



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019



UNIVERSITY *of* FLORIDA
FOUNDATION

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Florida Foundation, Inc. (the Foundation), a discrete component unit of the University of Florida, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

RSM US LLP

Orlando, Florida
September 29, 2020

GO GREATER

FIVE YEARS AGO, the University and the Foundation, collectively as University Advancement, began an effort to accelerate UF's ascent to the nation's very best public universities. The **GO GREATER** campaign is an ambitious statement of who we want to be, and reflects our steadfast commitment to making an impact across the state, the nation and the world.



ADVANCEMENT
VALUES

EXCELLENCE


Striving to reach
The Gold Standard

SERVICE

To help our colleagues
reach their goals

TEAM

Together everyone
achieves more

A photograph of an alligator resting on a grassy bank next to a body of water. The alligator is the central focus, with its head and front legs visible. The background shows a blue body of water and a blurred green shoreline. A white bird is partially visible on the right side of the frame.

MANAGEMENT'S DISCUSSION & ANALYSIS *(Unaudited)*

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019



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., as of and for the years ended June 30, 2020, 2019 and 2018 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, the Statement of Cash Flows and other required supplemental information.

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 legislature. 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 net assets that do not meet the definition of restricted or net investment in capital assets and are available to the Foundation for any legal use.

The Foundation's assets and deferred outflows of resources totaled \$2.2 billion as of June 30, 2020. This balance reflects an increase of \$47.6 million, or 2.3% compared to June 30, 2019. Current assets increased \$8.8 million due to increases in cash and cash equivalents, receivables and prepaid expenses and current pledges receivable of \$17.6 million, \$3.0 million and \$2.3 million, respectively, offset by a decrease in current investments of \$14.1 million. Noncurrent investments increased by \$24.3 million, driven by investment performance, new trust assets and additional contributions to the endowment. Other noncurrent assets increased \$13.7 million, primarily due to increases in noncurrent pledges receivable and pension asset of \$13.6 million and \$1.8 million, respectively, offset by a decrease in real estate held for resale of \$1.8 million.

The Foundation's assets and deferred outflows of resources totaled \$2.1 billion as of June 30, 2019. This balance reflects an increase of \$144.1 million, or 7.4% compared to June 30, 2018. Current assets increased \$8.2 million primarily due to increases in current investments of \$5.1 million and current pledges receivable of \$2.7 million. Noncurrent investments increased by \$115.2 million, driven by investment performance, new trust assets and additional contributions to the endowment. Other noncurrent assets increased \$21.0 million, primarily due to increases in noncurrent pledges receivable of \$13.4 million, real estate held for resale of \$3.1 million and pension asset of \$3.6 million.

The following table summarizes the Foundation's statements of net position as of June 30, 2020 and the two preceding fiscal years:


CONDENSED STATEMENTS OF NET POSITION (in thousands)							
	2020	2019	2020-2019		2018	2019-2018	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Assets							
Current assets	\$ 84,973	\$ 76,131	\$ 8,842	11.61%	\$ 67,964	\$ 8,168	12.02%
Noncurrent investments	1,909,457	1,885,114	24,343	1.29%	1,769,947	115,166	6.51%
Capital assets, net	62,776	62,133	643	1.03%	62,062	71	0.11%
Other noncurrent assets	93,649	79,912	13,737	17.19%	58,922	20,990	35.62%
Total assets	2,150,855	2,103,290	47,565	2.26%	1,958,895	144,395	7.37%
Deferred outflows of resources	-	-	-	0.00%	315	(315)	-100.00%
Total assets and deferred outflows of resources	\$2,150,855	\$2,103,290	\$ 47,565	2.26%	\$1,959,210	\$ 144,080	7.35%
Liabilities							
Current liabilities	\$ 5,597	\$ 5,816	\$ (219)	-3.77%	\$ 4,936	\$ 880	17.83%
Amounts held on behalf of University of Florida related entities	36,147	39,960	(3,813)	-9.54%	29,763	10,197	34.26%
Other noncurrent liabilities	45,169	45,306	(137)	-0.30%	26,849	18,457	68.74%
Total liabilities	86,913	91,082	(4,169)	-4.58%	61,548	29,534	47.99%
Deferred inflows of resources	17,512	19,572	(2,060)	-10.53%	14,928	4,644	31.11%
Total liabilities and deferred inflows of resources	104,425	110,654	(6,229)	-5.63%	76,476	34,178	44.69%
Net position							
Net investment in capital assets	61,877	60,117	1,760	2.93%	58,930	1,187	2.01%
Restricted - expendable	533,442	553,534	(20,092)	-3.63%	503,042	50,492	10.04%
Restricted - nonexpendable	1,424,644	1,360,876	63,768	4.69%	1,306,997	53,879	4.12%
Unrestricted	26,467	18,109	8,358	46.15%	13,765	4,344	31.56%
Total net position	\$2,046,430	\$1,992,636	\$ 53,794	2.70%	\$1,882,734	\$ 109,902	5.84%

The Foundation's liabilities and deferred inflows of resources totaled \$104.4 million as of June 30, 2020. This balance reflects a decrease of \$6.2 million, or 5.6% compared to June 30, 2019. Current liabilities decreased \$0.2 million primarily due to the decrease in current notes payable liabilities of \$1.0 million, offset by an increase in other current liabilities of \$0.6 million. Amounts held on behalf of University of Florida related entities increased \$3.8 million, primarily due to the University of Florida Board of Trustees' decertification of the University of Florida Law Center Association, Inc. as a University of Florida direct support organization as of July 1, 2019. Other noncurrent liabilities decreased \$0.1 million, primarily due to a decrease in noncurrent notes payable of \$0.1 million. Deferred inflows decreased \$2.1 million due to decreases in split-interest agreements, primarily due to investment performance and other split-interest agreement activity.

The Foundation's liabilities and deferred inflows of resources totaled \$110.7 million as of June 30, 2019. This

balance reflects an increase of \$34.2 million, or 44.7% compared to June 30, 2018. Current liabilities increased \$0.9 million primarily due to the increase in current split-interest liabilities of \$1.0 million. Amounts held on behalf of University of Florida related entities increased \$10.2 million, primarily due to growth in pledges receivable, new contributions and return on investment. Other noncurrent liabilities increased \$18.5 million, primarily due to an increase in noncurrent split-interest liabilities of \$19.2 million less reductions in capital related notes payable of \$1.1 million. Deferred inflows increased \$4.6 million due to increases in split-interest agreements, primarily due to new trust additions and investment performance.


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 were \$75.6 million, \$86.3 million and \$78.8 million as of June 30, 2020, 2019 and 2018, respectively.



Together We GO GREATER to Strengthen Your



ENVIRONMENT



Making our planet our
priority. We go greater to
advance biodiversity and
quality of life — for all life.

The Go Greater campaign theme for fiscal year 2020 was Your Environment.
For more information, visit www.uff.ufl.edu/theme/your-environment.

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, 2020 and the two preceding fiscal years:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)							
	2020	2019	2020-2019		2018	2019-2018	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Operating revenues							
Contributions, net	\$ 114,867	\$ 78,780	\$ 36,087	45.81%	\$ 73,890	\$ 4,890	6.62%
Support from the University of Florida	26,637	19,451	7,186	36.94%	19,420	31	0.16%
Investment return, net	45,567	117,630	(72,063)	-61.26%	139,206	(21,576)	-15.50%
Other operating revenues	7,741	8,865	(1,124)	-12.68%	9,615	(750)	-7.80%
Total operating revenues	<u>194,812</u>	<u>224,726</u>	<u>(29,914)</u>	<u>-13.31%</u>	<u>242,131</u>	<u>(17,405)</u>	<u>-7.19%</u>
Operating expenses							
Program services	157,807	127,248	30,559	24.02%	127,775	(527)	-0.41%
Supporting services	45,402	42,501	2,901	6.83%	40,773	1,728	4.24%
Total operating expenses	<u>203,209</u>	<u>169,749</u>	<u>33,460</u>	<u>19.71%</u>	<u>168,548</u>	<u>1,201</u>	<u>0.71%</u>
Operating (loss) income	(8,397)	54,977	(63,374)	-115.27%	73,583	(18,606)	-25.29%
Nonoperating revenues	737	1,102	(365)	-33.12%	36	1,066	2,961.11%
(Loss) income before change in endowments	<u>(7,660)</u>	<u>56,079</u>	<u>(63,739)</u>	<u>-113.66%</u>	<u>73,619</u>	<u>(17,540)</u>	<u>-23.83%</u>
Changes in nonexpendable							
Endowment contributions	55,308	51,384	3,924	7.64%	57,161	(5,777)	-10.11%
Other changes in nonexpendable	6,146	2,439	3,707	151.99%	1,625	814	50.09%
Total changes in nonexpendable	<u>61,454</u>	<u>53,823</u>	<u>7,631</u>	<u>14.18%</u>	<u>58,786</u>	<u>(4,963)</u>	<u>-8.44%</u>
Change in net position	53,794	109,902	(56,108)	-51.05%	132,405	(22,503)	-17.00%
Net position - beginning of year	<u>1,992,636</u>	<u>1,882,734</u>	<u>109,902</u>	<u>5.84%</u>	<u>1,750,329</u>	<u>132,405</u>	<u>7.56%</u>
Net position - end of year	<u>\$ 2,046,430</u>	<u>\$ 1,992,636</u>	<u>\$ 53,794</u>	<u>2.70%</u>	<u>\$ 1,882,734</u>	<u>\$ 109,902</u>	<u>5.84%</u>

The Foundation's net position increased \$53.8 million, or 2.7% during the fiscal year 2020, driven by contribution revenue and investment performance.

The Foundation's net position increased \$109.9 million, or 5.8% during the fiscal year 2019, driven by investment performance and contribution revenue.

