982</u>	<u>\$ 2,686</u>	<u>0.10%</u>

The Foundation's liabilities and deferred inflows of resources totaled \$65.1 million as of June 30, 2023. This balance reflects an increase of \$0.2 million, or 0.3% compared to June 30, 2022. Current liabilities increased nominally due to an increase in accounts payable and accrued expenses. Noncurrent liabilities decreased \$1.0 million, primarily due to a decrease in split-interest agreements of \$1.0 million. Deferred inflows increased \$1.1 million due to increases in split-interest agreements, primarily due to investment performance.

The Foundation's liabilities and deferred inflows of resources totaled \$64.9 million as of June 30, 2022. This balance reflects a decrease of \$15.2 million, or 19.0% compared to June 30, 2021. Current liabilities increased \$1.5 million primarily due to the increase in accounts payable and

accrued expenses and software subscriptions of \$1.8 million and \$0.3 million, respectively, offset by decreases in other current liabilities and split-interest agreements of \$0.5 million and \$0.1 million, respectively. Noncurrent liabilities decreased \$5.5 million, primarily due to a decrease in split-interest agreements of \$4.1 million. Deferred inflows decreased \$11.2 million due to decreases in split-interest agreements and pension liability, primarily due to investment performance and the termination of the pension plan.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Foundation does not record endowed pledges until they are received; however, endowed pledges receivable was \$120.9 million, \$71.0 million, and \$64.3 million as of June 30, 2023, 2022, and 2021, respectively.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the Foundation's revenue and expense activity for a given fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. GASB Statement No. 35 categorizes revenue and expenses as either operating or nonoperating.

Operating revenues include nonendowed contributions to the Foundation, support from the University, investment return and other nonendowed revenues. Operating expenses include distributions of contributions and

endowment spendable amounts to campus, as well as expenses supporting the advancement operations of the University. Nonoperating revenues include changes in value of nonendowed split-interest agreements. Changes in nonexpendable include endowment contributions and other revenues designated for permanent restriction.

The majority of the Foundation's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Foundation has chosen to report the expenses by their functional classifications on the Statement of Revenues, Expenses and Changes in Net Position.

The following table summarizes the Foundation's changes in net position for the fiscal year ended June 30, 2023 and the two preceding fiscal years:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)

	2023-2022				2022-2021		
	2023	2022	Increase (Decrease)	Percent Change	2021	Increase (Decrease)	Percent Change
Operating revenues							
Contributions, net	\$ 104,432	\$ 190,279	\$ (85,847)	-45.12%	\$ 203,733	\$ (13,454)	-6.60%
Support from the University of Florida	16,693	23,352	(6,659)	-28.52%	23,721	(369)	-1.56%
Investment return, net	88,579	(42,708)	131,287	307.41%	570,921	(613,629)	-107.48%
Other operating revenues	12,852	10,594	2,258	21.31%	8,411	2,183	25.95%
Total operating revenues	<u>222,556</u>	<u>181,517</u>	<u>41,039</u>	<u>22.61%</u>	<u>806,786</u>	<u>(625,269)</u>	<u>-77.50%</u>
Operating expenses							
Program services	202,134	171,661	30,473	17.75%	223,420	(51,759)	-23.17%
Supporting services	58,278	60,911	(2,633)	-4.32%	43,516	17,395	39.97%
Total operating expenses	<u>260,412</u>	<u>232,572</u>	<u>27,840</u>	<u>11.97%</u>	<u>266,936</u>	<u>(34,364)</u>	<u>-12.87%</u>
Operating income (loss)	(37,856)	(51,055)	13,199	25.85%	539,850	(590,905)	-109.46%
Nonoperating revenues	<u>103</u>	<u>32</u>	<u>71</u>	<u>221.88%</u>	<u>814</u>	<u>(782)</u>	<u>-96.07%</u>
Income (loss) before change in nonexpendable	<u>(37,753)</u>	<u>(51,023)</u>	<u>13,270</u>	<u>26.01%</u>	<u>540,664</u>	<u>(591,687)</u>	<u>-109.44%</u>
Changes in nonexpendable							
Endowment contributions	74,964	50,705	24,259	47.84%	50,581	124	0.25%
Other changes in nonexpendable	1,286	3,004	(1,718)	-57.19%	1,307	1,697	129.84%
Total changes in nonexpendable	<u>76,250</u>	<u>53,709</u>	<u>22,541</u>	<u>41.97%</u>	<u>51,888</u>	<u>1,821</u>	<u>3.51%</u>
Change in net position	38,497	2,686	35,811	1,333.25%	592,552	(589,866)	-99.55%
Net position – beginning of year	<u>2,641,668</u>	<u>2,638,982</u>	<u>2,686</u>	<u>0.10%</u>	<u>2,046,430</u>	<u>592,552</u>	<u>28.96%</u>
Net position – end of year	<u>\$ 2,680,165</u>	<u>\$ 2,641,668</u>	<u>\$ 38,497</u>	<u>1.46%</u>	<u>\$ 2,638,982</u>	<u>\$ 2,686</u>	<u>0.10%</u>

The Foundation's net position increased \$38.5 million, or 1.5% during the fiscal year 2023, driven by investment performance. The Foundation's net

position increased \$2.7 million, or 0.1% during the fiscal year 2022, driven by contribution revenue offset by investment performance.

OPERATING REVENUES

The following table summarizes the operating revenues by source that were used to fund operating activities for the fiscal year ended June 30, 2023 and the two preceding fiscal years:

OPERATING REVENUES (in thousands)							
	2023-2022				2022-2021		
	2023	2022	Increase (Decrease)	Percent Change	2021	Increase (Decrease)	Percent Change
Contributions, net	\$ 104,431	\$ 190,279	\$ (85,848)	-45.12%	\$ 203,733	\$ (13,454)	-6.60%
Support from the University of Florida	16,693	23,352	(6,659)	-28.52%	23,721	(369)	-1.56%
Investment return, net	88,579	(42,708)	131,287	307.41%	570,921	(613,629)	-107.48%
Other operating revenues	12,853	10,594	2,259	21.32%	8,411	2,183	25.95%
Total operating revenues	\$ 222,556	\$ 181,517	\$ 41,039	22.61%	\$ 806,786	\$ (625,269)	-77.50%

Operating revenues totaled \$222.6 million for fiscal year 2023, an increase of \$41.0 million, or 22.6% as compared to fiscal year 2022. Nonendowed contributions decreased \$85.8 million to \$104.4 million despite continued strength in donor giving and campaign initiatives. Investment return increased \$131.3 million due to higher investment performance as compared to fiscal year 2022. Other operating revenues increased \$2.3 million due to higher license tag revenues and other revenues.

Operating revenues totaled \$181.5 million for fiscal year 2022, a decrease of \$625.3 million, or 77.5% as compared to fiscal year 2021. Nonendowed contributions decreased \$13.5 million to \$190.3 million despite continued strength in donor giving and campaign initiatives. Investment return decreased \$613.6 million due to lower investment performance as compared to fiscal year 2021. Other operating revenues increased \$2.2 million due to higher alumni program support and other revenues.



OPERATING EXPENSES

The following table summarizes the operating expenses by function for the fiscal year ended June 30, 2023 and the two preceding fiscal years:

OPERATING EXPENSES (in thousands)							
	2023	2022	2023-2022		2021	2022-2021	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Operating expenses							
Program services							
General college support	\$ 96,062	\$ 69,441	\$ 26,621	38.34%	\$ 66,328	\$ 3,113	4.69%
Student financial aid	31,266	29,425	1,841	6.26%	28,192	1,233	4.37%
Faculty and staff support	29,834	28,797	1,037	3.60%	25,604	3,193	12.47%
Research	19,168	21,476	(2,308)	-10.75%	20,161	1,315	6.52%
Facilities	16,415	12,062	4,353	36.09%	69,226	(57,164)	-82.58%
Other	9,389	10,460	(1,071)	-10.24%	13,909	(3,449)	-24.80%
Total program services	202,134	171,661	30,473	17.75%	\$ 223,420	\$ (51,759)	-23.17%
Supporting services							
Communications and marketing	6,010	5,166	844	16.34%	3,306	1,860	56.26%
Alumni relations	6,051	5,255	796	15.15%	4,186	1,069	25.54%
Development	26,401	24,633	1,768	7.18%	21,899	2,734	12.48%
Operations	16,839	23,471	(6,632)	-28.26%	10,700	12,771	119.36%
Talent management	2,977	2,386	591	24.77%	3,425	(1,039)	-30.34%
Total supporting services	58,278	60,911	(2,633)	-4.32%	43,516	17,395	39.97%
Total operating expenses	\$ 260,412	\$ 232,572	\$ 27,840	11.97%	\$ 266,936	\$ (34,364)	-12.87%

Operating expenses totaled \$260.4 million for fiscal year 2023, an increase of \$27.8 million, or 12.0% as compared to fiscal year 2022. Operating expenses totaled \$232.6 million for fiscal year 2022, a decrease of \$34.4 million, or 12.9% as compared to fiscal year 2021.

Program services are predominantly transfers to the University for the benefit of University programs. They consist of monthly transfers of nonendowed contributions as well as quarterly transfers of endowment spendable income. Program services expenses are reported in their functional classification, which is based on the donor intent or purpose of each underlying established fund. Changes between fiscal years are primarily related to the level of contributions to each functional classification and to a lesser extent the changes in the functional makeup of the endowment.

Program services expenses totaled \$202.1 million for fiscal year 2023, an increase of \$30.5 million, or 17.8% as compared to fiscal year 2022. General college support had the largest increase over the prior year, \$26.6 million, due to large nonendowed contributions received in the prior year. Facilities, student financial aid, and faculty and staff support saw increases of \$4.4 million, \$1.8 million and \$1.0 million, respectively.

Program services expenses totaled \$171.7 million for fiscal year 2022, a decrease of \$51.8 million, or 23.2% as compared to fiscal year 2021. Facilities had the largest decrease over the prior year, \$57.2 million, due to large nonendowed facilities-related donor contributions received in the prior year. General college support, faculty and staff support and research saw increases of \$3.1 million, \$3.2 million and \$1.3 million, respectively.

