

University of Florida Foundation, Inc.

Financial and Compliance Report
June 30, 2018

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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 component unit of the University of Florida), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Florida Foundation, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University of Florida Foundation, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state financial assistance is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of the University of Florida Foundation, Inc.'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 University of Florida Foundation, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
September 24, 2018

University of Florida Foundation, Inc.

Statement of Financial Position

June 30, 2018 (with summarized comparative information as of June 30, 2017)

	2018	2017
Assets		
Cash	\$ 7,937,421	\$ 7,890,872
Other receivables	30,639,133	27,317,703
Pledges receivable, net	136,770,957	146,796,631
Investments	1,780,836,024	1,665,891,503
Real estate held for sale	5,343,720	4,246,599
Other assets	9,106,150	7,960,659
Present value of amounts due from externally managed trusts	2,987,896	2,909,602
Property and equipment, net	46,247,819	41,619,096
Land preserve	15,719,467	15,719,467
Total assets	\$ 2,035,588,587	\$ 1,920,352,132
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 3,919,783	\$ 4,528,090
Notes payable	3,132,593	4,248,128
Annuity liabilities	8,559,162	6,910,929
Trust liabilities	16,173,261	12,724,602
Pension liability	8,529,886	12,295,306
Amounts held on behalf of University of Florida related entities	29,763,510	42,105,256
Total liabilities	70,078,195	82,812,311
Net assets:		
Unrestricted	11,501,124	4,162,715
Temporarily restricted	555,567,582	487,910,626
Permanently restricted	1,398,441,686	1,345,466,480
Total net assets	1,965,510,392	1,837,539,821
Total liabilities and net assets	\$ 2,035,588,587	\$ 1,920,352,132

See notes to financial statements.

University of Florida Foundation, Inc.

Statement of Activities

Year Ended June 30, 2018 (with summarized comparative information for the year ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Operating revenue and other additions:					
Contributions	\$ 65,840	\$ 77,377,512	\$ 58,669,183	\$ 136,112,535	\$ 141,997,803
Support from the University of Florida	19,420,077	-	-	19,420,077	19,170,709
Investment return, net	25,820,753	115,695,833	(399,513)	141,117,073	172,125,900
Alumni program support	1,280,855	307,564	827,451	2,415,870	2,615,741
Other	3,061,099	4,166,175	588,701	7,815,975	8,990,921
Net assets released from restrictions	125,367,709	(125,367,709)	-	-	-
Total operating revenue and other additions	175,016,333	72,179,375	59,685,822	306,881,530	344,901,074
Operating expenses and other expenditures:					
Program services:					
General college support	37,108,145	-	-	37,108,145	35,526,495
Student financial aid	24,836,187	-	-	24,836,187	22,224,002
Faculty and staff support	21,582,668	-	-	21,582,668	20,876,665
Research	19,481,848	-	-	19,481,848	12,893,857
Facilities	12,930,165	-	-	12,930,165	12,586,041
Other	10,157,645	-	-	10,157,645	15,644,691
Total program services	126,096,658	-	-	126,096,658	119,751,751
Supporting services:					
Communications and marketing	2,192,942	-	-	2,192,942	3,461,244
Alumni relations	3,431,220	-	-	3,431,220	3,914,777
Development	24,939,341	-	-	24,939,341	25,303,593
Operations	13,166,447	-	-	13,166,447	10,539,008
Talent management	1,183,180	-	-	1,183,180	2,778,767
Total supporting services	44,913,130	-	-	44,913,130	45,997,389
Total operating expenses and other expenditures	171,009,788	-	-	171,009,788	165,749,140
Change in net assets from current operations	4,006,545	72,179,375	59,685,822	135,871,742	179,151,934
Other changes:					
Change in value of split interest agreements	-	(336,212)	(3,666,903)	(4,003,115)	1,399,478
Pension changes other than net periodic pension costs	3,333,201	-	-	3,333,201	4,472,161
Provision for doubtful pledges	(1,337)	(4,186,207)	(3,043,713)	(7,231,257)	(7,717,377)
Change in net assets	7,338,409	67,656,956	52,975,206	127,970,571	177,306,196
Net assets, beginning of year	4,162,715	487,910,626	1,345,466,480	1,837,539,821	1,660,233,625
Net assets, end of year	\$ 11,501,124	\$ 555,567,582	\$ 1,398,441,686	\$ 1,965,510,392	\$ 1,837,539,821

See notes to financial statements.