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, 2020 and the two preceding fiscal years:

OPERATING REVENUES (in thousands)							
	2020	2019	2020-2019		2018	2019-2018	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Contributions, net	\$ 114,867	\$ 78,780	\$ 36,087	45.81%	\$ 73,890	\$ 4,890	6.62%
Support from the University of Florida	26,637	19,451	7,186	36.94%	19,420	31	0.16%
Investment return, net	45,567	117,630	(72,063)	-61.26%	139,206	(21,576)	-15.50%
Other operating revenues	7,741	8,865	(1,124)	-12.68%	9,615	(750)	-7.80%
Total operating revenues	\$ 194,812	\$ 224,726	\$ (29,914)	-13.31%	\$ 242,131	\$ (17,405)	-7.19%

Operating revenues totaled \$194.8 million for fiscal year 2020, a decrease of \$29.9 million, or -13.3% as compared to fiscal year 2019. Nonendowed contributions increased \$36.1 million to \$114.9 million due to continued strength in donor giving and campaign initiatives. Investment return decreased \$72.1 million due to lower investment performance as compared to fiscal year 2019. Other operating revenues decreased \$1.1 million due to lower alumni service revenues, license tag revenues and other revenues.

Operating revenues totaled \$224.7 million for fiscal year 2019, a decrease of \$17.4 million, or -7.2% as compared to fiscal year 2018. Nonendowed contributions increased \$4.9 million to \$78.8 million due to donor giving and campaign initiatives. Investment return decreased \$21.6 million due to lower investment performance as compared to fiscal year 2018. Other operating revenues decreased \$0.8 million due to lower alumni service revenues, license tag revenues and other revenues.



Operating Expenses

The following summarizes the operating expenses by function for the fiscal year ended June 30, 2020 and the two preceding fiscal years:

OPERATING EXPENSES (in thousands)							
	2020	2019	2020-2019		2018	2019-2018	
			Increase (Decrease)	Percent Change		Increase (Decrease)	Percent Change
Operating expenses							
Program services							
General college support	\$ 51,767	\$ 44,492	\$ 7,275	16.35%	\$ 37,336	\$ 7,156	19.17%
Student financial aid	28,509	23,968	4,541	18.95%	24,777	(809)	-3.27%
Faculty and staff support	21,734	21,386	348	1.63%	21,475	(89)	-0.41%
Research	16,895	19,717	(2,822)	-14.31%	19,504	213	1.09%
Facilities	29,356	6,016	23,340	387.97%	14,727	(8,711)	-59.15%
Other	9,546	11,669	(2,123)	-18.19%	9,956	1,713	17.21%
Total program services	157,807	127,248	30,559	24.02%	\$ 127,775	\$ (527)	-0.41%
Supporting services							
Communications and marketing	4,080	2,028	2,052	101.18%	2,193	(165)	-7.52%
Alumni relations	4,881	5,619	(738)	-13.13%	4,946	673	13.61%
Development	23,458	23,532	(74)	-0.31%	23,399	133	0.57%
Operations	10,959	10,172	787	7.74%	9,052	1,120	12.37%
Talent management	2,024	1,150	874	76.00%	1,183	(33)	-2.79%
Total supporting services	45,402	42,501	2,901	6.83%	40,773	1,728	4.24%
Total operating expenses	\$ 203,209	\$ 169,749	\$ 33,460	19.71%	\$ 168,548	\$ 1,201	0.71%

Operating expenses totaled \$203.2 million for fiscal year 2020, an increase of \$33.5 million, or 19.7% as compared to fiscal year 2019. Operating expenses totaled \$169.7 million for fiscal year 2019, an increase of \$1.2 million, or 0.7% as compared to fiscal year 2018. 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 \$157.8 million for fiscal year 2020, an increase of \$30.6 million, or 24.0% as compared to fiscal year 2019. Facilities had the largest increase over the prior year, \$23.3 million,

due to large nonendowed facilities-related donor contributions. General college support and student financial aid saw increases of \$7.3 million and \$4.5 million, respectively.

Program services expenses totaled \$127.2 million for fiscal year 2019, a decrease of \$0.5 million, or -0.4% as compared to fiscal year 2018. The largest component was general college support, which also saw the largest increase over the prior year. Facilities expenses saw the largest decline, primarily due to several large transfers of accumulated contributions for facilities to a component unit of the University in the prior year.

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 \$45.4 million for fiscal year 2020, an increase of \$2.9 million, or 6.8% over fiscal year 2019. The increase was primarily

due to increased investments in talent management, operations, and communications and marketing.

Supporting services expenses totaled \$42.5 million for fiscal year 2019, an increase of \$1.7 million, or 4.2% over fiscal year 2018. The increase was primarily due to growth in alumni relations and operations. Alumni relations expenses totaled \$5.6 million, an increase of \$0.7 million, or 13.6% as compared to prior year. This was primarily due to new investments in programs and strategies to increase alumni participation and giving. Operations expenses totaled \$10.2 million, an increase of \$1.1 million, or 12.4% as compared to prior year. This was primarily due to new investments in data and report writing, real estate management, and strategy and project management.



Nonoperating Revenues and Changes in Nonexpendable

The following summarizes the nonoperating revenues and changes in nonexpendable by source for the fiscal year ended June 30, 2020 and the two preceding fiscal years:

NONOPERATING REVENUES AND CHANGES IN NONEXPENDABLE (in thousands)

			2020-2019		2019-2018		
	2020	2019	Increase (Decrease)	Percent Change	2018	Increase (Decrease)	Percent Change
Nonoperating revenues	\$ 737	\$ 1,102	\$ (365)	-33.12%	\$ 36	\$ 1,066	2,961.11%
Changes in nonexpendable							
Endowment contributions	55,308	51,384	3,924	7.64%	57,161	(5,777)	-10.11%
Other changes in nonexpendable	6,146	2,439	3,707	151.99%	1,625	814	50.09%
Total changes in nonexpendable	<u>\$ 61,454</u>	<u>\$ 53,823</u>	<u>\$ 7,631</u>	<u>14.18%</u>	<u>\$ 58,786</u>	<u>\$ (4,963)</u>	<u>-8.44%</u>

Nonoperating revenues totaled \$0.7 million for fiscal year 2020, a decrease of \$0.4 million, or 33.1% as compared to fiscal year 2019. 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 \$61.5 million, an increase of \$7.6 million, or 14.2% as compared to the previous fiscal year. Endowment contributions totaled \$55.3 million, up \$3.9 million from the prior year. Other changes in nonexpendable totaled \$6.1 million, an increase of \$3.7 million over the prior year, primarily due to the University of Florida Board of Trustees' decertification of the University of Florida Law Center Association, Inc. as a University of Florida direct support organization as of July 1, 2019.

Nonoperating revenues totaled \$1.1 million for fiscal year 2019, an increase of \$1.1 million, or 2,961.11% as compared to fiscal year 2018. 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 \$53.8 million, a decrease of \$5.0 million, or -8.4% as compared to the previous fiscal year. Endowment contributions totaled \$51.4 million, down \$5.8 million from the prior year. Other changes in nonexpendable totaled \$2.4 million, an increase of \$0.8 million over the prior year, primarily due to change in value of restricted nonexpendable split-interest agreements, revenue that was recognized due to the termination of various split-interest agreements during the fiscal year.



Together We GO GREATER to Strengthen Your



IDEAS

“Generating ideas that will change tomorrow.

We go greater to foster innovation and find
where it changes the world.”



“The Go Greater campaign theme for fiscal year 2021 is Your Ideas. For more information, visit www.uff.ufl.edu/theme/your-ideas.”

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 capital and related financing activities include changes associated with the long-term debt 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.

The following table summarizes the major sources and uses of cash for the fiscal year ended June 30, 2020 and the two preceding fiscal years:

CONDENSED STATEMENTS OF CASH FLOWS (in thousands)

	2020-2019				2019-2018		
	2020	2019	Increase (Decrease)	Percent Change	2018	Increase (Decrease)	Percent Change
Cash flows provided by (used in)							
Operating activities	\$ (75,860)	\$ (90,378)	\$ 14,518	16.06%	\$ (71,533)	\$ (18,845)	-26.34%
Investing activities	38,753	3,371	35,382	1,049.60%	29,979	(26,608)	-88.76%
Capital and related financing activities	(1,906)	(2,286)	380	16.62%	(2,139)	(147)	-6.87%
Noncapital financing activities	56,572	88,025	(31,453)	-35.73%	43,739	44,286	101.25%
Change in cash and cash equivalents	17,559	(1,268)	18,827	1,484.78%	46	(1,314)	-2,856.52%
Cash and cash equivalents, beginning of year	6,669	7,937	(1,268)	-15.98%	7,891	46	0.58%
Cash and cash equivalents, end of year	<u>\$ 24,228</u>	<u>\$ 6,669</u>	<u>\$ 17,559</u>	<u>263.29%</u>	<u>\$ 7,937</u>	<u>\$ (1,268)</u>	<u>-15.98%</u>

Cash and cash equivalents increased by \$17.6 million, or 263.3% during fiscal year 2020. Net cash flows used in operating activities increased by \$14.5 million, primarily due to an increase in nonendowed cash contributions of \$36.0 million as compared to fiscal year 2019. Net cash flows provided by investing activities increased by \$35.3 million, primarily due to decreased investment purchases of \$35.4 million as compared to fiscal year 2019. Net cash flows provided by noncapital financing activities decreased by \$31.5 million in the current year, primarily due to a decrease in contributions restricted for long-term investment of \$20.1 million and a decrease in pledges receivable and contributions to University of Florida related entities.

Cash and cash equivalents decreased by \$1.3 million, or -16.0% during fiscal year 2019. Net cash flows used in operating activities increased by \$18.8 million, primarily due to a decrease in nonendowed cash contributions of \$16.2 million as compared to fiscal year 2018. Net cash flows provided by investing activities decreased by \$26.6 million, primarily due to increased investment purchases of \$36.2 million as compared to fiscal year 2018. Net cash flows provided by noncapital financing activities increased by \$44.3 million in fiscal year 2019, primarily due to an increase in contributions restricted for long-term investment of \$20.1 million and an increase in pledges receivable and contributions to University related entities of \$25.3 million as compared to fiscal year 2018.