Supporting services expenses are part of the Foundation's operating budget which is approved annually by the Foundation's Board. They are reported in their functional classification, which is based on the Foundation's organizational structure.

Supporting services expenses totaled \$58.3 million for fiscal year 2023, a decrease of \$2.6 million, or 4.3% over fiscal year 2022. The decrease was primarily attributed to adjusting operational investments.

Supporting services expenses totaled \$60.9 million for fiscal year 2022, an increase of \$17.4 million, or 40.0% over fiscal year 2021. The increase was primarily driven by the net expense associated with the pension plan's termination.



NONOPERATING REVENUES AND CHANGES IN NONEXPENDABLE

The following table summarizes the nonoperating revenues and changes in nonexpendable by source for the fiscal year ended June 30, 2023 and the two preceding fiscal years:

NONOPERATING REVENUES AND CHANGES IN NONEXPENDABLE (in thousands)							
	2023-2022				2022-2021		
	2023	2022	Increase (Decrease)	Percent Change	2021	Increase (Decrease)	Percent Change
Nonoperating revenues	\$ 103	\$ 32	\$ 71	221.88%	\$ 814	\$ (782)	-96.07%
Changes in nonexpendable							
Endowment contributions	74,964	50,705	24,259	47.84%	50,581	124	0.25%
Other changes in nonexpendable	1,286	3,004	(1,718)	-57.19%	1,307	1,697	129.84%
Total changes in nonexpendable	\$ 76,250	\$ 53,709	\$ 22,541	41.97%	\$ 51,888	\$ 1,821	3.51%

Nonoperating revenues totaled \$0.1 million for fiscal year 2023, an increase of \$0.1 million, or 221.9% as compared to fiscal year 2022. Nonoperating revenues consisted of the change in value of restricted expendable split-interest agreements, revenue that was recognized due to the termination of various split-interest agreements during the fiscal year. Change in nonexpendable totaled \$76.3 million, an increase of \$22.5 million, or 42.0% as compared to the previous fiscal year. Endowment contributions totaled \$75.0 million, up \$24.3 million from the prior year. Other changes in nonexpendable totaled \$1.3 million, a decrease of \$1.7 million over the prior year, primarily due to decreases in other revenues.

Nonoperating revenues totaled \$0.03 million for fiscal year 2022, a decrease of \$0.8 million, or 96.1% as compared to fiscal year 2021. Nonoperating revenues consisted of the change in value of restricted expendable split-interest agreements, revenue that was recognized due to the termination of various split-interest agreements during the fiscal year. Change in nonexpendable totaled \$53.7 million, an increase of \$1.8 million, or 3.5% as compared to the previous fiscal year. Endowment contributions totaled \$50.7 million, up \$0.1 million from the prior year. Other changes in nonexpendable totaled \$3.0 million, an increase of \$1.7 million over the prior year, primarily due to decreases in activity related to split-interest agreements and other revenues.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the Foundation's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the Foundation's ability to generate net cash flows, its ability to meet its financial obligations as they come due and its need for external financing. Cash flows from operating activities show the net cash used by typically ongoing operating activities of

the Foundation. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and earnings income on those investments. Cash flows from capital and related financing activities include changes associated with the long-term debt activities of the Foundation.

The following table summarizes the major sources and uses of cash for the fiscal year ended June 30, 2023 and the two preceding fiscal years:

CONDENSED STATEMENTS OF CASH FLOWS (in thousands)

	2023	2022	2023-2022		2021	2022-2021	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Cash flows provided by (used in)							
Operating activities	\$ (110,975)	\$ (113,592)	\$ 2,617	2.30%	\$ (88,726)	\$ (24,866)	-28.03%
Investing activities	38,737	67,859	(29,122)	-42.92%	42,929	24,930	58.07%
Capital and related financing activities	(4,852)	(4,940)	88	1.78%	(3,598)	(1,342)	-37.30%
Noncapital financing activities	72,416	51,530	20,886	40.53%	48,265	3,265	6.76%
Change in cash and cash equivalents	(4,674)	857	(5,531)	-645.39%	(1,130)	1,987	175.84%
Cash and cash equivalents, beginning of year	20,034	19,177	857	4.47%	20,307	(1,130)	-5.56%
Cash and cash equivalents, end of year	<u>\$ 15,360</u>	<u>\$ 20,034</u>	<u>\$ (4,674)</u>	<u>-23.33%</u>	<u>\$ 19,177</u>	<u>\$ 857</u>	<u>4.47%</u>

Cash and cash equivalents decreased by \$4.7 million, or 23.3% during fiscal year 2023. Net cash flows used in operating activities increased by \$2.6 million, primarily due to an increase in nonendowed cash contributions of \$50.4 million, offset by increases in payments for program services and supporting services as compared to fiscal year 2022. Net cash flows provided by investing activities decreased by \$29.1 million, primarily due to decreased investment sales and maturities and real estate sales of \$23.0 million and 6.7 million, respectively, offset by other changes in cash from investing activities as compared to fiscal year 2022. Net cash flows provided by noncapital financing activities increased by \$20.9 million in the current year, primarily due to an increase in contributions restricted for long-term investment of \$20.9 million.

Cash and cash equivalents increased by \$0.9 million, or 4.5% during fiscal year 2022. Net cash flows used in operating activities decreased by \$24.9 million, primarily due to a decrease in nonendowed cash contributions of \$25.0 million as compared to fiscal year 2021. Net cash flows provided by investing activities increased by \$24.9 million, primarily due to increased investment sales and maturities of \$16.2 million as compared to fiscal year 2021. Net cash flows provided by noncapital financing activities increased by \$3.3 million in the current year, primarily due to an increase in contributions restricted for long-term investment and other revenues restricted for long-term investment of \$2.3 million and \$1.1 million, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, comprised of land and buildings held for use, land preserve, equipment, furniture, vehicles, and software subscriptions, are included in noncurrent assets on the accompanying Statements of Net Position. These balances are net of accumulated depreciation and amortization.

The following table summarizes capital assets as of June 30, 2023 and the two preceding fiscal years:

CAPITAL ASSETS (in thousands)							
	2023-2022				2022-2021		
	2023	2022	Increase (Decrease)	Percent Change	2021	Increase (Decrease)	Percent Change
Land held for use and land preserve	\$ 100,590	\$ 100,447	\$ 143	0.14%	\$ 99,921	\$ 526	0.53%
Buildings held for use, net	2,168	2,211	(43)	-1.94%	2,311	(100)	-4.33%
Equipment, furniture and vehicles, net	1,936	2,442	(506)	-20.72%	1,378	1,064	77.21%
Software subscriptions, net	2,849	2,722	127	4.67%	1,985	737	37.13%
Other capital assets	95	95	-	0.00%	95	-	0.00%
Total capital assets, net	\$ 107,638	\$ 107,917	\$ (279)	-0.26%	\$ 105,690	\$ 2,227	2.11%

During fiscal year 2023, the decrease in net capital assets was primarily due to depreciation and amortization expenses of \$4.4 million, offset by net capital additions of \$4.1 million.

During fiscal year 2022, the increase in net capital assets was primarily due to net capital additions of \$4.7 million, offset by depreciation and amortization expenses of \$2.5 million.

Detailed schedules of capital assets and related activity can be found in Note 10 of the accompanying notes to the financial statements.

The following table summarizes capital asset-related debt outstanding as of June 30, 2023 and the two preceding fiscal years:

CAPITAL ASSET-RELATED DEBT (in thousands)							
	2023-2022				2022-2021		
	2023	2022	Increase (Decrease)	Percent Change	2021	Increase (Decrease)	Percent Change
Shands Teaching Hospital and Clinics, Inc. parking garage	\$ 100	\$ 200	\$ (100)	-50.00%	\$ 300	\$ (100)	-33.33%
College of the Arts warehouse	425	453	(28)	-6.18%	479	(26)	-5.43%
Software subscriptions	343	936	(593)	-63.35%	1,164	(228)	-19.59%
Total capital related liabilities	\$ 868	\$ 1,589	\$ (721)	-45.37%	\$ 1,943	\$ (354)	-18.22%

During fiscal year 2023, the Foundation decreased capital asset-related debt by approximately \$0.7 million, which was attributable to \$0.7 million in principal payments. During fiscal year 2022, the Foundation decreased capital asset-related debt by approximately \$0.4 million, which was attributable to \$0.4 million in principal payments. Additional information on the Foundation's long-term debt obligations can be found in Note 11 of the accompanying notes to the financial statements.

ECONOMIC OUTLOOK

The economic outlook of the Foundation is affected by the overall economy, state and federal laws, investment returns, support received from the University, charitable contributions and various other revenue sources. Changes in state appropriations to the University may result in changes in the amount of support the Foundation receives from the University.

FLORIDA SINGLE AUDIT

In accordance with State of Florida Chapter 10.650, Rules of the Auditor General, the financial activity and internal controls surrounding the activities of the University Major Gifts Program and the Specialty License Plate Program were audited as of and for the fiscal year ended June 30, 2023. The auditor's report on these procedures is not included in this document, but can be found at www.uff.ufl.edu. The report includes no findings, questioned costs or deficiencies in internal control over compliance.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A and financial statements and notes thereto, or requests for additional information should be addressed to the University of Florida Foundation, 1938 W. University Avenue, Gainesville, Florida 32603 or finance-accounting@uff.ufl.edu.

LASTING IMPACT

GIFTS FROM ALUMNI AND FRIENDS CREATE LASTING IMPACT, AND THESE GIFTS ENABLE THE UNIVERSITY TO BETTER DISCOVER, EXPLORE, EDUCATE AND SERVE FAMILIES AND COMMUNITIES. ENDOWMENTS PROVIDE THIS ABILITY IN PERPETUITY.