University of Florida Foundation, Inc.

Statement of Cash Flows

Year Ended June 30, 2018 (with summarized comparative information for the year ended June 30, 2017)

	2018	2017
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 127,970,571	\$ 177,306,196
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term investment	(57,728,249)	(44,809,055)
Increase in trust and annuity liabilities	5,096,892	321,270
Decrease in pension liability	(3,765,420)	(3,193,137)
Provision for doubtful accounts and pledges	7,231,257	7,717,377
Amortization of deferred revenue	-	(418,140)
Depreciation expense	929,759	850,607
Gain on investments, changes in real estate held for sale, property and equipment and other assets	(130,708,740)	(161,374,872)
Noncash contributions	(9,721,274)	(1,842,167)
Changes in operating assets and liabilities:		
Pledges receivable	2,453,680	(34,612,446)
Due from externally managed trusts	(78,294)	(141,226)
Other receivables	(3,321,430)	14,526,143
Accounts payable, accrued expenses and other liabilities	(608,307)	(798,805)
Net cash used in operating activities	(62,249,555)	(46,468,255)
Cash flows from investing activities:		
Purchases of investments	(5,130,435)	(5,204,240)
Proceeds from sales of investments	24,361,590	23,518,683
Proceeds from sales of real estate held for sale	2,056,439	2,438,388
Purchases of property and equipment and other assets	(930,637)	(4,888,108)
Collections of notes receivable	-	2,351
Net cash provided by investing activities	20,356,957	15,867,074
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	57,728,249	44,809,055
Payments on notes payable	(1,115,535)	(14,819,400)
(Payments to) proceeds from University of Florida related entities	(11,941,082)	3,404,756
Payments to accounts held on behalf of employees	(23,801)	(848)
Payments to beneficiaries and other split interest expenses	(2,708,684)	(2,598,924)
Net cash provided by financing activities	41,939,147	30,794,639
Net increase in cash	46,549	193,458
Cash:		
Beginning of year	7,890,872	7,697,414
End of year	\$ 7,937,421	\$ 7,890,872

(Continued)

University of Florida Foundation, Inc.

Statement of Cash Flows (Continued)

Year Ended June 30, 2018 (with summarized comparative information for the year ended June 30, 2017)

	2018		2017
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Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 92,465	\$	404,239
Cash (paid) received for income tax (obligations) refunds	(34,414)		920,660
Supplemental data for noncash investing and financing activities:			
Receipt of real estate held for sale	\$ 3,927,917	\$	351,501
Receipt of real estate held for use	4,622,000		843,991
Receipt of life insurance	1,151,350		591,673
Receipt of non-liquid investments	20,002		55,002

See notes to financial statements.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: 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 self-perpetuating Board of Directors consisting of a majority of volunteer board appointed members, some of whom are significant donors to the Foundation. The Board also includes ex-officio University and Foundation officials. The Foundation functions as a direct support organization of the University and is reported as a component unit of the University in its financial statements. The Foundation operates as an integral part of a 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 as well as development and alumni relations teams embedded in the colleges and units of the University.