Capital Assets and Debt Administration

Capital assets, comprised of land and buildings held for use, land preserve, equipment, furniture and vehicles, are included in noncurrent assets on the accompanying Statements of Net Position. These balances are net of accumulated depreciation. The following table summarizes capital assets as of June 30, 2020 and the two preceding fiscal years:

CAPITAL ASSETS (in thousands)

			2020-2019		2019-2018		
	2020	2019	Increase (Decrease)	Percent Change	2018	Increase (Decrease)	Percent Change
Land held for use and land preserve	\$ 59,000	\$ 58,528	\$ 472	0.81%	\$ 58,546	\$ (18)	-0.03%
Buildings held for use, net	2,547	2,285	262	11.47%	2,276	9	0.40%
Equipment, furniture and vehicles	1,134	1,225	(91)	-7.43%	1,145	80	6.99%
Other capital assets	95	95	-	0.00%	95	-	0.00%
Total capital assets, net	\$ 62,776	\$ 62,133	\$ 643	1.03%	\$ 62,062	\$ 71	0.11%

During fiscal year 2020, significant changes in capital assets related primarily to depreciation expense of \$1.0 million, offset by net capital additions of \$1.6 million.

During fiscal year 2019, significant changes in capital assets related primarily to depreciation expense of \$1.0 million, offset by net capital additions of \$1.0 million.

Detailed schedules of capital assets and related activity can be found in Note 9 of the accompanying notes to the financial statements.

The following table summarizes capital asset-related debt outstanding as of June 30, 2020 and the two preceding fiscal years:

CAPITAL ASSET-RELATED DEBT (in thousands)

			2020-2019		2019-2018		
	2020	2019	Increase (Decrease)	Percent Change	2018	Increase (Decrease)	Percent Change
Shands Teaching Hospital and Clinics, Inc. parking garage	\$ 400	\$ 500	\$ (100)	-20.00%	\$ 600	\$ (100)	-16.67%
College of the Arts warehouse	499	516	(17)	-3.29%	533	(17)	-3.19%
University retreat center	-	1,000	(1,000)	-100.00%	2,000	(1,000)	-50.00%
Total capital asset-related debt	\$ 899	\$ 2,016	\$ (1,117)	-55.41%	\$ 3,133	\$ (1,117)	-35.65%

During fiscal year 2020, the Foundation reduced debt by approximately \$1.1 million related to principal payments. During fiscal year 2019, the Foundation reduced debt by approximately \$1.1 million related to principal payments. Additional information on the Foundation's long-term debt obligations can be found in Note 10 of the accompanying notes to the financial statements.

Economic Outlook

The economic outlook of the Foundation is affected by the COVID-19 pandemic, 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.

Budgeted revenues that fund supporting services are driven primarily from support from the University and fees assessed on charitable contributions and the endowment. As a result of the COVID-19 pandemic, and resulting health and economic crises, the Foundation is projecting a 13% decrease in budgeted revenues for the upcoming fiscal year. Other than the COVID-19 pandemic, the overall economy and

investment returns, management is not aware of any factors that would have a significant impact on budgeted revenues for the next fiscal year.

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 activity of the University Major Gifts Program was audited as of and for the fiscal year ended June 30, 2020. 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 or other required supplemental information and financial statements and notes thereto, or requests for additional financial information should be addressed 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

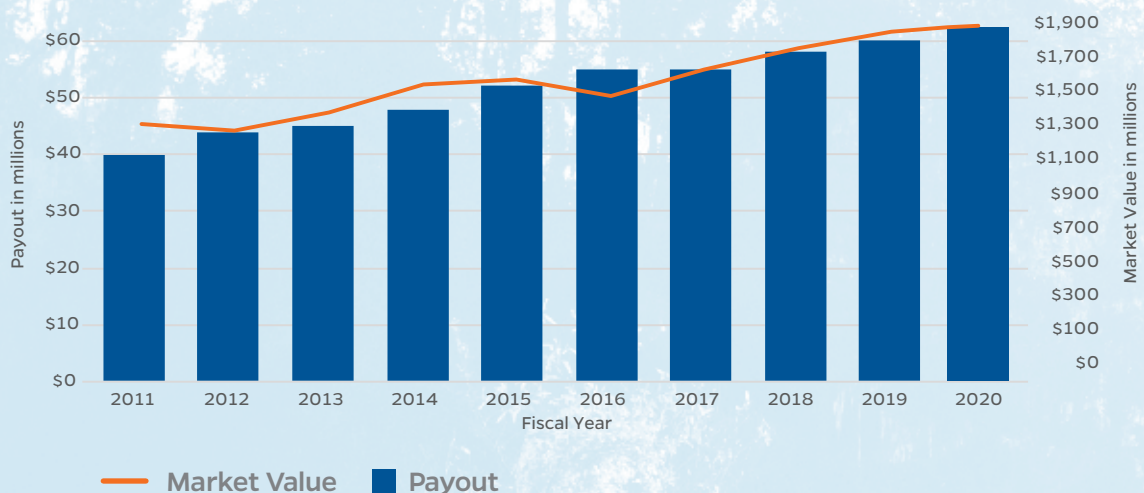


ENDOWMENT MARKET VALUE



ENDOWMENT PAYOUT

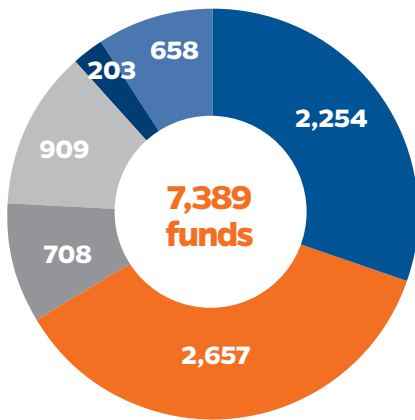
ENDOWMENT MARKET VALUE AND PAYOUT BY FISCAL YEAR



ALL DONOR FUNDS

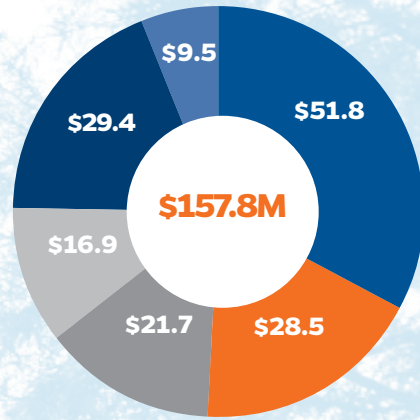
99.0% OF PROGRAM SERVICE EXPENSES WERE FROM FUNDS DESIGNATED BY DONORS FOR RESTRICTED PURPOSES

NUMBER OF FUNDS ⁽¹⁾



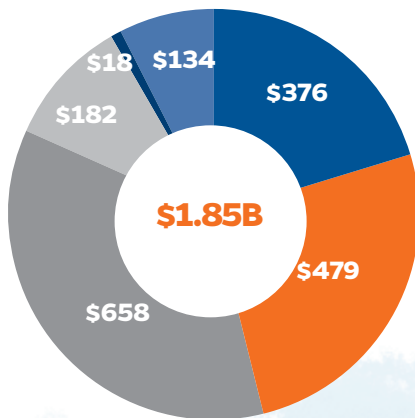
PROGRAM SERVICE EXPENSES

(in \$ millions)



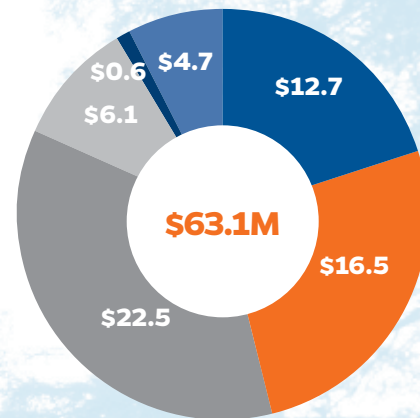
ENDOWMENT MARKET VALUE

(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, 2020 AND 2019



STATEMENTS OF NET POSITION (as of June 30, 2020 and 2019)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 24,227,830	\$ 6,668,831
Receivables and prepaid expenses	35,205,721	32,163,269
Investments	2,004,074	16,054,645
Pledges receivable, net	23,535,736	21,244,150
Total current assets	<u>84,973,361</u>	<u>76,130,895</u>
Noncurrent assets		
Investments	1,909,456,915	1,885,114,410
Pledges receivable, net	66,431,342	52,872,993
Real estate held for sale	6,634,817	8,423,607
Present value of amounts due from externally managed trusts	2,209,049	2,940,048
Capital assets, net	62,775,868	62,133,496
Cash surrender value of life insurance	10,784,788	9,827,681
Other noncurrent assets	27,912	77,042
Pension asset, net	7,560,674	5,770,065
Total noncurrent assets	<u>2,065,881,365</u>	<u>2,027,159,342</u>
Total assets	<u>2,150,854,726</u>	<u>2,103,290,237</u>
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	<u>\$ 2,150,854,726</u>	<u>\$ 2,103,290,237</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 898,580	\$ 786,607
Other current liabilities	860,211	215,436
Long-term liabilities – current portion:		
Notes payable	119,593	1,117,510
Split-interest agreements	3,719,010	3,696,330
Total current liabilities	<u>5,597,394</u>	<u>5,815,883</u>
Noncurrent liabilities		
Notes payable	778,996	898,590
Split-interest agreements	40,853,301	41,225,102
Other noncurrent liabilities	3,537,128	3,182,427
Amounts held on behalf of University of Florida related entities	36,146,659	39,960,159
Total noncurrent liabilities	<u>81,316,084</u>	<u>85,266,278</u>
Total liabilities	<u>86,913,478</u>	<u>91,082,161</u>
Deferred inflows of resources		
Split-interest agreements	14,867,859	16,200,319
External trusts	2,209,049	2,940,048
Pension	434,631	432,083
Total deferred inflows of resources	<u>17,511,539</u>	<u>19,572,450</u>
Net position		
Net investment in capital assets	61,877,279	60,117,396
Restricted:		
Expendable	533,441,984	553,533,635
Nonexpendable	1,424,643,502	1,360,875,981
Unrestricted	26,466,944	18,108,614
Total net position	<u>2,046,429,709</u>	<u>1,992,635,626</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,150,854,726</u>	<u>\$ 2,103,290,237</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (fiscal years ended June 30, 2020 and 2019)