ENDOWMENTS

99.5% OF THE ENDOWMENT IS DESIGNATED BY
DONORS FOR RESTRICTED PURPOSES



ENDOWMENT
FUNDS

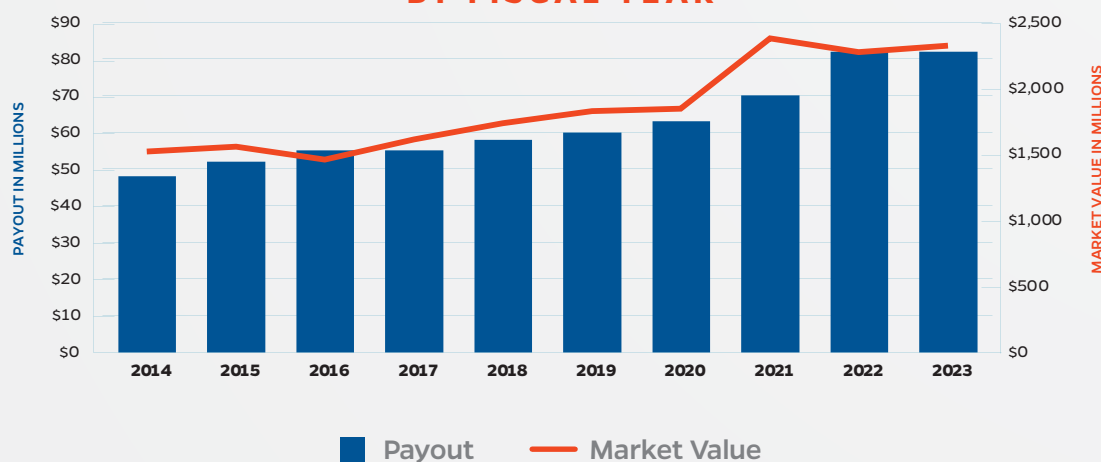


ENDOWMENT
MARKET VALUE



ENDOWMENT
PAYOUT

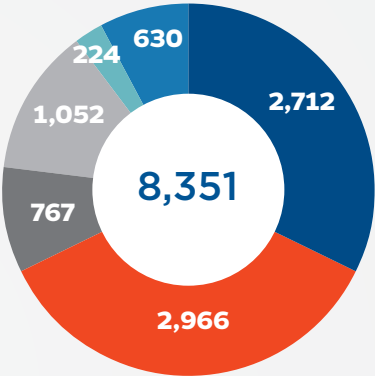
ENDOWMENT MARKET VALUE AND PAYOUT BY FISCAL YEAR



ALL DONOR FUNDS

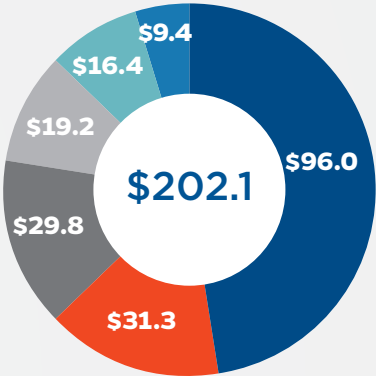
99.0% OF PROGRAM SERVICE EXPENSES WERE FROM FUNDS DESIGNATED BY DONORS FOR RESTRICTED PURPOSES

NUMBER OF FUNDS ⁽¹⁾



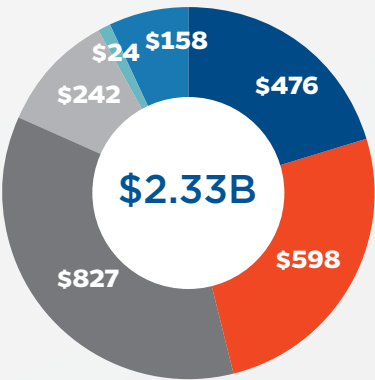
PROGRAM SERVICE EXPENSES

(in \$ millions)



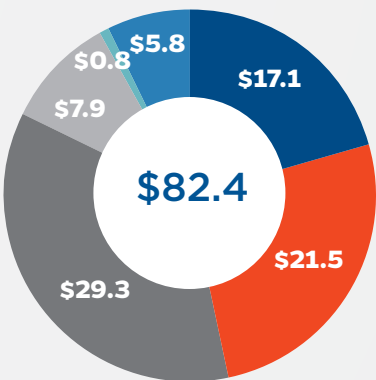
ENDOWMENT MARKET VALUE

(in \$ millions)



ENDOWMENT PAYOUT

(in \$ millions)



- General college support
- Student financial aid
- Faculty and staff support
- Research
- Facilities
- Other

(1) Includes both endowed and nonendowed donor funds.



FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



STATEMENTS OF NET POSITION
(as of June 30, 2023 and 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 15,359,552	\$ 20,034,427
Receivables and prepaid expenses	100,115,801	68,248,784
Investments	1,347,839	1,704,722
Notes receivable - current portion	74,019	49,674
Pledges receivable, net	31,574,763	28,573,493
Total current assets	<u>148,471,974</u>	<u>118,611,100</u>
Noncurrent assets		
Investments	2,388,599,148	2,331,351,660
Notes receivable	1,182,604	1,793,273
Pledges receivable, net	79,271,518	126,918,662
Real estate held for sale	5,197,284	5,436,486
Present value of amounts due from externally managed trusts	1,913,770	2,092,372
Nondepreciable capital assets	100,589,927	100,446,579
Depreciable capital assets, net	7,047,934	7,470,059
Cash surrender value of life insurance	12,955,760	12,396,414
Other noncurrent assets	19,764	24,763
Total noncurrent assets	<u>2,596,777,709</u>	<u>2,587,930,268</u>
Total assets	<u>\$ 2,745,249,683</u>	<u>\$ 2,706,541,368</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,222,177	\$ 2,130,127
Other current liabilities	1,357,874	798,253
Long-term liabilities - current portion:		
Notes payable	129,268	127,568
Software subscriptions	187,940	893,028
Split-interest agreements	3,953,589	3,824,466
Total current liabilities	<u>7,850,848</u>	<u>7,773,442</u>
Noncurrent liabilities		
Notes payable	396,193	525,462
Software subscriptions	154,277	42,918
Split-interest agreements	35,827,074	36,785,117
Other noncurrent liabilities	2,454,301	2,468,692
Total noncurrent liabilities	<u>38,831,845</u>	<u>39,822,189</u>
Total liabilities	<u>\$ 46,682,693</u>	<u>\$ 47,595,631</u>
Deferred inflows of resources		
Split-interest agreements	\$ 16,488,309	\$ 15,184,905
External trusts	1,913,770	2,092,372
Total deferred inflows of resources	<u>\$ 18,402,079</u>	<u>\$ 17,277,277</u>
Net position		
Net investment in capital assets	\$ 106,770,183	\$ 106,327,662
Restricted:		
Expendable	919,998,945	959,050,611
Nonexpendable	1,614,108,072	1,535,473,719
Unrestricted	39,287,711	40,816,468
Total net position	<u>\$ 2,680,164,911</u>	<u>\$ 2,641,668,460</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(for the fiscal years ended June 30, 2023 and 2022)

	2023	2022
Operating revenues		
Contributions, net	\$ 104,430,690	\$ 190,279,353
Support from the University of Florida	16,693,045	23,352,143
Investment return, net	88,579,354	(42,707,817)
Alumni program support	1,248,809	1,170,127
License plate revenues	2,416,927	2,421,068
Other revenues, gains and losses	9,186,569	7,002,136
Total operating revenues	<u>222,555,394</u>	<u>181,517,010</u>
Operating expenses		
Program services		
General college support	96,061,694	69,440,423
Student financial aid	31,266,111	29,425,363
Faculty and staff support	29,834,588	28,797,374
Research	19,167,815	21,476,300
Facilities	16,414,692	12,061,473
Other	9,389,002	10,459,994
Total program services	<u>202,133,902</u>	<u>171,660,927</u>
Supporting services		
Communications and marketing	6,010,005	5,165,507
Alumni relations	6,050,798	5,255,469
Development	26,400,990	24,632,711
Operations	16,838,758	23,471,121
Talent management	2,977,708	2,386,396
Total supporting services	<u>58,278,259</u>	<u>60,911,204</u>
Total operating expenses	<u>260,412,161</u>	<u>232,572,131</u>
Operating income (loss)	<u>(37,856,767)</u>	<u>(51,055,121)</u>
Nonoperating revenues		
Change in value of split-interest agreements	103,227	31,918
Income (loss) before changes in nonexpendable	<u>(37,753,540)</u>	<u>(51,023,203)</u>
Changes in nonexpendable		
Endowment contributions	74,964,070	50,705,292
Alumni endowment life memberships	328,678	409,315
Other revenues, gains and losses	693,295	1,192,252
Split-interest agreement terminations	263,948	1,402,515
Total changes in nonexpendable	<u>76,249,991</u>	<u>53,709,374</u>
Change in net position	38,496,451	2,686,171
Net position – beginning of year	<u>2,641,668,460</u>	<u>2,638,982,289</u>
Net position – end of year	<u>\$ 2,680,164,911</u>	<u>\$ 2,641,668,460</u>

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

STATEMENTS OF CASH FLOWS

(for the fiscal years ended June 30, 2023 and 2022)

	2023	2022
Cash flows from operating activities		
Contributions	\$ 139,984,097	\$ 89,553,343
Support from the University of Florida	853,495	7,557,071
Alumni program support	1,248,809	1,170,127
License plate revenues	2,416,927	2,421,068
Other revenues, gains and losses	9,179,268	7,002,141
Program services payments	(226,988,472)	(188,887,924)
Supporting services payments	(37,669,646)	(32,407,275)
Net cash used in operating activities	<u>(110,975,522)</u>	<u>(113,591,449)</u>
Cash flows from investing activities		
Investment purchases	(7,152,671)	(6,067,267)
Investment sales and maturities	43,097,878	66,115,017
Interest and dividends, net of management fees	434,819	798,547
Income tax refund (expense)	(173,239)	177,005
Notes receivable originations	-	(1,869,403)
Notes receivable collections	586,324	26,456
Real estate sales	1,943,184	8,678,759
Net cash provided by investing activities	<u>38,736,295</u>	<u>67,859,114</u>
Cash flows from capital and related financing activities		
Real estate purchases	(325,731)	(436,237)
Capital asset purchases	(3,745,472)	(4,068,830)
Capital debt principal payments	(721,298)	(353,594)
Capital debt interest payments	(59,388)	(81,386)
Net cash used in capital and related financing activities	<u>(4,851,889)</u>	<u>(4,940,047)</u>
Cash flows from noncapital financing activities		
Contributions restricted for long-term investment	75,472,553	54,549,972
Alumni program support restricted for long-term investment	328,678	409,315
Other revenues restricted for long-term investment	693,294	1,192,252
Beneficiary and other split-interest payments	(4,078,284)	(4,621,736)
Net cash flows provided by noncapital financing activities	<u>72,416,241</u>	<u>51,529,803</u>
Change in cash and cash equivalents	(4,674,875)	857,421
Cash and cash equivalents – beginning of year	20,034,427	19,177,006
Cash and cash equivalents – end of year	<u>\$ 15,359,552</u>	<u>\$ 20,034,427</u>