Change in basis of accounting: The Florida legislature passed and the governor signed into law Chapter 2018-004, *Laws of Florida*, a provision that changed Section 1004.28, *Florida Statutes*, which addresses university direct support organizations. With this change, the University Board of Trustees will have to approve all direct support organization board members. Under current accounting guidance, a key factor in determining whether a direct support organization should report under the accounting and financial reporting standards of the Financial Accounting Standards Board (FASB), the current basis of accounting, versus the accounting and financial reporting of the Governmental Accounting Standards Board (GASB) is board control. With the change in the Florida statute, the University has control of the board of the direct support organization and the FASB reporting model is no longer appropriate. The Foundation will convert to the GASB reporting model for the fiscal year ending June 30, 2019. Management is still evaluating the impact of this change. However, at this time, it is believed that in adopting the GASB reporting model, it will be necessary to restate beginning net assets. Management believes that the areas most impacted will be endowment pledges, split interest agreements and the pension valuation.

A summary of the Foundation's significant accounting policies follows:

Comparative financial statements: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Basis of accounting: The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation follows the guidance of the provisions for accounting for nonprofit organizations. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted and unrestricted. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- **Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by the passage of time or satisfaction of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- **Unrestricted net assets:** Net assets which represent resources generated from operations or assets not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

Revenues: Revenues are reported as increases in unrestricted net assets 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 temporarily restricted or permanently restricted support that increases the respective net asset classes. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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. For the years ended June 30, 2018 and 2017, the Foundation recognized \$70,837,292 and \$84,487,711, respectively, in in-kind operating revenue and other additions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Foundation sometimes receives donated software which is difficult to value, and therefore, the aforementioned software is not recorded in the financial statements. The Foundation believes that not recording such software donations does not have a material impact on the financial statements.

Liquidity: Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Use of estimates: Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, as well as reported 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, as well as in determining the impairment of long-lived assets and the fair value of certain investments. Actual results could differ from these estimates, and the change may be material.

Cash: Cash consists of cash on hand and cash in operating accounts.

Other receivables: Other receivables primarily consist of amounts due from the University (see Note 15).

Property and equipment: 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 fair 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.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property and equipment are depreciated using the straight-line method of depreciation over the estimated useful lives of the assets. The estimated useful life for vehicles and equipment is 3 years and ranges from 5 to 30 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.

Permanent collections: The Foundation does not capitalize its permanent collections. The Foundation owns the collection of the Samuel P. Harn Museum of Art. These collection items are under the control of the Harn and are cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously by the Harn. The collections, which were acquired through contributions and purchases since inception, are not recognized as assets on the statement of financial position. Contributed collection items of \$710,496 and \$997,679 for the years ended June 30, 2018 and 2017, respectively, are not reflected on the financial statements. Purchases of collection items of \$359,423 and \$304,283 for years ended June 30, 2018 and 2017, respectively, are recorded as decreases in the appropriate net asset class in the year in which the items are acquired. Proceeds from sales or insurance recoveries are reflected as increases in the appropriate net asset class.

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.

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 \$12,764,481 and \$12,515,113 for the years ended June 30, 2018 and 2017, respectively, are included in unrestricted operating revenues as support from the University and in expenses as fundraising costs. At June 30, 2018 and 2017, \$198,478 and \$208,248, respectively, of these amounts are included in other receivables.

Pledges receivable: 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.

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 gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift ranging from 1.2% to 8.0%. Funds subject to split interest agreements are classified as temporarily restricted or permanently restricted based upon donor designations.

Current Florida law requires charities to maintain certain minimum gift annuity reserves. As of June 30, 2018 and 2017, the Foundation held assets in excess of the minimum required by state law.

Functional allocation of expenses: The costs of providing various programs and support services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services receiving benefit from the expenditures.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Accrued compensated absences: The Foundation accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Eligible employees are entitled to annual vacation and sick leave with pay. Accrued compensated absences totaled \$1,693,059 and \$1,866,167 at June 30, 2018 and 2017, respectively, and are included in accrued expenses in the accompanying statement of financial position.

Fair value measurements: The Foundation's investments are stated at fair value (see Note 6). 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.

Impairment of long-lived assets: Long-lived assets, such as land, buildings and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models and third-party independent appraisals, as considered necessary.