	2020	2019
Operating revenues		
Contributions, net	\$ 114,867,056	\$ 78,779,694
Support from the University of Florida	26,637,372	19,451,360
Investment return, net	45,566,721	117,630,386
Alumni program support	1,131,934	1,344,628
License plate revenues	2,436,425	2,456,017
Other revenues, gains and losses	4,172,905	5,063,633
Total operating revenues	<u>194,812,413</u>	<u>224,725,718</u>
Operating expenses		
Program services		
General college support	51,767,567	44,491,958
Student financial aid	28,508,637	23,967,642
Faculty and staff support	21,733,637	21,385,687
Research	16,895,278	19,716,723
Facilities	29,356,071	6,016,049
Other	9,545,503	11,669,486
Total program services	<u>157,806,693</u>	<u>127,247,545</u>
Supporting services		
Communications and marketing	4,079,872	2,027,847
Alumni relations	4,881,298	5,618,688
Development	23,458,064	23,532,643
Operations	10,959,278	10,171,938
Talent management	2,024,098	1,150,216
Total supporting services	<u>45,402,610</u>	<u>42,501,332</u>
Total operating expenses	<u>203,209,303</u>	<u>169,748,877</u>
Operating (loss) income	<u>(8,396,890)</u>	<u>54,976,841</u>
Nonoperating revenues		
Change in value of split-interest agreements	737,322	1,101,635
Total nonoperating revenues	<u>737,322</u>	<u>1,101,635</u>
(Loss) income before changes in nonexpendable	<u>(7,659,568)</u>	<u>56,078,476</u>
Changes in nonexpendable		
Endowment contributions	55,308,383	51,383,652
Alumni endowment life memberships	467,579	547,500
Other revenues, gains and losses	5,293,394	497,997
Change in value of split-interest agreements	384,295	1,393,833
Total changes in nonexpendable	<u>61,453,651</u>	<u>53,822,982</u>
Change in net position	53,794,083	109,901,458
Net position - beginning of year	<u>1,992,635,626</u>	<u>1,882,734,168</u>
Net position - end of year	<u>\$ 2,046,429,709</u>	<u>\$ 1,992,635,626</u>

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

STATEMENTS OF CASH FLOWS (fiscal years ended June 30, 2020 and 2019)

	2020	2019
Cash flows from operating activities		
Contributions	\$ 92,177,183	\$ 50,776,541
Support from the University of Florida	12,579,038	4,507,988
Alumni program support	1,131,934	1,344,628
License plate revenues	2,436,425	2,456,017
Other revenues, gains and losses	4,153,890	5,035,792
Program services payments	(157,482,010)	(123,587,921)
Supporting services payments	(30,856,417)	(30,911,024)
Net cash used in operating activities	<u>(75,859,957)</u>	<u>(90,377,979)</u>
Cash flows from investing activities		
Investment purchases	(5,888,969)	(41,317,573)
Investment sales and maturities	44,298,407	46,054,503
Interest and dividends, net	(1,685,583)	(1,994,325)
Income tax (expense) refund	(48,769)	3,528
Notes receivable originations	(21,124)	(100,000)
Notes receivable collections	21,124	100,000
Real estate purchases	(31,750)	-
Real estate sales	2,109,876	625,273
Net cash provided by investing activities	<u>38,753,212</u>	<u>3,371,406</u>
Cash flows from capital and related financing activities		
Capital asset purchases	(738,308)	(1,098,625)
Capital debt principal payments	(1,117,511)	(1,116,493)
Capital debt interest payments	(50,490)	(71,507)
Net cash used in capital and related financing activities	<u>(1,906,309)</u>	<u>(2,286,625)</u>
Cash flows from noncapital financing activities		
Contributions restricted for long-term investment	57,750,191	77,839,971
Alumni program support restricted for long-term investment	467,579	547,500
Other revenues restricted for long-term investment	5,294,995	504,762
(Payments to) proceeds from University of Florida related entities	(2,839,747)	12,810,761
Beneficiary and other split-interest payments	(4,100,965)	(3,678,386)
Net cash flows provided by noncapital financing activities	<u>56,572,053</u>	<u>88,024,608</u>
Change in cash and cash equivalents	17,558,999	(1,268,590)
Cash and cash equivalents - beginning of year	<u>6,668,831</u>	<u>7,937,421</u>
Cash and cash equivalents - end of year	<u>\$ 24,227,830</u>	<u>\$ 6,668,831</u>

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

STATEMENTS OF CASH FLOWS (fiscal years ended June 30, 2020 and 2019)

	2020	2019
Reconciliation of the change in operating (loss) income to net cash used in operating activities		
Operating (loss) income	\$ (8,396,890)	\$ 54,976,841
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Depreciation expense	996,236	961,132
Provision for doubtful accounts and pledges	3,615,662	(7,427,735)
Investment return, net	(45,569,304)	(117,629,024)
Noncash contributions	(1,447,307)	(4,587,832)
Income tax expense (refund)	48,769	(3,528)
Interest expense	52,351	82,393
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
Receivables, prepaid expenses and other assets	(3,042,452)	(1,524,136)
Pledges receivable	(20,481,442)	(11,686,686)
Cash surrender value of life insurance	(957,107)	(895,598)
Accounts payable, accrued expenses and other liabilities	1,109,588	253,800
Pension asset, net	(1,790,609)	(3,644,494)
Pension deferred outflows	-	314,805
Pension deferred inflows	2,548	432,083
Net cash used in operating activities	\$ (75,859,957)	\$ (90,377,979)
Supplemental disclosures of noncash investing, capital, noncapital and related financing activities		
Unrealized gains on investments	\$ 44,884,706	\$ 115,476,251
Contributions of real estate held for sale	1,458,761	3,883,399
Contributions of capital assets	870,700	231,692
Contributions of non-liquid investments	8,688	1,629,140

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



NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019



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 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. 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 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 presents 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.

Prior to July 1, 2018, the Foundation presented its financial statements under the accounting and financial reporting standards of the Financial Accounting Standards Board (FASB). Amounts for fiscal year ending June 30, 2018 have been restated to comply with GASB accounting and financial reporting standards. Total net assets under FASB at June 30, 2018 were \$1,965,510,392. The conversion to GASB reduced net position at June 30, 2018 by \$82,776,224 to \$1,882,734,168. The reduction in net position was due to the elimination of \$78,818,622 of endowment pledges receivable, a decrease of \$14,927,864 due to the restatement of split-interest agreements and external trusts to deferred inflows of resources under GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and an increase of \$10,970,262 due to the restatement of the FASB pension liability to a net pension asset under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.



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 are retained and reported in nonexpendable, while the net earnings or losses on endowment funds are included in 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 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 expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Included are all direct costs associated with fundraising activities and allocable costs of activities that include both fundraising and program or management and general functions.

Use of estimates: Management uses estimates and assumptions in preparing financial statements in conformity with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses. Significant estimates used in preparing these financial statements include those used in calculating the pledges receivable and related allowance for doubtful amounts, the annuity and trust liabilities under split-interest agreements, the



pension benefits obligation, and in determining the impairment of long-lived assets and the fair value of certain investments. Actual results could differ from these estimates.

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

Receivables: Receivables primarily consist of amounts due from the University (see Note 13).

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 allowance 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 estimated fair value 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. 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.

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, 2020 and 2019.

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.

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 0.6% to 8.0%. 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, 2020 and 2019, the Foundation held assets in excess of the minimum required by state law.

Amounts held on behalf of University of Florida related entities: Gator Boosters, Inc., the University of Florida Health Proton Therapy Institute, and Shands Teaching Hospital and Clinics, Inc. have entered into agreements with the Foundation for administrative services. The liability included in the accompanying Statements of Net Position represents the amounts due to these entities, including any share of investment returns.

Functional allocation of expenses: The costs of providing various programs and support services have been summarized on a 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 \$13,131,776 and \$13,095,764 for the fiscal years ended June 30, 2020 and 2019, respectively, are included in unrestricted operating revenues as support from the University and in supporting services as development expenses. At June 30, 2020 and 2019, \$736,041 and \$451,848 of these amounts are included in other current liabilities and in receivables and prepaid expenses, 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 on each employee's unpaid (unused) leave balance. The Foundation accrues accumulated unpaid annual vacation leave and it is included in the accompanying Statements of Net Position. Vacation pay is expensed when earned by the employee up to the maximum payout. Sick leave payments are expensed when used as sick leave is not eligible for payout.

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 maintains a legacy defined benefit plan for former Foundation employees. There are no active participants in the plan. For details of the plan, see Note 11 in the accompanying notes of the financial statements.