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

STATEMENTS OF CASH FLOWS

(for the fiscal years ended June 30, 2023 and 2022)

	2023	2022
Reconciliation of the change in operating income to net cash used in operating activities		
Operating income (loss)	\$ (37,856,767)	\$ (51,055,121)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation and amortization expense	4,349,979	2,483,605
Provision for doubtful accounts and pledges	4,459,279	13,291,385
Investment return, net	(88,579,354)	42,707,817
Noncash contributions	(2,011,700)	(3,345,971)
Income tax (refund) expense	173,239	(177,008)
Interest expense	66,688	85,627
Change in assets, liabilities and deferred inflows of resources:		
Receivables, prepaid expenses and other assets	(31,834,114)	(20,543,476)
Pledges receivable	40,186,595	(106,370,390)
Cash surrender value of life insurance	(559,346)	(966,036)
Accounts payable, accrued expenses and other liabilities	629,979	540,768
Pension asset, net	-	14,468,185
Pension deferred inflows	-	(4,710,834)
Net cash used in operating activities	<u>\$ (110,975,522)</u>	<u>\$ (113,591,449)</u>
Supplemental disclosures of noncash investing, capital, noncapital and related financing activities		
Unrealized gains (losses) on investments	\$ 80,339,712	\$ (72,921,120)
Donations of real estate held for resale	2,225,000	2,921,001
Receipt (transfers) of real estate held for use	(213,300)	205,000
Donations of non-liquid investments	-	219,970

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

STATEMENTS OF FIDUCIARY NET POSITION
(for the fiscal years ended June 30, 2023 and 2022)

	PENSION TRUST FUND		CUSTODIAL FUNDS	
	2023	2022	2023	2022
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 6,827,868	\$ 4,703,905
Accrued interest and other receivables	-	-	-	475,000
Investments at fair value:				
Short-term investments	-	-	6,399	6,453
Bonds	-	-	5,973	5,634
Mutual funds	-	-	277,006	286,839
Private equity investments	-	-	3,522,317	3,338,846
Total investments	-	-	3,811,695	3,637,772
Pledges receivable, net	-	-	38,884,905	37,588,970
Real estate held for sale	-	-	1,050	50,400
Cash surrender value of life insurance	-	-	190,696	218,189
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,716,214</u>	<u>\$ 46,674,236</u>
Liabilities				
Accounts payable and other liabilities	\$ -	\$ -	\$ 297,900	\$ 7,383
Annuity liabilities	-	-	216,437	227,035
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,337</u>	<u>\$ 234,418</u>
Deferred inflows of resources				
Annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,109</u>	<u>\$ 41,901</u>
Net position				
Restricted for:				
University of Florida related entities	-	-	49,181,768	46,397,917
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,181,768</u>	<u>\$ 46,397,917</u>

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
(for the fiscal years ended June 30, 2023 and 2022)

	PENSION TRUST FUND		CUSTODIAL FUNDS	
	2023	2022	2023	2022
Additions				
Contributions:				
Donors, net	\$ -	\$ -	\$ 22,173,107	\$ 37,122,634
Total contributions	-	-	22,173,107	37,122,634
Investment earnings:				
Net increase in fair value of investments	-	849,289	160,105	(204,723)
Interest and dividends	-	76,841	-	-
Total investment earnings	-	926,130	160,105	(204,723)
Less investment costs	-	21,994	-	108
Net investment earnings	-	904,136	160,105	(204,831)
Other	-	-	203,725	269,935
Total additions	-	904,136	22,536,937	37,187,738
Deductions				
Benefits paid to participants or beneficiaries	-	39,860,133	-	-
Administrative expense	-	-	948,414	1,167,052
Payments/transfers to				
University of Florida related entities	-	-	18,804,672	26,692,504
Total deductions	-	39,860,133	19,753,086	27,859,556
Net increase (decrease) in fiduciary net position	-	(38,955,997)	2,783,851	9,328,182
Net position, beginning of year	-	38,955,997	46,397,917	37,069,735
Net position, end of year	\$ -	\$ -	\$ 49,181,768	\$ 46,397,917

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



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 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 expensed 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, 2023 and 2022.

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 subscriptions 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, 2023 and 2022, 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. The Foundation’s Board voted to terminate the

Plan effective January 1, 2022. As such, there was no activity for the fiscal year ended June 30, 2023.

- **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 \$15,037,449 and \$14,091,634 for the fiscal years ended June 30, 2023 and 2022, respectively, are included in unrestricted operating revenues as support from the University and in supporting services as development expenses. At June 30, 2023 and 2022, \$827,796 and \$585,944 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, 2023 and 2022, the Foundation had current income tax (benefit) expense of \$173,239 and \$(177,005), 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, 2020 through June 30, 2023.

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.

NOTE 2. REPORTING CHANGES

There were no new accounting pronouncements or reporting changes impacting the Foundation's financial statements for the fiscal year ended June 30, 2023.

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, 2023 and 2022 are as follows:

	2023	2022
Cash in bank demand accounts	\$ 13,210,211	\$ 18,582,505
Money market funds	596,790	728,465
Cash held at the University of Florida	1,552,051	721,645
Cash on hand	500	1,812
Total cash and cash equivalents	\$ 15,359,552	\$ 20,034,427
Cash in bank demand accounts for fiduciary custodial funds	\$ 6,827,868	\$ 4,703,905

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, 2023 and 2022, \$596,790 and \$728,465, 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, 2023 and 2022, 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, 2023 and 2022, are summarized as follows:

NOTE 5. PLEDGES RECEIVABLE

	2023	2022
Due in less than one year	\$ 34,812,307	\$ 31,503,300
Due in one to five years	92,329,630	75,171,525
Due after five years	5,085,243	87,901,667
	<u>132,227,180</u>	<u>194,576,492</u>
Less:		
Allowance for doubtful amounts	(12,297,128)	(18,095,614)
Unamortized discounts	(9,083,771)	(20,988,723)
Total pledges receivable, net	<u>\$ 110,846,281</u>	<u>\$ 155,492,155</u>
Current pledges receivable, net	\$ 31,574,763	\$ 28,573,493
Noncurrent pledges receivable, net	<u>79,271,518</u>	<u>126,918,662</u>
Total pledges receivable, net	<u>\$ 110,846,281</u>	<u>\$ 155,492,155</u>
Pledges held in fiduciary custodial funds:		
Due in less than one year	\$ 11,735,594	\$ 8,076,574
Due in one to five years	30,735,598	32,761,586
Due after five years	4,696,857	4,504,839
	<u>47,168,049</u>	<u>45,342,999</u>
Less:		
Allowance for doubtful amounts	(4,386,628)	(4,216,899)
Unamortized discounts	(3,896,516)	(3,537,130)
Total pledges receivable, net	<u>\$ 38,884,905</u>	<u>\$ 37,588,970</u>
Current pledges receivable, net	\$ 10,644,184	\$ 7,325,453
Noncurrent pledges receivable, net	<u>28,240,721</u>	<u>30,263,517</u>
Total pledges receivable, net	<u>\$ 38,884,905</u>	<u>\$ 37,588,970</u>

Noncurrent pledges receivable are net of discounts amounting to \$9,083,771 and \$20,988,723 at June 30, 2023 and 2022, respectively. For fiduciary custodial funds, noncurrent pledges receivable are net of discounts amounting to \$3,896,516 and \$3,537,130 at June 30, 2023 and 2022, 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 1.21% to 5.27%.

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 0.16% and 0.14% for the years ended June 30, 2023 and 2022, respectively. Management fees expenses during the fiscal years ended June 30, 2023 and 2022, under this agreement totaled \$3,520,202 and \$3,512,944, 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, 2023 and 2022, are summarized as follows:

NOTE 7. INVESTMENTS

	Endowments	Split-interest Agreements	Other	Total	Fiduciary Custodial Funds
JUNE 30, 2023					
Government issues – domestic	\$ -	\$ 320,656	\$ -	\$ 320,656	\$ 5,973
Government issues – foreign	-	-	20,000	20,000	-
Equities	-	-	1,278,424	1,278,424	-
Short-term investments	62,531	1,182,672	102,636	1,347,839	6,399
Mutual funds – equities	-	36,791,279	-	36,791,279	165,380
Mutual funds – fixed income	-	16,602,582	-	16,602,582	111,626
Private equity investments	2,292,015	-	-	2,292,015	-
Private equity investments – UFICO limited partnerships ⁽¹⁾	2,331,294,192	-	-	2,331,294,192	3,522,317
Total investments	<u>\$ 2,333,648,738</u>	<u>\$ 54,897,189</u>	<u>\$ 1,401,060</u>	<u>\$ 2,389,946,987</u>	<u>\$ 3,811,695</u>
JUNE 30, 2022					
Government issues – domestic	\$ -	\$ 319,184	\$ -	\$ 319,184	\$ 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	5,635
Mutual funds – equities	-	35,593,300	-	35,593,300	170,566
Mutual funds – fixed income	-	16,713,937	-	16,713,937	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
Total investments	<u>\$ 2,277,544,733</u>	<u>\$ 54,241,310</u>	<u>\$ 1,270,339</u>	<u>\$ 2,333,056,382</u>	<u>\$ 3,637,772</u>