Income taxes: The Foundation is exempt from federal income taxes under section 501(a) of the Internal Revenue Code 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 years ended June 30, 2018 and 2017, the Foundation had current income tax expense of \$34,414 and \$76,551, respectively, which is included as an adjustment to investment return in the accompanying statement of activities.

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, 2015 through June 30, 2018.

The Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America 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.

Amounts held on behalf of University of Florida related entities: Gator Boosters, Inc., the University of Florida Law Center Association, 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 statement of financial position represents the amounts due to these entities, including any share of investment returns.

Subsequent events: The Foundation has evaluated subsequent events through September 24, 2018, which is the date the financial statements were available to be issued.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 2. 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, are eligible for state match. As of June 30, 2018 and 2017, the Foundation has approved state matching requests that have not yet been received or recognized in the financial statements totaling \$130,905,263. 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 3. Pledges Receivable

Pledges receivable and the related allowance for doubtful accounts at June 30, 2018 and 2017, are summarized as follows:

	2018	2017
Due in less than one year	\$ 35,173,330	\$ 40,821,054
Due in one to five years	85,039,098	92,585,448
Due after five years	54,715,496	54,098,478
	<u>174,927,924</u>	<u>187,504,980</u>
Allowance for doubtful amounts	(19,591,927)	(23,761,998)
Unamortized discounts	(18,565,040)	(16,946,351)
Pledges receivable, net	<u>\$ 136,770,957</u>	<u>\$ 146,796,631</u>

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 1.6% to 5.8%. At June 30, 2018 and 2017, approximately 26.4% and 29.5%, respectively, of pledges receivable, net are due from two donors.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 4. Investment Management Agreement

The University of Florida Board of Trustees created the University of Florida Investment Corporation (UFICO), a direct support organization, to manage University investments. UFICO is governed by a volunteer board of directors independent from the Foundation. The Foundation has a management agreement with UFICO to manage a significant portion of its investments. Management fees are payable at the beginning of each quarter and are computed based on amounts budgeted by UFICO and the market value of the assets as reported by the custodians at the previous quarter-end. The asset valuations used in the fee calculations include all funds and assets under management, including cash and accrued income. Annualized fees charged were 0.14% of the related assets under management for the years ended June 30, 2018 and 2017. Management fees expensed during the years ended June 30, 2018 and 2017, under this agreement totaled \$2,376,641 and \$2,181,923, respectively, which are included in investment return in the accompanying statement of activities.

Note 5. Investments

Investments at June 30, 2018 and 2017, are summarized as follows:

	2018	2017
Government issues – domestic	\$ 378,580	\$ 462,034
Government issues – foreign	105,000	155,000
Corporate stocks	641,535	449,586
Short-term investments	10,888,613	20,372,926
Mutual funds – equities	23,219,344	22,287,829
Mutual funds – fixed income	11,920,920	10,958,148
Private equity investments	2,292,015	2,292,015
Private equity investments – UFICO limited partnerships	1,731,390,017	1,608,913,965
	<u>\$ 1,780,836,024</u>	<u>\$ 1,665,891,503</u>

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 5. Investments (Continued)

Investments managed by UFICO on behalf of the Foundation are held in investment limited partnerships (shown as private equity investments – UFICO limited partnerships in the preceding table). The limited partnerships have entered into an agreement with BNY Mellon to provide custody and other services related to the investments. UFICO serves as the general partner and the investment manager for each of the limited partnerships. As of June 30, 2018 and 2017, the major investment categories of the limited partnerships are shown below. See Note 6 for breakdown of investments by limited partnership.