Income taxes: The Foundation is exempt from federal income taxes under section 501(a) of the

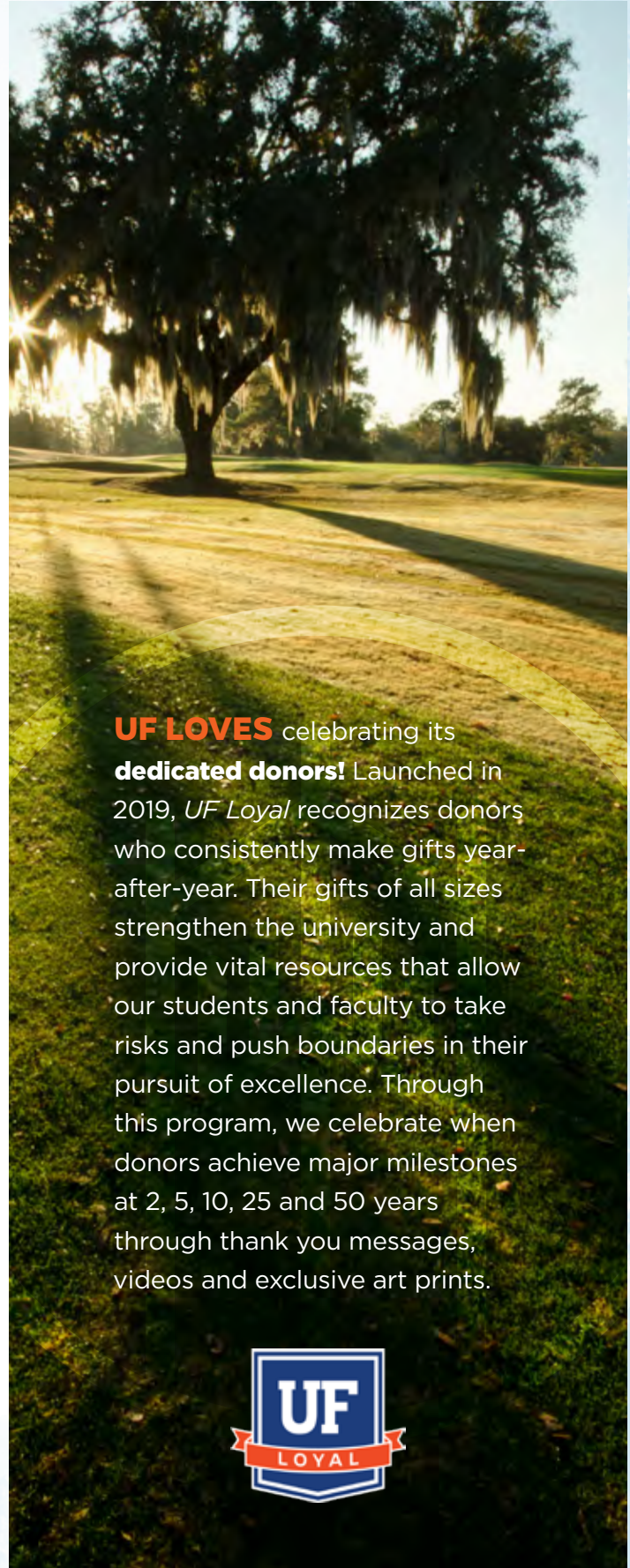
IRC as an organization described in section 501(c)(3). However, the Foundation is subject to income tax on unrelated business income. The Foundation's primary source of unrelated business income is from certain investments in private equity partnerships. For the fiscal years ended June 30, 2020 and 2019, the Foundation had current income tax expense and a current income tax refund of \$48,769 and \$3,528, 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, 2017 through June 30, 2020.

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

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

Management is currently evaluating the impact of this unadopted standard on the Foundation's financial statements and does not believe such impact will be material to the Foundation's financial statements.



Note 2. 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, 2020 and 2019 are as follows:

NOTE 2. CASH AND CASH EQUIVALENTS		
	2020	2019
Cash in bank demand accounts	\$ 20,964,013	\$ 5,626,036
Money market funds	55,988	220,306
Cash held at the University of Florida	3,206,017	820,677
Cash on hand	1,812	1,812
Total cash and cash equivalents	\$ 24,227,830	\$ 6,668,831

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 specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Florida Statutes, Chapter 280. Money market funds are uninsured and collateralized by securities held by the institution.

At June 30, 2020 and 2019, \$55,988 and \$220,306, 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 3. 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, 2020 and 2019, 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 has temporarily suspended funding for this program and did not appropriate any funds; therefore, no receivable has been recorded in the accompanying financial statements.

Note 4. Pledges Receivable

Pledges receivable and the related allowance for potentially uncollectible amounts at June 30, 2020 and 2019, are summarized as follows:

NOTE 4. PLEDGES RECEIVABLE		
	2020	2019
Due in less than one year	\$ 26,006,338	\$ 23,578,413
Due in one to five years	62,750,908	48,171,980
Due after five years	20,918,857	20,149,796
	109,676,103	91,900,189
Less:		
Allowance for doubtful amounts	(10,419,230)	(9,085,412)
Unamortized discounts	(9,289,795)	(8,697,634)
Total pledges receivable, net	\$ 89,967,078	\$ 74,117,143
Current pledges receivable, net	\$ 23,535,736	\$ 21,244,150
Noncurrent pledges receivable, net	66,431,342	52,872,993
Total pledges receivable, net	\$ 89,967,078	\$ 74,117,143

Noncurrent pledges receivable are net of discounts amounting to \$9,289,795 and \$8,697,634 at June 30, 2020 and 2019, respectively. 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% risk premium. Discount rates used ranged from 1.3% to 7.0%.

Note 5. 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 0.18% for both the fiscal years ended June 30, 2020 and 2019. Management fees expensed during the fiscal years ended June 30, 2020 and 2019, under this agreement totaled \$3,319,119 and \$3,162,327, respectively, which are included in

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

Note 6. 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 credit risk, interest rate risk and foreign currency risk that the Foundation may be exposed to as outlined below.

Investments at June 30, 2020 and 2019, are summarized as follows:

NOTE 6. INVESTMENTS

	Endowments	Split-interest Agreements	Other	Total
JUNE 30, 2020				
Government issues - domestic Equities	\$ -	\$ 321,727	\$ -	\$ 321,727
Equities	2,905	-	724,176	727,081
Short-term investments	22,055	1,940,490	41,529	2,004,074
Mutual funds - equities	-	38,204,999	-	38,204,999
Mutual funds - fixed income	-	18,136,777	-	18,136,777
Private equity investments	2,292,015	-	-	2,292,015
Private equity investments - UFICO limited partnerships ⁽¹⁾	1,849,683,477	-	90,839	1,849,774,316
Total investments	\$ 1,852,000,452	\$ 58,603,993	\$ 856,544	\$ 1,911,460,989
JUNE 30, 2019				
Government issues - domestic	\$ -	\$ 286,422	\$ -	\$ 286,422
Government issues - foreign Equities	50,000	-	20,000	70,000
Equities	2,901	-	582,665	585,566
Short-term investments	55,757	2,161,149	13,837,739	16,054,645
Mutual funds - equities	-	40,342,634	-	40,342,634
Mutual funds - fixed income	-	18,226,111	-	18,226,111
Private equity investments	2,292,015	-	-	2,292,015
Private equity investments - UFICO limited partnerships ⁽¹⁾	1,822,166,689	-	1,144,973	1,823,311,662
Total investments	\$ 1,824,567,362	\$ 61,016,316	\$ 15,585,377	\$ 1,901,169,055

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

Custodial credit risk: Custodial credit risk is the risk that, in the 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 following schedule represents the ratings of the Foundation's debt investments as of June 30, 2020 and 2019, using nationally recognized statistical ratings quality organizations:

NOTE 6. INVESTMENTS: CREDIT RISK

	Quality Rating	2020 Fair Value	2019 Fair Value
Government issues – domestic	AAA	\$ -	\$ 104,872
Government issues – foreign	AA-	-	70,000
Mutual funds – fixed income	AAA	5,752,059	5,710,052
Mutual funds – fixed income	AA	8,103,263	8,086,610
Mutual funds – fixed income	BBB	3,035,869	3,123,226
Mutual funds – fixed income	BB	1,245,586	1,306,223
Money market funds	AAA	2,004,074	2,257,450
Sweep investment	Unrated	-	13,797,195
Total		<u>\$ 20,140,851</u>	<u>\$ 34,455,628</u>

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, 2020 and 2019, is as follows:

NOTE 6. INVESTMENTS: INTEREST RATE RISK

	Average Duration	2020 Fair Value	2019 Fair Value
Government issues – domestic	Less than one year	\$ -	\$ 104,872
Government issues – domestic	One to five years	321,727	79,894
Government issues – domestic	Six to ten years	-	101,656
Government issues – foreign	One to five years	-	70,000
Mutual funds – fixed income	One to five years	1,245,586	4,429,449
Mutual funds – fixed income	Six to ten years	16,891,191	13,796,662
Total		<u>\$ 18,458,504</u>	<u>\$ 18,582,533</u>

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, 2020 and 2019, the Foundation did not have any direct investments in equity or fixed income investments subject to this risk. As of June 30, 2020 and 2019, 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, 2020 and 2019.

Corporate stocks 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, which for mutual funds represents 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 net asset 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.

Corporate bonds and 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 these private equity investments is not classified, valued as

a practical expedient, at the net asset value (NAV) of the units held by the Foundation at fiscal year end, as reported by the investment manager and within the valuation guidelines stipulated in respective investment agreements.

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, 2020 and 2019, by the GASB Statement No. 72 hierarchy (as described previously).