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

NOTE 7. INVESTMENTS: CREDIT RISK

	Quality Rating		2023 Fair Value		2022 Fair Value
Government issues - foreign	AA-	\$	20,000	\$	20,000
Mutual funds - fixed income	AAA		5,219,152		5,305,257
Mutual funds - fixed income	AA		7,396,980		4,391,306
Mutual funds - fixed income	A		2,787,350		5,857,431
Mutual funds - fixed income	BB		1,199,100		1,159,943
Money market funds	AAA		1,347,839		1,704,722
Total		\$	17,970,421	\$	18,438,659
Fiduciary custodial funds					
Mutual funds - fixed income	AAA	\$	22,189	\$	23,231
Mutual funds - fixed income	AA		62,982		40,761
Mutual funds - fixed income	A		19,087		44,980
Mutual funds - fixed income	BB		7,368		7,300
Money market funds	AAA		6,399		5,635
Total		\$	118,025	\$	121,907

Custodial credit risk: Custodial credit risk is the risk that, in event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investments are subject to custodial credit risk if the securities are uninsured, not registered in the Foundation's name, and are held by someone other than the Foundation. The Foundation has no formal policy on custodial credit risk but UFICO's Statement of Investment Policy addresses risk management of the investments. The investment management agreement with UFICO requires that all securities be held by the Foundation's agent in the Foundation's name.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation has no formal policy on concentration of credit risk, but UFICO's Statement of Investment Policy addresses risk management of the investments.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. The Foundation has no formal policy on credit risk but UFICO's Statement of Investment Policy addresses risk management of the investments. The private equity funds are unrated. The above



NOTE 7. INVESTMENTS: INTEREST RATE RISK

	Average Duration	2023 Fair Value	2022 Fair Value
Government issues – domestic	Less than one year	\$ -	\$ 38,566
Government issues – domestic	One to five years	320,656	280,618
Government issues – foreign	Less than one year	20,000	20,000
Mutual funds – fixed income	One to five years	1,199,100	3,952,650
Mutual funds – fixed income	Six to ten years	15,403,482	12,761,287
Money market funds	Less than one year	1,347,839	1,704,722
Total		<u>\$ 18,291,077</u>	<u>\$ 18,757,843</u>
Fiduciary custodial funds			
Government issues – domestic	Less than one year	\$ -	\$ 1,102
Government issues – domestic	One to five years	5,973	5,351
Mutual funds – fixed income	One to five years	7,368	27,127
Mutual funds – fixed income	Six to ten years	104,258	89,145
Money market funds	Less than one year	6,399	5,635
Total		<u>\$ 123,998</u>	<u>\$ 128,360</u>

schedule represents the ratings of the Foundation's debt investments as of June 30, 2023 and 2022, using nationally recognized statistical ratings quality organizations.

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Foundation has no formal policy on interest rate risk but UFICO's Statement of Investment Policy addresses risk management of the investments. Interest rate risk for the Foundation's debt investments as of June 30, 2023 and 2022, shown in the table above.

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2023 and 2022, the Foundation did not have any direct investments in equity or fixed income investments subject to this risk. As of June 30, 2023 and 2022, the Foundation's assets were held in U.S. currency; the currency risk on international and global assets is absorbed by the underlying investment managers. The Foundation has no formal policy on foreign currency risk but UFICO's Statement of Investment Policy addresses risk management of the investments.

Fair value: GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy categorizes the inputs into three levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that government can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for an asset or liability either directly or indirectly.
- **Level 3:** Unobservable inputs for an asset or liability.

The following valuation techniques and inputs were used to estimate the fair value of assets and liabilities carried at fair value on the Statements of Net Position. There have been no changes to these techniques and inputs during the fiscal years ended June 30, 2023 and 2022.

Equities and mutual funds (equities and fixed income): The fair value of these equity and fixed income investments is classified as Level 1, based on quoted market prices in active markets on which individual securities are traded, for which mutual funds represent the net asset value of shares held by the Foundation at fiscal year end.

Short-term investments: The fair value of these short-term investments is classified as Level 2, valued at the market value of shares held by the Foundation at fiscal year end, based on observable inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Government issues (domestic and foreign): The fair value of these fixed income investments is classified as Level 2, based upon quotes from independent pricing vendors, based upon independent pricing models or other model-based valuation techniques such as the present value of the stream of expected cash flows adjusted for the security's credit rating and other factors such as credit loss assumptions.

Private equity investments: The fair value of private equity investments held directly by the Foundation consists of a donated investment of 100% of the closely held stock of a company which is invested 100% in real estate. The valuation is based upon the historical appraised value of the underlying real estate assets. The private equity investments held in the UFICO limited partnerships are measured at net asset value and are not included in the fair value hierarchy.

The following table presents the assets measured at fair value on a recurring basis on the Statements of Net Position for the fiscal years ended June 30, 2023 and 2022, by the GASB Statement No. 72 hierarchy (as described previously).

NOTE 7. INVESTMENTS: FAIR VALUE				
JUNE 30, 2023				
Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 1,347,839	\$ -	\$ 1,347,839	\$ -
Bonds and notes:				
Government issues - domestic	320,656	-	320,656	-
Government issues - foreign	20,000	-	20,000	-
Equities	1,278,424	1,278,424	-	-
Mutual funds:				
Equities	36,791,279	36,791,279	-	-
Fixed income	16,602,582	16,602,582	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	<u>58,652,795</u>	<u>\$ 54,672,285</u>	<u>\$ 1,688,495</u>	<u>\$ 2,292,015</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	2,331,294,192			
Total investments	<u>\$ 2,389,946,987</u>			
Fiduciary custodial funds:				
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 6,399	\$ -	\$ 6,399	\$ -
Bonds and notes:				
Government issues - domestic	5,973	-	5,973	-
Mutual funds:				
Equities	165,380	165,380	-	-
Fixed income	111,626	111,626	-	-
Total investments by fair value level	<u>289,378</u>	<u>\$ 277,006</u>	<u>\$ 12,372</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	3,522,317			
Total investments, fiduciary custodial funds	<u>\$ 3,811,695</u>			

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

**NOTE 7. INVESTMENTS: FAIR VALUE****JUNE 30, 2022**

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 1,704,722	\$ -	\$ 1,704,722	\$ -
Bonds and notes:				
Government issues - domestic	319,184	-	319,184	-
Government issues - foreign	20,000	-	20,000	-
Equities	1,203,297	1,203,297	-	-
Mutual funds:				
Equities	35,593,300	35,593,300	-	-
Fixed income	16,713,937	16,713,937	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	<u>57,846,455</u>	<u>\$ 53,510,534</u>	<u>\$ 2,043,906</u>	<u>\$ 2,292,015</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	<u>2,275,209,927</u>			
Total investments	<u>\$ 2,333,056,382</u>			
Fiduciary custodial funds:				
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 5,635	\$ -	\$ 5,635	\$ -
Bonds and notes:				
Government issues - domestic	6,453	-	6,453	-
Mutual funds:				
Equities	170,566	170,566	-	-
Fixed income	116,272	116,272	-	-
Total investments by fair value level	<u>298,926</u>	<u>\$ 286,838</u>	<u>\$ 12,088</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	<u>3,338,846</u>			
Total investments, fiduciary custodial funds	<u>\$ 3,637,772</u>			

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

Net asset value: GASB Statement No. 72, *Fair Value Measurement and Application*, permits the fair value of certain equity and debt investments that do not have readily determinable fair values to be based on their NAV per share.

NOTE 7. INVESTMENTS: NET ASSET VALUE

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JUNE 30, 2023				
Limited partnerships (UFICO):				
Florida Long-term Pool Fund, LP	\$ 2,334,816,509	\$ 378,830,149	Monthly	30 days
Investments measured at NAV that are not held in fiduciary custodial funds	\$ 2,331,294,192			
Investments measured at NAV that are held in fiduciary custodial funds	\$ 3,522,317			
JUNE 30, 2022				
Limited partnerships (UFICO):				
Florida Long-term Pool Fund, LP	\$ 2,278,548,773	\$ 382,007,033	Monthly	30 days
Investments measured at NAV that are not held in fiduciary custodial funds	\$ 2,275,209,927			
Investments measured at NAV that are held in fiduciary custodial funds	\$ 3,338,846			

Limited partnerships: As of June 30, 2023 and 2022, this category consists of investments in a limited partnership managed by UFICO that invests in short-term investments, global equities, fixed income, hedge strategies and private equity. The June 30 valuations of the investments in the limited partnership are based upon the value determined by the partnership's general partner as of March 31, adjusted for unrealized gains/losses, capital contributions and distributions that occurred during the quarter ended June 30. These amounts may differ from values that would be determined if the investments in the limited partnership were publicly traded or if the June 30 valuation amounts were currently available. The nature of the investment in this category is that distributions are received through liquidation of underlying assets. Redemptions are limited at the discretion of the general partner (UFICO) to the extent any limitations are imposed by any of the underlying third-party managed funds. As of June 30, 2023, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation's ownership interest and partner's capital.

As of June 30, 2023 and 2022, the major categories of the limited partnerships are summarized as follows:

NOTE 7. INVESTMENTS: UFICO LIMITED PARTNERSHIPS

	2023	2022
Short-term investments	\$ 120,874,003	\$ 147,220,497
Global equities	940,711,329	784,107,785
Global fixed income	82,141,285	90,835,866
Hedge strategies	435,917,335	439,639,124
Private equity investments	755,172,557	816,745,501
Total	\$ 2,334,816,509	\$ 2,278,548,773
UFICO limited partnership		
Investments not held in fiduciary custodial funds	\$ 2,331,294,192	\$ 2,275,209,927
UFICO limited partnership		
Investments held in fiduciary custodial funds	\$ 3,522,317	\$ 3,338,846

NOTE 8. ENDOWMENTS

The Foundation's endowment consists of 4,242 individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. GAAP, the net position associated with endowment funds is classified and reported based on the existence or absence of donor-imposed restrictions.

Permanent endowments: Permanent endowments are those funds subject to donor-imposed restrictions permitting only the income to be used as specified by the donor and that the principal be held in perpetuity.

Term endowments: Term endowments are similar to permanent endowments except that upon the passage of a stated period of time or a particular occurrence, all or part of the principal may be expended at any time.