	2018	2017
Short-term investments	\$ 57,597,697	\$ 62,697,081
Global equities	601,437,704	619,006,530
Fixed income	115,407,495	102,673,736
Hedge strategies	422,176,699	442,354,007
Private equity investments	534,770,422	382,182,611
	<u>\$ 1,731,390,017</u>	<u>\$ 1,608,913,965</u>

As of June 30, 2018 and 2017, the Foundation's share of total capital commitments under the limited partnerships' private equity investment agreements was \$1,246,144,001 and \$1,128,218,735, respectively. The total amounts requested for investment under these agreements were \$983,895,594 and \$920,671,843 as of June 30, 2018 and 2017, respectively, leaving unfunded commitments of \$262,248,407 and \$207,546,892, respectively.

The underlying investments of the limited partnerships managed by UFICO are generally pooled and managed under various asset diversification strategies, depending upon the specific pool's objectives, and to avoid significant concentrations of market risk. Short-term investments and global equity securities include investments in large-cap, mid-cap and small-cap companies primarily located in the United States, as well as international companies. Fixed income securities include corporate bonds of companies from diversified industries and U.S. Treasuries. Hedge strategies and private equity investments include real estate and international funds.

The following schedule summarizes the net investment return in the accompanying statement of activities for the years ended June 30, 2018 and 2017.

	2018	2017
Investment gain, net of UFICO management fees (Note 4)	\$ 9,227,124	\$ 11,789,773
Net realized and unrealized gains on investments	132,664,305	160,752,339
Net real estate realized and unrealized depreciation	(774,356)	(416,212)
Investment return, net	<u>\$ 141,117,073</u>	<u>\$ 172,125,900</u>

Assets held under various split interest agreements at June 30, 2018 and 2017, are included in the accompanying financial statements as follows:

	2018	2017
Investments	\$ 36,313,162	\$ 34,520,980
Real estate held for sale	310,000	110,000
Total assets held under split interest agreements	<u>\$ 36,623,162</u>	<u>\$ 34,630,980</u>

Note 6. Fair Value Measurements

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value 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 three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology must be observable for substantially the full term of the specified (contractual) term, if applicable, and include:

- Quoted market prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Any transfer between fair value hierarchy levels is recognized by the Foundation at the end of each reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes to the methodologies used at June 30, 2018 and 2017.

- **Corporate stocks and mutual funds (equities and fixed income):** Valued at 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 year end.
- **Short-term investments:** Valued at the net asset value of shares held by the Foundation at 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):** Valued 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:** Valued as a practical expedient, at the net asset value of the units held by the Foundation at year end, as reported by the investment manager and within the valuation guidelines stipulated in respective investment agreements.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

- **Externally managed trusts:** Valued at the present value of the stream of expected cash flows on charitable interests in trusts due to the Foundation at year end, using appropriate discount rates in accordance with the Internal Revenue Code.

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis. There have been no changes to the methodologies used at June 30, 2018 and 2017.

- **Pledges receivable:** 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.
- **Long-lived assets held for use:** Valued principally from or corroborated by both observable and unobservable market data by correlation or other means.
- **Long-lived assets held for sale:** Valued principally from or corroborated by both observable and unobservable market data by correlation or other means.
- **Split interest agreements – trust assets:** Valued at the present value of the stream of expected cash flows on charitable interests in trusts due to the Foundation, using appropriate discount rates in accordance with the Internal Revenue Code.
- **Split interest agreements – annuity assets:** Valued at the present value of the stream of expected cash flows on charitable interests in annuities due to the Foundation, using appropriate discount rates in accordance with the Internal Revenue Code.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determining the fair value of certain financial instruments could result in a different fair value measurement at the reporting date, and any differences may be material.