NOTE 6. INVESTMENTS: FAIR VALUE

Investments by Fair Value Level	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
JUNE 30, 2020				
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 2,004,074	\$ -	\$ 2,004,074	\$ -
Bonds and notes:				
Government issues - domestic	321,727	-	321,727	-
Equities	727,081	727,081	-	-
Mutual funds:				
Equities	38,204,999	38,204,999	-	-
Fixed income	18,136,777	18,136,777	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	<u>61,686,673</u>	<u>\$ 57,068,857</u>	<u>\$ 2,325,801</u>	<u>\$ 2,292,015</u>
Investments measured at the net asset value (NAV)				
Private equity investments - UFICO limited partnerships ⁽¹⁾	1,849,774,316			
Total investments	<u>\$ 1,911,460,989</u>			
JUNE 30, 2019				
Cash equivalents classified as short-term (current) investments:				
Cash sweep	\$ 13,797,195	\$ -	\$ 13,797,195	\$ -
Money market funds	2,257,450	-	2,257,450	-
Bonds and notes:				
Government issues - domestic	286,422	-	286,422	-
Government issues - foreign	70,000	-	70,000	-
Equities	585,566	585,566	-	-
Mutual funds:				
Equities	40,342,634	40,342,634	-	-
Fixed income	18,226,111	18,226,111	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	<u>77,857,393</u>	<u>\$ 59,154,311</u>	<u>\$ 16,411,067</u>	<u>\$ 2,292,015</u>
Investments measured at the net asset value (NAV)				
Private equity investments - UFICO limited partnerships ⁽¹⁾	1,823,311,662			
Total investments	<u>\$ 1,901,169,055</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 6. INVESTMENTS: NET ASSET VALUE

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JUNE 30, 2020				
Limited partnerships (UFICO):				
Florida Long-Term Pool Fund, LP	\$ 1,849,683,477	\$ 271,262,903	Monthly	30 days
Florida Short-Term Fund, LP-Fixed Income Series	90,839		Monthly	30 days
	<u>\$ 1,849,774,316</u>			
JUNE 30, 2019				
Limited partnerships (UFICO):				
Florida Long-Term Pool Fund, LP	\$ 1,822,166,689	\$ 271,893,616	Monthly	30 days
Florida Short-Term Fund, LP-Fixed Income Series	1,144,973		Monthly	30 days
	<u>\$ 1,823,311,662</u>			

Limited partnerships: As of June 30, 2020 and 2019, this category consists of investments in two limited partnerships managed by UFICO that invest in short-term investments, global equities, fixed income, hedge strategies and private equity. The June 30 valuations of the investments in limited partnerships are based upon the value determined by each partnership’s general partner as of March 31, adjusted for 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 limited partnerships 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, 2020, 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, 2020 and 2019, the major categories of the limited partnerships are summarized as follows:

NOTE 6. INVESTMENTS: UFICO LIMITED PARTNERSHIPS

	2020	2019
Short-term investments	\$ 56,543,443	\$ 57,915,401
Global equities	735,699,080	643,479,846
Global fixed income	116,001,940	120,255,829
Hedge strategies	405,825,718	442,628,877
Private equity investments	535,704,135	559,031,709
Total	<u>\$ 1,849,774,316</u>	<u>\$ 1,823,311,662</u>

Note 7. Endowments

The Foundation’s endowment consists of 3,782 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 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 for 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% 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% to 95% 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.



Investment policy: The Foundation’s investment objectives are to provide an annualized real rate of return, net of fees, of at least 5% 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 the 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, 2020 and 2019:

NOTE 7. ENDOWMENTS		
	<u>2020</u>	<u>2019</u>
Total endowment balance	\$ 1,844,027,357	\$ 1,817,826,793
Less term endowment	(934,963)	(1,041,634)
Less endowment capital assets, net	(2,848,470)	(2,853,518)
Less appreciation portion of restricted expendable	<u>(415,600,422)</u>	<u>(453,055,660)</u>
Restricted nonexpendable balance	<u>\$ 1,424,643,502</u>	<u>\$ 1,360,875,981</u>
	<u>2020</u>	<u>2019</u>
Endowment, beginning of year	\$ 1,817,826,793	\$ 1,727,399,751
Contributions and other revenues	64,189,066	53,823,055
Investment return, net	46,321,146	116,453,654
Appropriation of endowment assets for expenditure	<u>(84,309,648)</u>	<u>(79,849,667)</u>
Endowment, end of year	<u>\$ 1,844,027,357</u>	<u>\$ 1,817,826,793</u>

Endowment net position and activity for University of Florida related entities are not included in the preceding schedule since the activity of the related entities is eliminated and the aggregate net position is recorded as a held on behalf liability. The ending net position including those entities at June 30, 2020 and 2019, are as follows:

NOTE 7. ENDOWMENTS: UNIVERSITY ENDOWMENT

	<u>2020</u>	<u>2019</u>
University of Florida permanent endowments	\$ 1,843,092,394	\$1,816,785,159
University of Florida term endowments	934,963	1,041,634
Permanent endowments held on behalf of University of Florida related entities	<u>2,583,663</u>	<u>7,422,739</u>
Total University endowment	<u>\$1,846,611,020</u>	<u>\$1,825,249,532</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 \$999,916 and \$0 at June 30, 2020 and 2019, respectively.



Note 8. Real Estate Held for Sale

Contributions of real estate held 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 8 table sets forth a summary of changes in real estate held for sale for the fiscal years ended June 30, 2020 and 2019.

NOTE 8. REAL ESTATE HELD FOR SALE

	<u>2020</u>	<u>2019</u>
Real estate held for sale, beginning of year	\$ 8,423,607	\$ 5,343,720
Donations	1,458,761	3,883,399
Purchases	31,750	-
Disposals	(2,421,851)	(1,013,173)
Transfers from land held for use	-	300,000
Impairments	(857,450)	(90,339)
Real estate held for sale, end of year	<u>\$ 6,634,817</u>	<u>\$ 8,423,607</u>

Note 9. Capital Assets

Capital assets activity for the fiscal years ended June 30, 2020 and 2019 is as follows:

NOTE 9. CAPITAL ASSETS

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>
Property and equipment:				
Land held for use and land preserve	\$ 58,527,552	\$ 472,321	\$ -	\$ 58,999,873
Buildings held for use	7,691,160	492,500	-	8,183,660
Less accumulated depreciation	(5,405,919)	(231,137)	-	(5,637,056)
Net buildings held for use	2,285,241	261,363	-	2,546,604
Equipment, furniture and vehicles	4,947,352	694,846	(474,005)	5,168,193
Less accumulated depreciation	(3,721,651)	(765,099)	452,946	(4,033,804)
Net equipment, furniture and vehicles	1,225,701	(70,253)	(21,059)	1,134,389
Other capital assets	95,002	-	-	95,002
Total capital assets, net	<u>\$ 62,133,496</u>	<u>\$ 663,431</u>	<u>\$ (21,059)</u>	<u>\$ 62,775,868</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>
Property and equipment:				
Land held for use and land preserve	\$ 58,545,860	\$ 281,692	\$ (300,000)	\$ 58,527,552
Buildings held for use	7,460,120	231,040	-	7,691,160
Less accumulated depreciation	(5,184,099)	(221,820)	-	(5,405,919)
Net buildings held for use	2,276,021	9,220	-	2,285,241
Equipment, furniture and vehicles	4,127,746	821,123	(1,517)	4,947,352
Less accumulated depreciation	(2,982,339)	(739,312)	-	(3,721,651)
Net equipment, furniture and vehicles	1,145,407	81,811	(1,517)	1,225,701
Other capital assets	95,002	-	-	95,002
Total capital assets, net	<u>\$ 62,062,290</u>	<u>\$ 372,723</u>	<u>\$ (301,517)</u>	<u>\$ 62,133,496</u>

Depreciation expense was charged to the following operating expense functions for the fiscal years ended June 30, 2020 and 2019:

NOTE 9. CAPITAL ASSETS: DEPRECIATION EXPENSE

	<u>2020</u>	<u>2019</u>
Program services	\$ 72,980	\$ 67,913
Supporting services	923,256	893,219
Total	<u>\$ 996,236</u>	<u>\$ 961,132</u>

Note 10. Long-term Liabilities

A summary of changes in long-term liabilities for the fiscal years ended June 30, 2020 and 2019 is as follows:

NOTE 10. LONG-TERM LIABILITIES					
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Shands Teaching Hospital and Clinics, Inc. parking garage	\$ 500,000	\$ -	\$ (100,000)	\$ 400,000	\$ 100,000
College of the Arts warehouse	516,100	-	(17,511)	498,589	19,593
University retreat center	1,000,000	-	(1,000,000)	-	-
Total capital related notes payable	<u>2,016,100</u>	<u>-</u>	<u>(1,117,511)</u>	<u>898,589</u>	<u>119,593</u>
Split-interest agreements:					
Annuity liabilities	7,984,385	2,261,354	(610,245)	9,635,494	1,068,384
Trust liabilities	36,937,047	863,065	(2,863,295)	34,936,817	2,650,626
Other noncurrent liabilities	3,182,427	708,882	(354,181)	3,537,128	-
Amounts held on behalf of University of Florida related entities	39,960,159	19,470,605	(23,284,105)	36,146,659	-
Total other noncurrent liabilities	<u>88,064,018</u>	<u>23,303,906</u>	<u>(27,111,826)</u>	<u>84,256,098</u>	<u>3,719,010</u>
Total noncurrent liabilities	<u>\$ 90,080,118</u>	<u>\$ 23,303,906</u>	<u>\$ (28,229,337)</u>	<u>\$ 85,154,687</u>	<u>\$ 3,838,603</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Shands Teaching Hospital and Clinics, Inc. parking garage	\$ 600,000	\$ -	\$ (100,000)	\$ 500,000	\$ 100,000
College of the Arts warehouse	532,593	-	(16,493)	516,100	17,510
University retreat center	2,000,000	-	(1,000,000)	1,000,000	1,000,000
Total capital related notes payable	<u>3,132,593</u>	<u>-</u>	<u>(1,116,493)</u>	<u>2,016,100</u>	<u>1,117,510</u>
Split-interest agreements:					
Annuity liabilities	8,559,162	547,792	(1,122,569)	7,984,385	955,613
Trust liabilities	16,173,261	20,924,673	(160,887)	36,937,047	2,740,717
Other noncurrent liabilities	2,843,888	638,744	(300,205)	3,182,427	-
Amounts held on behalf of University of Florida related entities	29,763,464	24,897,781	(14,701,086)	39,960,159	-
Total other noncurrent liabilities	<u>57,339,775</u>	<u>47,008,990</u>	<u>(16,284,747)</u>	<u>88,064,018</u>	<u>3,696,330</u>
Total noncurrent liabilities	<u>\$ 60,472,368</u>	<u>\$ 47,008,990</u>	<u>\$ (17,401,240)</u>	<u>\$ 90,080,118</u>	<u>\$ 4,813,840</u>

Shands Teaching Hospital and Clinics, Inc. parking garage: 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 noninterest bearing but interest is imputed at a rate of 3.75% for the fiscal years ended June 30, 2020 and 2019. The note is collateralized by an asset with a carrying value of \$400,000.