Interpretation of relevant law: The Board has interpreted the State of Florida Statute (617.2104) cited as the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the Board to use reasonable care and caution as would be exercised by a prudent investor, in considering the investment management and expenditures of the endowment funds. In accordance with FUPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. The Board considers the following factors in making its determination:

- The purpose of the Foundation
- The intent of the donor of the endowment fund
- The terms of the applicable instrument
- The long-term and short-term needs of the Foundation and the University in carrying out their purposes
- General economic conditions
- The possible effect of inflation or deflation
- The other resources of the Foundation and the University
- Perpetuation of the endowment

As a result of this interpretation, the Board classifies as restricted nonexpendable: (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) the original value of other corpus additions including state match provided to the permanent endowment. The remaining portion of the donor-restricted permanent endowment fund that is not classified as restricted nonexpendable is classified as restricted expendable until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by FUPMIFA. However, by Board policy, any appreciation is considered an asset of each individual endowment and is not appropriated for general Foundation or University use. For term endowments, the entire value of the endowment is classified as restricted expendable

until those amounts are appropriated for expenditure as specified by the terms for that endowment.

Spending policy: The Foundation's spending policy is designed to provide positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment assets. Over the long-term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers and administrative fees.

The annual rate for spendable transfers, distributed quarterly is 4.00% of the spending base of each endowment's principal fund. The principal fund's spending base is a percentage of the market value, and is adjusted quarterly, if necessary, to fall within a range of 85.00% to 95.00% of the market value of the endowment investments. In addition, the principal fund is assessed an annual 1.35% fee, charged quarterly. This fee is a portion of the funding mechanism for the advancement programs of the University.

While the policy above is the Foundation's current spending policy, the Foundation board has approved a revised spending policy effective July 1, 2023. As an early action, the Foundation Executive Board approved a fixed spending base for both fiscal years ended June 30, 2023 and 2022 equal to the spending base determined at June 30, 2021 and only adjusted for any new gifts invested during the fiscal year. To that end, endowment spending bases remained unadjusted throughout both years unless a new endowment gift was received.

Investment policy: The Foundation's investment objectives are to provide an annualized real rate of return, net of fees, of at least 5.00% in order to preserve, or increase, the purchasing power of endowment capital, while generating an income stream to support activities of the funds held for colleges and units of the University. This policy is designed to tolerate volatility in short and intermediate-term performance.

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

The following displays the total ending endowment balances for nonexpendable endowments as of June 30, 2023 and 2022:

NOTE 8. ENDOWMENTS

	<u>2023</u>	<u>2022</u>
Total endowment balance	\$ 2,333,536,909	\$ 2,272,031,288
Less term endowment	(837,828)	(935,238)
Less endowment capital assets, net	(3,086,859)	(2,940,937)
Less appreciation portion of restricted expendable	<u>(715,504,150)</u>	<u>(732,681,394)</u>
Restricted nonexpendable balance	<u>\$ 1,614,108,072</u>	<u>\$ 1,535,473,719</u>
	<u>2023</u>	<u>2022</u>
Endowment, beginning of year	\$ 2,272,031,288	\$ 2,375,271,275
Contributions and other revenues	78,919,673	57,331,962
Investment return, net	92,535,676	(51,376,517)
Appropriation of endowment assets for expenditure	<u>(109,949,728)</u>	<u>(109,195,432)</u>
Endowment, end of year	<u>\$ 2,333,536,909</u>	<u>\$ 2,272,031,288</u>



Endowment net position and activity for University of Florida related entities are not included in the preceding schedule. The ending net position including those entities at June 30, 2023 and 2022, are as follows:

NOTE 8. ENDOWMENTS: UNIVERSITY ENDOWMENT

	<u>2023</u>	<u>2022</u>
University of Florida permanent endowments	\$ 2,332,699,081	\$ 2,271,096,050
University of Florida term endowments	837,828	935,238
Permanent endowments held on behalf of University of Florida related entities (fiduciary custodial funds)	<u>3,573,057</u>	<u>3,485,270</u>
Total University endowment	<u>\$ 2,337,109,966</u>	<u>\$ 2,275,516,558</u>

Underwater endowments: As a result of market declines, the fair values of certain donor-restricted endowments were less than the historical cost values (original gift/book values), and therefore, are considered to be underwater. The fair value deficiencies of underwater endowments were \$3,566,014 and \$3,155,861 at June 30, 2023 and 2022, respectively.

NOTE 9. REAL ESTATE HELD FOR SALE

Contributions of real estate for sale are generally recorded at their appraised value at the date of gift. Real estate held for sale is actively marketed with realtors and is expected to be sold at a reasonable price.

The Note 9 table sets forth a summary of changes in real estate held for sale for the fiscal years ended June 30, 2023 and 2022.

NOTE 9. REAL ESTATE HELD FOR SALE

	<u>2023</u>	<u>2022</u>
Real estate held for sale, beginning of year	\$ 5,436,486	\$ 5,126,313
Donations	2,874,769	2,921,001
Disposals	(2,900,671)	(2,458,628)
Impairments	<u>(213,300)</u>	<u>(152,200)</u>
Real estate held for sale, end of year	<u>\$ 5,197,284</u>	<u>\$ 5,436,486</u>
Real estate held for sale in fiduciary custodial funds	<u>\$ 1,050</u>	<u>\$ 50,400</u>

NOTE 10. CAPITAL ASSETS

Capital assets activity for the fiscal years ended June 30, 2023 and 2022 is as follows:

NOTE 10. CAPITAL ASSETS				
	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>
Property and equipment:				
Land held for use and land preserve	\$ 100,446,579	\$ 143,348	\$ -	\$ 100,589,927
Buildings held for use	8,299,589	182,383	-	8,481,972
Less accumulated depreciation	(6,088,156)	(225,632)	-	(6,313,788)
Net buildings held for use	<u>2,211,433</u>	<u>(43,249)</u>	<u>-</u>	<u>2,168,184</u>
Equipment, furniture and vehicles	7,927,192	818,702	-	8,745,894
Less accumulated depreciation	(5,485,260)	(1,325,222)	-	(6,810,482)
Net equipment, furniture and vehicles	<u>2,441,932</u>	<u>(506,520)</u>	<u>-</u>	<u>1,935,412</u>
Software subscriptions	4,326,875	2,926,769	-	7,253,644
Less accumulated amortization	(1,605,183)	(2,799,125)	-	(4,404,308)
Net software subscriptions	<u>2,721,692</u>	<u>127,644</u>	<u>-</u>	<u>2,849,336</u>
Other capital assets	<u>95,002</u>	<u>-</u>	<u>-</u>	<u>95,002</u>
Total capital assets, net	<u>\$ 107,916,638</u>	<u>\$ (278,777)</u>	<u>\$ -</u>	<u>\$ 107,637,861</u>
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Property and equipment:				
Land held for use and land preserve	\$ 99,921,273	\$ 525,306	\$ -	\$ 100,446,579
Buildings held for use	8,183,660	115,929	-	8,299,589
Less accumulated depreciation	(5,872,376)	(215,780)	-	(6,088,156)
Net buildings held for use	<u>2,311,284</u>	<u>(99,851)</u>	<u>-</u>	<u>2,211,433</u>
Equipment, furniture and vehicles	6,273,225	2,040,120	(386,153)	7,927,192
Less accumulated depreciation	(4,895,502)	(975,911)	386,153	(5,485,260)
Net equipment, furniture and vehicles	<u>1,377,723</u>	<u>1,064,209</u>	<u>-</u>	<u>2,441,932</u>
Software subscriptions	2,298,162	2,029,534	(821)	4,326,875
Less accumulated amortization	(313,269)	(1,291,914)	-	(1,605,183)
Net software subscriptions	<u>1,984,893</u>	<u>737,620</u>	<u>(821)</u>	<u>2,721,692</u>
Other capital assets	<u>95,002</u>	<u>-</u>	<u>-</u>	<u>95,002</u>
Total capital assets, net	<u>\$ 105,690,175</u>	<u>\$ 2,227,284</u>	<u>\$ (821)</u>	<u>\$ 107,916,638</u>

Depreciation and amortization expense was charged to the following operating expense functions for the fiscal years ended June 30, 2023 and 2022:

NOTE 10. CAPITAL ASSETS: DEPRECIATION AND AMORTIZATION EXPENSE			
	<u>2023</u>		<u>2022</u>
Program services	\$ 90,114	\$	85,480
Supporting services	4,259,865		2,398,125
Total	<u>\$ 4,349,979</u>	<u>\$</u>	<u>2,483,605</u>

NOTE 11. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal years ended June 30, 2023 and 2022 is as follows:

NOTE 11. LONG-TERM LIABILITIES

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Shands Teaching Hospital and Clinics, Inc. parking garage - direct borrowing	\$ 200,000	\$ -	\$ (100,000)	\$ 100,000	\$ 100,000
College of the Arts warehouse - direct borrowing	453,030	-	(27,569)	425,461	29,268
Software subscriptions	935,946	442,657	(1,036,386)	342,217	187,940
Total capital related liabilities	<u>1,588,976</u>	<u>442,657</u>	<u>(1,163,955)</u>	<u>867,678</u>	<u>317,208</u>
Split-interest agreements:					
Annuity liabilities	9,237,552	357,511	(580,623)	9,014,440	981,651
Trust liabilities	31,372,031	613,623	(1,219,431)	30,766,223	2,971,938
Other noncurrent liabilities	2,468,692	389,876	(404,267)	2,454,301	-
Total other noncurrent liabilities	<u>43,078,275</u>	<u>1,361,010</u>	<u>(2,204,321)</u>	<u>42,234,964</u>	<u>3,953,589</u>
Total noncurrent liabilities	<u>\$ 44,667,251</u>	<u>\$ 1,803,667</u>	<u>\$ (3,368,276)</u>	<u>\$ 43,102,642</u>	<u>\$ 4,270,797</u>
Annuity liabilities held in fiduciary custodial funds	<u>\$ 227,035</u>	<u>\$ -</u>	<u>\$ (10,598)</u>	<u>\$ 216,437</u>	<u>\$ 22,841</u>
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Shands Teaching Hospital and Clinics, Inc. parking garage - direct borrowing	\$ 300,000	\$ -	\$ (100,000)	\$ 200,000	\$ 100,000
College of the Arts warehouse - direct borrowing	478,996	-	(25,966)	453,030	27,568
Software subscriptions	1,163,573	-	(227,627)	935,946	893,028
Total capital related liabilities	<u>1,942,569</u>	<u>-</u>	<u>(353,593)</u>	<u>1,588,976</u>	<u>1,020,596</u>
Split-interest agreements:					
Annuity liabilities	8,935,360	766,010	(463,818)	9,237,552	973,712
Trust liabilities	35,895,224	969,420	(5,492,613)	31,372,031	2,850,754
Other noncurrent liabilities	3,228,972	370,677	(1,130,957)	2,468,692	-
Total other noncurrent liabilities	<u>48,059,556</u>	<u>2,106,107</u>	<u>(7,087,388)</u>	<u>43,078,275</u>	<u>3,824,466</u>
Total noncurrent liabilities	<u>\$ 50,002,125</u>	<u>\$ 2,106,107</u>	<u>\$ (7,440,981)</u>	<u>\$ 44,667,251</u>	<u>\$ 4,845,062</u>
Annuity liabilities held in fiduciary custodial funds	<u>\$ 223,070</u>	<u>\$ 14,064</u>	<u>\$ (10,099)</u>	<u>\$ 227,035</u>	<u>\$ 21,701</u>