Long-lived assets are measured each year at June 30, when there is evidence of impairment.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

Assets measured at fair value on a nonrecurring basis as of June 30, 2018 and 2017, are as follows:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
<u>Impairment valuation</u>					
June 30, 2018:					
Long-lived assets held for sale	\$ 32,500	\$ -	\$ -	\$ 32,500	<u>\$ 16,900</u>
June 30, 2017:					
Long-lived assets held for sale	\$ 220,000	\$ -	\$ -	\$ 220,000	<u>\$ 232,100</u>

Valuation of contributions

Year ended June 30, 2018:

Pledges receivable	\$ 40,846,971	\$ -	\$ -	\$ 40,846,971
Long-lived assets held for use	4,622,000	-	-	4,622,000
Long-lived assets held for sale	3,927,917	-	-	3,927,917
Split interest agreements – trust assets	1,868,921	-	-	1,868,921
Split interest agreements – annuity assets	642,402	-	-	642,402

Year ended June 30, 2017:

Pledges receivable	\$ 67,571,153	\$ -	\$ -	\$ 67,571,153
Long-lived assets held for use	723,000	-	-	723,000
Long-lived assets held for sale	351,501	-	-	351,501
Split interest agreements – trust assets	137,579	-	-	137,579
Split interest agreements – annuity assets	962,433	-	-	962,433

Impairment losses shown above from assets held for sale are included in the accompanying statement of activities in investment return.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2018 and 2017, are as follows:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2018:				
Investments:				
Government issues – domestic	\$ -	\$ 378,580	\$ -	\$ 378,580
Government issues – foreign	-	105,000	-	105,000
Corporate stocks	641,535	-	-	641,535
Short-term investments	-	10,888,613	-	10,888,613
Mutual funds – equities	23,219,344	-	-	23,219,344
Mutual funds – fixed income	11,920,920	-	-	11,920,920
Total investments in fair value hierarchy	35,781,799	11,372,193	-	47,153,992
Private equity investments measured at net asset value (a)	-	-	-	1,733,682,032
Total investments at fair value	35,781,799	11,372,193	-	1,780,836,024
Present value of amounts due from externally managed trusts	-	-	2,987,896	2,987,896
Total	\$ 35,781,799	\$ 11,372,193	\$ 2,987,896	\$ 1,783,823,920
June 30, 2017:				
Investments:				
Government issues – domestic	\$ -	\$ 462,034	\$ -	\$ 462,034
Government issues – foreign	-	155,000	-	155,000
Corporate stocks	449,586	-	-	449,586
Short-term investments	-	20,372,926	-	20,372,926
Mutual funds – equities	22,287,829	-	-	22,287,829
Mutual funds – fixed income	10,958,148	-	-	10,958,148
Total investments in fair value hierarchy	33,695,563	20,989,960	-	54,685,523
Private equity investments measured at net asset value (a)	-	-	-	1,611,205,980
Total investments at fair value	33,695,563	20,989,960	-	1,665,891,503
Present value of amounts due from externally managed trusts	-	-	2,909,602	2,909,602
Total	\$ 33,695,563	\$ 20,989,960	\$ 2,909,602	\$ 1,668,801,105

(a) Certain investments that are measured at net asset value (NAV) per share practical expedient or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are reported for the purpose of reconciling the fair value hierarchy to the investments show on the statement of financial position.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

Following is a description of the significant investment strategies of each major category of investments that is valued at net asset value per share and are not in an active market (Level 2 and net asset value measurements):

- **Short-term investments:** To preserve capital, liquidity and current income through money market funds and other short-term instruments.
- **Private equity investments:** To provide long-term capital appreciation and current income through investments in limited partnerships, which invest in diversified portfolios ranging from short-term to long-term instruments, as described in Note 5.

The following table discloses the fair value as of June 30, 2018 and 2017, related to the Foundation's private equity investments that are valued at net asset value per share practical expedient, as described in Note 5.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
June 30, 2018:				
Limited partnerships (UFICO):				
Florida Long-Term Pool Fund, LP	\$ 1,730,455,474	\$ 262,248,407	Monthly	30 days
Florida Short-Term Fund, LP – Fixed Income Series	934,543		Monthly	30 days
	<u>\$ 1,731,390,017</u>			
Other private equity	<u>\$ 2,292,015</u>		Illiquid	None
June 30, 2017:				
Limited partnerships (UFICO):				
Florida Long-Term Pool Fund, LP	\$ 1,607,412,259	\$ 207,546,892	Monthly	30 days
Florida Short-Term Fund, LP – Fixed Income Series	1,501,706		Monthly	30 days
	<u>\$ 1,608,913,965</u>			
Other private equity	<u>\$ 2,292,015</u>		Illiquid	None