College of the Arts warehouse: 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 \$498,333.

University retreat center: On August 26, 2014, the Foundation entered into a \$5,000,000 5-year note, that matured August 26, 2019, to purchase property for the University of Florida. The note was payable to a limited partnership in annual installments of \$1,000,000. The note bore interest at a fixed rate of 2.00%. The note was collateralized by property with a carrying value of \$10,740,903.

Interest expense: Total interest expense for the fiscal years ended June 30, 2020 and 2019, respectively, was \$52,337 and \$82,393. 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, 2020, are as follows:

NOTE 10. LONG-TERM LIABILITIES: DEBT SERVICE REQUIREMENTS

Year Ending June 30,	Principal	Interest	Total
2021	\$ 119,593	\$ 29,407	\$ 149,000
2022	125,967	28,033	154,000
2023	127,568	26,432	154,000
2024	129,268	24,732	154,000
2025	31,074	22,926	54,000
2026-2030	186,593	83,407	270,000
2031-2034	178,526	20,962	199,488
Total	<u>\$ 898,589</u>	<u>\$ 235,899</u>	<u>\$ 1,134,488</u>

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

Note 11. Retirement Plans

GENERAL INFORMATION ABOUT THE UNIVERSITY OF FLORIDA FOUNDATION PENSION PLAN

Plan description: The Foundation has 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.

Benefits provided: The Plan provides for deferred benefits and covered participants with more than 5 years of service as a Foundation employee and a minimum age of 21 years. Benefits are based on years of service and the employee’s final average compensation as defined under the Plan.

Employees covered by benefit terms: At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

NOTE 11. RETIREMENT PLANS: COVERED EMPLOYEES

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	85	80
Inactive employees entitled to but not yet receiving benefits	89	95
Total	<u>174</u>	<u>175</u>

As of June 30, 2018, there were no employees covered by the Plan. Currently, all personnel are University employees who participate in the University’s retirement plans.

Contributions: The Plan is noncontributory for employees. The Foundation makes annual contributions to the Plan in compliance with legal funding requirements as determined by the Plan’s actuary, Arthur J. Gallagher & Co.

NET PENSION ASSET

The Plan’s net pension asset was measured as of June 30, 2020 and 2019 by comparing the Plan’s fiduciary net position to the total pension liability. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019 and 2018 for the fiscal years ended June 30, 2020 and 2019, respectively.

Actuarial assumptions: The total pension liability in the July 1, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTE 11. RETIREMENT PLANS: ASSUMPTIONS

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.0%

Mortality rates were based on the Pri-2012 mortality tables fully projected with scale MP-2019 and the RP-2014 mortality tables fully projected with scale MP-2018 for the actuarial valuations as of July 1, 2019 and 2018, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class applicable to the actuarial valuations as of July 1, 2019 and 2018 are summarized in the following table:

NOTE 11. RETIREMENT PLANS: TARGET ALLOCATION

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.0%	8.5%
Fixed income	39.0%	4.7%
Cash	1.0%	3.0%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.0% for the actuarial valuations as of July 1, 2019 and 2018. The Plan’s fiduciary net position was projected to be available to

make all projected future benefit payments to inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

CHANGES IN THE NET PENSION ASSET

NOTE 11. RETIREMENT PLANS: CHANGES IN NET PENSION

	Increase (Decrease)		Net Pension Liability (Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
BALANCES AT JUNE 30, 2019	\$ 22,806,748	\$ 28,576,813	\$ (5,770,065)
Changes for the year:			
Interest	1,553,696	-	1,553,696
Differences between expected and actual experience	21,583	-	21,583
Changes of assumptions	(127,338)	-	(127,338)
Contributions - employer	-	1,350,000	(1,350,000)
Net investment income	-	2,025,607	(2,025,607)
Benefit payments, including refunds of member contributions	(1,222,173)	(1,222,173)	-
Administrative expense	-	(137,057)	137,057
Net changes	<u>225,768</u>	<u>2,016,377</u>	<u>(1,790,609)</u>
Balances at June 30, 2020	<u>\$ 23,032,516</u>	<u>\$ 30,593,190</u>	<u>\$ (7,560,674)</u>
BALANCES AT JUNE 30, 2018	\$ 23,966,003	\$ 26,091,574	\$ (2,125,571)
Changes for the year:			
Interest	1,640,829	-	1,640,829
Differences between expected and actual experience	(1,683,207)	-	(1,683,207)
Changes of assumptions	(65,696)	-	(65,696)
Contributions - employer	-	1,300,000	(1,300,000)
Net investment income	-	2,367,391	(2,367,391)
Benefit payments, including refunds of member contributions	(1,051,181)	(1,051,181)	-
Administrative expense	-	(130,971)	130,971
Net changes	<u>(1,159,255)</u>	<u>2,485,239</u>	<u>(3,644,494)</u>
Balances at June 30, 2019	<u>\$ 22,806,748</u>	<u>\$ 28,576,813</u>	<u>\$ (5,770,065)</u>

Sensitivity of the net pension asset to changes in the discount rate: The following tables present the net pension asset of the Plan, calculated using the discount rate of 7.0%, as well as what the Plan’s net

pension asset would be if it were calculated using a discount rate that is 1-percentage point higher (8.0%) or 1-percentage point lower (6.0%) than the current rate, as of June 30, 2020 and 2019:

NOTE 11. RETIREMENT PLANS: SENSITIVITY TO CHANGES IN DISCOUNT RATE

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
JUNE 30, 2020			
Net pension asset	<u>\$ (4,523,575)</u>	<u>\$ (7,560,674)</u>	<u>\$ (10,050,561)</u>
JUNE 30, 2019			
Net pension asset	<u>\$ (2,673,010)</u>	<u>\$ (5,770,065)</u>	<u>\$ (8,297,448)</u>



NOTE 11. RETIREMENT PLANS: RECOGNITION OF DEFERRED INFLOWS

Year ended June 30:	Deferred Inflows of Resources
2021	\$ (279,778)
2022	(37,260)
2023	(112,484)
2024	(5,109)
Total	\$ (434,631)

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.

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.

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 does not determine a separate net pension liability amount for University personnel working for the Foundation participating in the above plans. As a result, no liability has been accrued in these financial statements and the University accrues the entire amount. Please refer to the University’s financial statements for further details on the plans.

PENSION EXPENSE AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the fiscal years ended June 30, 2020 and 2019, the Foundation recognized pension benefits of \$438,061 and \$1,597,606, respectively. At June 30, 2020 and 2019, the Foundation reported deferred inflows of resources as related to pensions from the following sources:

NOTE 11. RETIREMENT PLANS: DEFERRED INFLOWS

	Deferred Inflows of Resources
JUNE 30, 2020	
Net difference between projected and actual earnings on investments	\$ (434,631)
JUNE 30, 2019	
Net difference between projected and actual earnings on investments	\$ (432,083)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

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 cost (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.

Note 12. 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, 2020 and 2019, the Foundation assessed the following fees:

NOTE 12. ADMINISTRATIVE FEES

	<u>2020</u>	<u>2019</u>
Fees assessed on pooled investments	\$ 21,585,375	\$ 20,464,834
Gift fees associated with major gifts and eminent scholar program funds	247,739	287,736
Gift fees associated with all other funds	5,253,356	4,828,096
Real estate fees	39,100	34,346
Non-gift fees	<u>37,271</u>	<u>53,060</u>
Total fees	<u>\$ 27,162,841</u>	<u>\$ 25,668,072</u>

For financial reporting purposes, these fees are eliminated.

Note 13. 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 \$400,000 is outstanding as of June 30, 2020. 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 of \$100,000 to the Foundation through June 30, 2024 (see Note 10).

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 10).

The Foundation has several long-term agreements relating to office facilities with the University expiring in 2044 to 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 of \$1,655,596 for the fiscal years ended June 30, 2020 and 2019.

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 \$33,911,546 and \$30,732,137 as of June 30, 2020 and 2019, respectively, and is included in receivables and prepaid expenses in the accompanying Statements of Net Position.

Note 14. Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction 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 the fiscal year ended June 30, 2020, basic types of insurance coverage remained the same as the types of coverage for June 30, 2019. No settlements have exceeded coverage levels in place during the past three fiscal years.

Note 15. 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 16. University Of Florida Alumni Association, Inc. 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, 2020 and 2019, is as follows:

NOTE 16. CONDENSED STATEMENTS

Condensed Statements of Revenues, Expenses and Changes in Net Position	2020	2019
Operating revenues		
Alumni operating revenues	\$ 2,048,758	\$ 2,205,527
Support from the Foundation	<u>1,001,001</u>	<u>1,747,009</u>
Total operating revenues	3,049,759	3,952,536
Operating expenses		
Alumni operating expenses	<u>3,049,759</u>	<u>3,952,536</u>
Change in net position	-	-
Net position - beginning of year	-	-
Net position - end of year	<u>\$ -</u>	<u>\$ -</u>

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 Foundation 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.