Shands Teaching Hospital and Clinics, Inc. parking garage – direct borrowing:

On June 30, 1994, the Foundation entered into a \$3,000,000 30-year note, maturing September 1, 2023, to assume the financial obligation for the Shands parking garage facility. The note is payable to Shands in annual installments of \$100,000. The note is non-interest bearing, but interest is imputed at a rate of 3.75% for the fiscal years ended June 30, 2023 and 2022. The note is collateralized by an asset with a carrying value of \$100,000.

College of the Arts warehouse – direct borrowing:

On April 15, 2010, the Foundation entered into a \$600,000 24-year note, maturing April 1, 2034, to purchase property for the University of Florida College

of the Arts. The note is payable to an individual in monthly installments of \$3,500 through 2016, \$4,000 through 2021 and \$4,500 through 2034. The note bears interest at a fixed rate of 6.00%. The note is collateralized by property with a carrying value of \$468,333.

Software subscription: The Foundation has entered into multiple software subscription agreements over the prior fiscal years. The aggregate amount of outstanding principal on all agreements is \$342,217 as of the fiscal year ended June 30, 2023. The agreements are payable in annual installments ranging from \$44,333 to \$166,254 through 2025. The liability for each agreement

was initially measured at the present value of the subscription payments expected to be made during the subscription term. The discount rate used to measure the liability for each agreement ranged from 3.25% to 7.50%, the most recent U.S. Prime Rate. The related software subscription asset has a carrying value of \$2,849,336 and includes other costs capitalized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Split Interest Agreements: See Note 1 for additional discussion around split-interest agreements and the related liability.

Interest expense: Total interest expense for the fiscal years ended June 30, 2023 and 2022, respectively, was \$85,627 and \$39,852. These amounts are included in program services and supporting services in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Principal and interest requirements: Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2023, are as follows:

NOTE 11. LONG-TERM LIABILITIES: DEBT SERVICE REQUIREMENTS

Year Ending June 30,	Principal	Interest	Total
2024	\$ 129,268	\$ 24,732	\$ 154,000
2025	31,074	22,926	54,000
2026	32,990	21,010	54,000
2027	35,025	18,975	54,000
2028	37,185	16,815	54,000
2029-2033	223,292	46,708	270,000
2034	36,627	862	37,489
Total	\$ 525,461	\$ 152,028	\$ 677,489

The interest rates used to calculate future interest payments are the stated interest rates for the fixed rate loans.

NOTE 11. SOFTWARE SUBSCRIPTION

Year Ending June 30,	Principal	Interest	Total
2024	\$ 187,940	\$ 129,822	\$ 317,762
2025	154,277	62,377	216,654
Total	\$ 342,217	\$ 192,199	\$ 534,416

NOTE 12. RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE UNIVERSITY OF FLORIDA FOUNDATION PENSION PLAN

Plan description: The Foundation had a noncontributory, defined benefit pension plan (the Plan) that covered all Foundation employees before all remaining employees were converted to University employees prior to December 31, 2017.

CHANGES IN THE NET PENSION ASSET

On September 17, 2021, the Foundation's Board voted to terminate the Plan effective January 1, 2022. There was

no activity for the fiscal year ended June 30, 2023.

A summary of changes in the net position for the retirement plan for the fiscal year ended June 30, 2022 are presented in the following table.

UNIVERSITY RETIREMENT PLANS

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement requires a cost-sharing employer to recognize a liability for its proportionate share of the net pension liability.

NOTE 12. RETIREMENT PLANS: CHANGES IN NET PENSION

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
BALANCES AT JUNE 30, 2021	\$ 24,487,812	\$ 38,955,997	\$ (14,468,185)
Changes for the year:			
Interest	1,681,729	-	1,681,729
Differences between expected and actual experience	13,690,592	-	13,690,592
Net investment income	-	926,130	(926,130)
Benefit payments, including refunds of member contributions	(39,860,133)	(39,860,133)	-
Administrative expense	-	(21,994)	21,994
Net changes	(24,487,812)	(38,955,997)	14,468,185
Balances at June 30, 2022	\$ -	\$ -	\$ -

Florida Retirement System (FRS): The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes and is a multiple-employer defined benefit pension plan. Essentially, all regular employees of the University are eligible to enroll as members of the State-administered FRS.

Health Insurance Subsidy (HIS): The HIS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

FRS Investment Plan (Investment Plan): Pursuant to Section 121.4501, Florida Statutes, the Florida legislature created a Public Employee Optional Retirement Program (PEORP), also known as the FRS Investment Plan. The Investment Plan is a defined contribution plan. Eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan.

State University System Optional Retirement Program (SUSORP): Pursuant to Section 121.35, Florida Statutes, the Florida legislature created an Optional Retirement Program (SUSORP) for eligible University faculty and administrators. The SUSORP is a defined contribution plan.

The University applies the guidance in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in accounting for the FRS and HIS. The University has determined that the Foundation is not a payor fund for the purpose of liquidating the pension and HIS liabilities, therefore, no net pension liability or related deferred amounts are reported in the financial statements of the Foundation. An actuarial valuation has been performed for both plans. Personnel assigned to the Foundation were included in the actuarial analysis and are part of the total pension liabilities, the net pension liabilities and the plan net positions disclosed in the notes and other required supplementary information of the Annual Financial Report of the University, which may be obtained from the University.

Other post-employment healthcare benefits: As required by Florida Statutes, Section 112.081, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium costs (borne by the retiree) applicable to active employees. The University subsidizes the premium rates paid by retirees, including Foundation-

funded participants, by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) rates. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Since all employees working for the Foundation are considered University employees, the University does not determine a separate unfunded liability amount for University personnel working for the Foundation.

The University has determined that the Foundation is not a payor fund for the purpose of liquidating the net OPEB liability, therefore no net OPEB liability or related deferral amounts are reported in the financial statements of the Foundation. An actuarial valuation has been performed for the plan. Personnel assigned to the Foundation were included in the actuarial analysis and are part of the total OPEB liability, net OPEB liability, and plan net position disclosed in the notes and other required supplementary information of the University's Annual Financial Report, which may be obtained from the University. An amount representing group insurance benefits for current personnel assigned to the Foundation is charged to the Foundation through a fringe rate assessed by the University in the period the benefits are earned.

NOTE 13. ADMINISTRATIVE FEES

The University funds its advancement programs primarily through a series of fees. The fees are part of the Foundation's operating budget. The Finance Advisory Committee of the Foundation's board is responsible for reviewing and recommending a fee assessment policy. Changes to the policy are approved by the Foundation's Board.

During the fiscal years ended June 30, 2023 and 2022, the Foundation assessed the following fees:

NOTE 13. ADMINISTRATIVE FEES

	2023	2022
Fees assessed on pooled investments	\$ 28,105,463	\$ 27,523,936
Gift fees associated with major gifts and eminent scholar program funds	240,943	169,815
Gift fees associated with all other funds	7,082,755	6,492,019
Real estate fees	62,579	9,415
Non-gift fees	44,948	85,447
Total fees	\$ 35,536,688	\$ 34,280,632

For financial reporting purposes, these fees are eliminated.

NOTE 14. RELATED PARTY TRANSACTIONS

The Foundation considers the University and the University's direct support organizations (DSOs) to be related parties for the purpose of the financial statements. The Foundation is the primary fundraiser for the University; in return, the University provides monetary support. The Foundation receives administrative and fundraising support from the University pertaining to expenses for salaries and related benefits that are funded as part of the University support.

In 1994, the Foundation assumed the financial obligation for a parking garage facility from Shands Teaching Hospital and Clinic, Inc. and the related \$3,000,000 note payable, of which \$100,000 is outstanding as of June 30, 2023. Simultaneously, the Foundation executed a non-cancelable operating lease with the University as the tenant. The lease agreement requires the University to make annual lease payments through the Foundation through June 30, 2024 (See Note 11).

The Foundation executed a non-cancelable operating lease for real property with the University as the tenant. The lease agreement requires the University to make monthly lease payments of \$3,500 through 2016, \$4,000 through 2021 and \$4,500 through 2025. The University has the right to renew the lease; whereby, the agreement requires monthly lease payments of \$4,500 to be made through 2034 (see Note 11).

The Foundation has several long-term agreements relating to office facilities with the University expiring in 2044 and 2046. Lease payments for these facilities range from \$1 per year to \$10 per year, well below the current market rates for comparable space. The Foundation recognized an expense and in-kind revenue associated with these lease agreements is \$1,655,596 for both fiscal years ended June 30, 2023 and 2022.

The Foundation transfers excess operating funds and certain funds held on behalf of University related entities and records a receivable due from the University. The receivable from the University was \$99,310,928 and \$67,461,538 as of June 30, 2023 and 2022, respectively, and is included in receivables and prepaid expenses in the accompanying Statements of Net Position. The amounts are considered fully collectible and, as such, no allowance has been recorded.