SUPPLEMENTARY INFORMATION *(Unaudited)*

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019



SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 (for the fiscal year ended June 30, 2020)

	Unrestricted	Restricted		Net Investment in Capital Assets	Total
		Expendable	Nonexpendable		
Operating revenues					
Contributions, net	\$ 375,139	\$ 113,621,217	\$ -	\$ 870,700	\$ 114,867,056
Support from the University of Florida	26,637,372	-	-	-	26,637,372
Investment return, net	44,899	45,985,000	(463,178)	-	45,566,721
Alumni program support	1,408,111	(276,177)	-	-	1,131,934
License plate revenues	1,462,678	973,747	-	-	2,436,425
Other revenues, gains and losses	1,657,164	2,515,741	-	-	4,172,905
Total operating revenues	<u>31,585,363</u>	<u>162,819,528</u>	<u>(463,178)</u>	<u>870,700</u>	<u>194,812,413</u>
Operating expenses					
Program services					
General college support	1,177,930	50,572,977	-	16,660	51,767,567
Student financial aid	-	28,508,637	-	-	28,508,637
Faculty and staff support	-	21,733,637	-	-	21,733,637
Research	-	16,895,278	-	-	16,895,278
Facilities	-	29,307,736	-	48,335	29,356,071
Other	-	9,537,518	-	7,985	9,545,503
Total program services	<u>1,177,930</u>	<u>156,555,783</u>	<u>-</u>	<u>72,980</u>	<u>157,806,693</u>
Supporting services					
Communications and marketing	4,079,872	-	-	-	4,079,872
Alumni relations	4,881,298	-	-	-	4,881,298
Development	23,458,064	-	-	-	23,458,064
Operations	10,036,021	-	-	923,257	10,959,278
Talent management	2,024,098	-	-	-	2,024,098
Total supporting services	<u>44,479,353</u>	<u>-</u>	<u>-</u>	<u>923,257</u>	<u>45,402,610</u>
Total operating expenses	<u>45,657,283</u>	<u>156,555,783</u>	<u>-</u>	<u>996,237</u>	<u>203,209,303</u>
Operating (loss) income	<u>(14,071,920)</u>	<u>6,263,745</u>	<u>(463,178)</u>	<u>(125,537)</u>	<u>(8,396,890)</u>
Nonoperating revenues					
Change in value of split-interest agreements	-	737,322	-	-	737,322
Total nonoperating revenues	<u>-</u>	<u>737,322</u>	<u>-</u>	<u>-</u>	<u>737,322</u>
(Loss) income before changes in nonexpendable	<u>(14,071,920)</u>	<u>7,001,067</u>	<u>(463,178)</u>	<u>(125,537)</u>	<u>(7,659,568)</u>
Changes in nonexpendable					
Endowment contributions	-	-	55,308,383	-	55,308,383
Alumni endowment life memberships	-	-	467,579	-	467,579
Other revenues, gains and losses	-	-	5,293,394	-	5,293,394
Change in value of split-interest agreements	-	-	384,295	-	384,295
Total changes in nonexpendable	<u>-</u>	<u>-</u>	<u>61,453,651</u>	<u>-</u>	<u>61,453,651</u>
Transfers					
Net transfers in (out)	(2,778,055)	1,007	2,777,048	-	-
Internal fees in (out)	26,024,594	(26,024,594)	-	-	-
Capital asset adjustments in (out)	(816,289)	(1,069,131)	-	1,885,420	-
Total transfers	<u>22,430,250</u>	<u>(27,092,718)</u>	<u>2,777,048</u>	<u>1,885,420</u>	<u>-</u>
Change in net position	<u>8,358,330</u>	<u>(20,091,651)</u>	<u>63,767,521</u>	<u>1,759,883</u>	<u>53,794,083</u>
Net position - beginning of year	<u>18,108,614</u>	<u>553,533,635</u>	<u>1,360,875,981</u>	<u>60,117,396</u>	<u>1,992,635,626</u>
Net position - end of year	<u>\$ 26,466,944</u>	<u>\$ 533,441,984</u>	<u>\$ 1,424,643,502</u>	<u>\$ 61,827,279</u>	<u>\$ 2,046,429,709</u>

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(for the fiscal year ended June 30, 2019)

	Unrestricted	Restricted		Net Investment in Capital Assets	Total
		Expendable	Nonexpendable		
Operating revenues					
Contributions, net	\$ 50,801	\$ 78,497,201	\$ -	\$ 231,692	\$ 78,779,694
Support from the University of Florida	19,451,360	-	-	-	19,451,360
Investment return, net	(51,677)	117,827,553	(145,490)	-	117,630,386
Alumni program support	1,421,472	(76,844)	-	-	1,344,628
License plate revenues	1,476,982	979,035	-	-	2,456,017
Other revenues, gains and losses	1,949,872	3,113,761	-	-	5,063,633
Total operating revenues	<u>24,298,810</u>	<u>200,340,706</u>	<u>(145,490)</u>	<u>231,692</u>	<u>224,725,718</u>
Operating expenses					
Program services					
General college support	1,308,280	43,172,085	-	11,593	44,491,958
Student financial aid	-	23,967,642	-	-	23,967,642
Faculty and staff support	-	21,385,687	-	-	21,385,687
Research	-	19,716,723	-	-	19,716,723
Facilities	-	5,967,714	-	48,335	6,016,049
Other	-	11,661,501	-	7,985	11,669,486
Total program services	<u>1,308,280</u>	<u>125,871,352</u>	<u>-</u>	<u>67,913</u>	<u>127,247,545</u>
Supporting services					
Communications and marketing	2,027,847	-	-	-	2,027,847
Alumni relations	5,618,688	-	-	-	5,618,688
Development	23,532,643	-	-	-	23,532,643
Operations	9,278,719	-	-	893,219	10,171,938
Talent management	1,150,216	-	-	-	1,150,216
Total supporting services	<u>41,608,113</u>	<u>-</u>	<u>-</u>	<u>893,219</u>	<u>42,501,332</u>
Total operating expenses	<u>42,916,393</u>	<u>125,871,352</u>	<u>-</u>	<u>961,132</u>	<u>169,748,877</u>
Operating (loss) income	<u>(18,617,583)</u>	<u>74,469,354</u>	<u>(145,490)</u>	<u>(729,440)</u>	<u>54,976,841</u>
Nonoperating revenues					
Change in value of split-interest agreements	-	1,101,635	-	-	1,101,635
Total nonoperating revenues	<u>-</u>	<u>1,101,635</u>	<u>-</u>	<u>-</u>	<u>1,101,635</u>
(Loss) income before changes in nonexpendable	<u>(18,617,583)</u>	<u>75,570,989</u>	<u>(145,490)</u>	<u>(729,440)</u>	<u>56,078,476</u>
Changes in nonexpendable					
Endowment contributions	-	-	51,383,652	-	51,383,652
Alumni endowment life memberships	-	-	547,500	-	547,500
Other revenues, gains and losses	-	-	497,997	-	497,997
Change in value of split-interest agreements	-	-	1,393,833	-	1,393,833
Total changes in nonexpendable	<u>-</u>	<u>-</u>	<u>53,822,982</u>	<u>-</u>	<u>53,822,982</u>
Transfers					
Net transfers in (out)	(794,708)	593,884	200,824	-	-
Internal fees in (out)	24,675,795	(24,675,795)	-	-	-
Capital asset adjustments in (out)	(919,607)	(997,533)	-	1,917,140	-
Total transfers	<u>22,961,480</u>	<u>(25,079,444)</u>	<u>200,824</u>	<u>1,917,140</u>	<u>-</u>
Change in net position	<u>4,343,897</u>	<u>50,491,545</u>	<u>53,878,316</u>	<u>1,187,700</u>	<u>109,901,458</u>
Net position - beginning of year	<u>13,764,717</u>	<u>503,042,090</u>	<u>1,306,997,665</u>	<u>58,929,696</u>	<u>1,882,734,168</u>
Net position - end of year	<u>\$ 18,108,614</u>	<u>\$ 553,533,635</u>	<u>\$ 1,360,875,981</u>	<u>\$ 60,117,396</u>	<u>\$ 1,992,635,626</u>

SUPPLEMENTAL SCHEDULES OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

	<u>2020</u>	<u>2019</u>
Total pension liability		
Interest	\$ 1,553,696	\$ 1,640,829
Differences between expected and actual experience	21,583	(1,683,207)
Changes of assumptions	(127,338)	(65,696)
Benefit payments, including refunds of member contributions	<u>(1,222,173)</u>	<u>(1,051,181)</u>
Net change in total pension liability	225,768	(1,159,255)
Total pension liability - beginning	<u>22,806,748</u>	<u>23,966,003</u>
Total pension liability - ending (a)	<u>\$ 23,032,516</u>	<u>\$ 22,806,748</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,350,000	\$ 1,300,000
Net investment income	2,025,607	2,367,391
Benefit payments, including refunds of member contributions	(1,222,173)	(1,051,181)
Administrative expense	<u>(137,057)</u>	<u>(130,971)</u>
Net change in plan fiduciary net position	2,016,377	2,485,239
Plan fiduciary net position - beginning	<u>28,576,813</u>	<u>26,091,574</u>
Plan fiduciary net position - ending (b)	<u>\$ 30,593,190</u>	<u>\$ 28,576,813</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (7,560,674)</u>	<u>\$ (5,770,065)</u>
Plan fiduciary net position as a percentage of the total pension liability	132.8%	125.3%
Covered-employee payroll	\$ -	\$ -
Net pension asset as a percentage of covered-employee payroll	N/A	N/A

SUPPLEMENTAL SCHEDULES OF PENSION CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 828,779	\$ 795,418
Contributions in relation to the actuarially determined contribution	<u>1,350,000</u>	<u>1,300,000</u>
Contribution excess	<u>\$ (521,221)</u>	<u>\$ (504,582)</u>
Covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A



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**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***

Independent Auditor's Report

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

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 University of Florida Foundation, Inc. (the Foundation), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

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

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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 determination of financial statement amounts. 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.

RSM US LLP

Orlando, Florida
September 29, 2020

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(as of June 30, 2020)

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Assistant
Vice President
& CFO

Mike Johnson

Controller

Randy Settle

Assistant Controller

J.A. Lopez

Assistant Controller

Arriel Raghoo

Assistant Controller



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