NOTE 15. RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destructions of assets; errors and omissions; and natural disasters for which the Foundation purchases commercial insurance. Insurance for job-related illnesses or injuries to University employees is the responsibility of the state of Florida and no amounts are

charged to the various state entities for this cost.

During fiscal year ended June 30, 2023, basic types of insurance coverage remained the same as the types of coverage for June 30, 2022. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE 16. CONTINGENCIES

The Foundation participates in state-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Foundation. Liabilities, if any, from such audits, if any, are recorded when the amounts of such liabilities become reasonably determinable.

NOTE 17. BLENDED COMPONENT UNIT

Condensed component unit information for the University of Florida Alumni Association, Inc. (Alumni Association), a blended component unit, as of and for the fiscal years ended June 30, 2023 and 2022 is as follows:

NOTE 17. CONDENSED STATEMENTS

Condensed Statements of Revenues, Expenses and Changes in Net Position	2023	2022
Operating revenues		
Alumni operating revenues	\$ 2,439,929	\$ 2,102,351
Support from the Foundation	662,709	575,424
Total operating revenues	3,102,638	2,677,775
Operating expenses		
Alumni operating expenses	3,102,638	2,677,775
Change in net position	-	-
Net position – beginning of year	-	-
Net position – end of year	\$ -	\$ -

The Alumni Association operating expenses are included in alumni relations under supporting services on the Statements of Revenues, Expenses and Changes in Net Position. The Foundations funds any operating deficiency of the Alumni Association and the operating accounts relating to the Alumni Association have no assets or liabilities at the end of each fiscal year.

NOTE 18. SUBSEQUENT EVENTS

The Foundation has analyzed events subsequent to the June 30, 2023 fiscal year end and through the audit report date, and have determined there are no subsequent events to disclose for fiscal year 2023.



SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(for the fiscal year ended June 30, 2023)

		Restricted		Net Investment	
	Unrestricted	Expendable	Nonexpendable	in Capital Assets	Total
Operating revenues					
Contributions, net	\$ 3,492	\$ 104,427,198	\$ -	\$ -	\$ 104,430,690
Support from the University of Florida	16,693,045	-	-	-	16,693,045
Investment return, net	2,738,663	85,966,011	(125,320)	-	88,579,354
Alumni program support	1,687,302	(438,493)	-	-	1,248,809
License plate revenues	1,450,156	966,771	-	-	2,416,927
Other revenues, gains and losses	5,891,761	3,294,808	-	-	9,186,569
Total operating revenues, net	28,464,419	194,216,295	(125,320)	-	222,555,394
Operating expenses					
Program services					
General college support	1,566,306	94,466,229	-	29,159	96,061,694
Student financial aid	-	31,266,111	-	-	31,266,111
Faculty and staff support	-	29,834,588	-	-	29,834,588
Research	-	19,167,815	-	-	19,167,815
Facilities	-	16,366,357	-	48,335	16,414,692
Other	-	9,376,382	-	12,620	9,389,002
Total program services	1,566,306	200,477,482	-	90,114	202,133,902
Supporting services					
Communications and marketing	6,010,005	-	-	-	6,010,005
Alumni relations	6,050,798	-	-	-	6,050,798
Development	26,400,990	-	-	-	26,400,990
Operations	12,578,893	-	-	4,259,865	16,838,758
Talent management	2,977,708	-	-	-	2,977,708
Total supporting services	54,018,394	-	-	4,259,865	58,278,259
Total operating expenses	55,584,700	200,477,482	-	4,349,979	260,412,161
Operating income (loss)	(27,120,281)	(6,261,187)	(125,320)	(4,349,979)	(37,856,767)
Nonoperating revenues					
Change in value of split-interest agreements	-	103,227	-	-	103,227
Total nonoperating revenues	-	103,227	-	-	103,227
Income (loss) before changes in nonexpendable	(27,120,281)	(6,157,960)	(125,320)	(4,349,979)	(37,753,540)
Changes in nonexpendable					
Endowment contributions	-	-	74,804,070	160,000	74,964,070
Alumni endowment life memberships	-	-	328,678	-	328,678
Other revenues, gains and losses	-	-	693,295	-	693,295
Split-interest agreement terminations	-	-	263,948	-	263,948
Total changes in nonexpendable	-	-	76,089,991	160,000	76,249,991
Transfers					
Net transfers in (out)	(4,069,682)	1,400,000	2,669,682	-	-
Internal fees in (out)	34,122,790	(34,122,790)	-	-	-
Capital asset adjustments in (out)	(4,461,584)	(170,916)	-	4,632,500	-
Total transfers	25,591,524	(32,893,706)	2,669,682	4,632,500	-
Change in net position	(1,528,757)	(39,051,666)	78,634,353	442,521	38,496,451
Net position – beginning of year	40,816,468	959,050,611	1,535,473,719	106,327,662	2,641,668,460
Net position – end of year	\$ 39,287,711	\$ 919,998,945	\$ 1,614,108,072	\$ 106,770,183	\$ 2,680,164,911

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(for the fiscal year ended June 30, 2022)

		Restricted		Net Investment	
	Unrestricted	Expendable	Nonexpendable	in Capital Assets	Total
Operating revenues					
Contributions, net	\$ 3,216	\$ 190,071,137	\$ -	\$ 205,000	\$ 190,279,353
Support from the University of Florida	23,352,143	-	-	-	23,352,143
Investment return, net	8,849,488	(51,463,104)	(94,201)	-	(42,707,817)
Alumni program support	1,701,385	(531,258)	-	-	1,170,127
License plate revenues	1,452,641	968,427	-	-	2,421,068
Other revenues, gains and losses	3,065,621	3,936,515	-	-	7,002,136
Total operating revenues, net	<u>38,424,494</u>	<u>142,981,717</u>	<u>(94,201)</u>	<u>205,000</u>	<u>181,517,010</u>
Operating expenses					
Program services					
General college support	1,964,647	67,446,616	-	29,160	69,440,423
Student financial aid	-	29,425,363	-	-	29,425,363
Faculty and staff support	-	28,797,374	-	-	28,797,374
Research	-	21,476,300	-	-	21,476,300
Facilities	-	12,013,138	-	48,335	12,061,473
Other	-	10,452,008	-	7,986	10,459,994
Total program services	<u>1,964,647</u>	<u>169,610,799</u>	<u>-</u>	<u>85,481</u>	<u>171,660,927</u>
Supporting services					
Communications and marketing	5,165,507	-	-	-	5,165,507
Alumni relations	5,255,469	-	-	-	5,255,469
Development	24,632,711	-	-	-	24,632,711
Operations	21,072,996	-	-	2,398,125	23,471,121
Talent management	2,386,396	-	-	-	2,386,396
Total supporting services	<u>58,513,079</u>	<u>-</u>	<u>-</u>	<u>2,398,125</u>	<u>60,911,204</u>
Total operating expenses	<u>60,477,726</u>	<u>169,610,799</u>	<u>-</u>	<u>2,483,606</u>	<u>232,572,131</u>
Operating income (loss)	<u>(22,053,232)</u>	<u>(26,629,082)</u>	<u>(94,201)</u>	<u>(2,278,606)</u>	<u>(51,055,121)</u>
Nonoperating revenues					
Change in value of split-interest agreements	-	31,918	-	-	31,918
Total nonoperating revenues	<u>-</u>	<u>31,918</u>	<u>-</u>	<u>-</u>	<u>31,918</u>
Income (loss) before changes in nonexpendable	<u>(22,053,232)</u>	<u>(26,597,164)</u>	<u>(94,201)</u>	<u>(2,278,606)</u>	<u>(51,023,203)</u>
Changes in nonexpendable					
Endowment contributions	-	-	50,705,292	-	50,705,292
Alumni endowment life memberships	-	-	409,315	-	409,315
Other revenues, gains and losses	-	-	1,192,252	-	1,192,252
Split-interest agreement terminations	-	-	1,402,515	-	1,402,515
Total changes in nonexpendable	<u>-</u>	<u>-</u>	<u>53,709,374</u>	<u>-</u>	<u>53,709,374</u>
Transfers					
Net transfers in (out)	(6,813,126)	3,190,536	3,622,590	-	-
Internal fees in (out)	32,637,917	(32,637,917)	-	-	-
Capital asset adjustments in (out)	(4,512,387)	(346,275)	-	4,858,662	-
Total transfers	<u>21,312,404</u>	<u>(29,793,656)</u>	<u>3,622,590</u>	<u>4,858,662</u>	<u>-</u>
Change in net position	<u>(740,828)</u>	<u>(56,390,820)</u>	<u>57,237,763</u>	<u>2,580,056</u>	<u>2,686,171</u>
Net position – beginning of year	<u>41,557,296</u>	<u>1,015,441,431</u>	<u>1,478,235,956</u>	<u>103,747,606</u>	<u>2,638,982,289</u>
Net position – end of year	<u>\$ 40,816,468</u>	<u>\$ 959,050,611</u>	<u>\$ 1,535,473,719</u>	<u>\$ 106,327,662</u>	<u>\$2,641,668,460</u>



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Independent Auditor's 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*

Executive Board
University of Florida Foundation, Inc.
Gainesville, Florida

We have audited, in accordance with the 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 the business-type activities and fiduciary activities of the University of Florida Foundation, Inc. (Foundation), a discretely presented component unit of the University of Florida, as of and for the year ended June 30, 2023, 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 27, 2023.

Report on 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 Foundation'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on 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*.

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

September 27, 2023



AUDIT COMMITTEE

(AS OF JUNE 30, 2023)

Alison Rand
Chair

Cindy Pekrul
Vice-chair

Chris Cowen
UF Chief Financial Officer

Jess Johnson
UF Alumni Association Representative

Bill Alcorn
Brad Bondi
Ron Edwards

Patrick Gramling
Steve Hagenbuckle
Lara Long

Jocelyn Moore
Steve Nouss
Ann O'Brien

PRINCIPAL FINANCE AND ACCOUNTING OFFICIALS

(AS OF JUNE 30, 2023)

Mike Johnson
Assistant Vice President & CFO

James House
Controller

J.A. Lopez
Associate Controller

Arriel Raghoo
Assistant Controller



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