Limited partnerships: As of June 30, 2018 and 2017, 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 30th valuations of the investments in limited partnerships are based upon the value determined by each partnership's general partner as of March 31st, adjusted for capital contributions and distributions that occurred during the quarter ended June 30th. These amounts may differ from values that would be determined if the investments in limited partnerships were publicly traded or if the June 30th 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, 2018, 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.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

Other private equity: As of June 30, 2018 and 2017, this category consisted of a donated investment of 100% of the closely held stock of a company which is invested 100% in real estate. The June 30th valuation of \$2,292,015 is based upon the historical appraised value of the underlying real estate assets. The underlying assets are being leased for a nominal amount to a UF affiliated organization that is conducting citrus research. There is no current intent to sell the shares or the underlying assets.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2018 and 2017.

	<u>Externally Managed Trusts</u>
Balance, June 30, 2016	\$ 2,768,376
Purchases, issuances and settlements (net)	(79,225)
Net realized and unrealized gains	220,451
Balance, June 30, 2017	<u>2,909,602</u>
Net realized and unrealized gains	78,294
Balance, June 30, 2018	<u><u>\$ 2,987,896</u></u>

The total Level 3 changes in value related to managed trusts at June 30, 2018 and 2017, were \$78,294 and \$220,451, respectively, and are reflected as part of contributions in the accompanying statement of activities.

Note 7. Endowment

The Foundation's endowment consists of over 3,500 individual donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the University of Florida Foundation, Inc. (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.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 7. Endowment (Continued)

- 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 permanently restricted net assets: (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 endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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.

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.

Endowment net asset composition by type of fund at June 30, 2018 and 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
June 30, 2018	\$ (70,342)	\$ 418,725,351	\$ 1,308,744,742	\$ 1,727,399,751
June 30, 2017	\$ (1,319,544)	\$ 355,998,461	\$ 1,250,358,444	\$ 1,605,037,361

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 7. Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ (10,018,587)	\$ 266,525,147	\$ 1,204,840,819	\$ 1,461,347,379
Investment return:				
Investment income (net of investment expense)	-	11,443,699	-	11,443,699
Real estate net depreciation (realized and unrealized)	-	-	(310,146)	(310,146)
Net appreciation (realized and unrealized)	8,699,043	151,978,622	-	160,677,665
Total investment return	8,699,043	163,422,321	(310,146)	171,811,218
Contributions and other revenues	-	-	45,827,771	45,827,771
Appropriation of endowment assets for expenditure	-	(73,949,007)	-	(73,949,007)
Endowment net assets, June 30, 2017	(1,319,544)	355,998,461	1,250,358,444	1,605,037,361
Investment return:				
Investment income (net of investment expense)	-	8,696,009	-	8,696,009
Real estate net depreciation (realized and unrealized)	-	-	(399,513)	(399,513)
Net appreciation (realized and unrealized)	1,249,202	131,163,672	-	132,412,874
Total investment return	1,249,202	139,859,681	(399,513)	140,709,370
Contributions and other revenues	-	-	58,785,811	58,785,811
Appropriation of endowment assets for expenditure	-	(77,132,791)	-	(77,132,791)
Endowment net assets, June 30, 2018	\$ (70,342)	\$ 418,725,351	\$ 1,308,744,742	\$ 1,727,399,751

Endowment net assets 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 net assets are recorded as a held on behalf liability. The endowment net assets including those entities at June 30, 2018 and 2017, are as follows:

	2018	2017
Endowment net assets	\$ 1,727,399,751	\$ 1,605,037,361
Held on behalf of University of Florida related entities	7,261,362	6,966,050
Total University endowment	\$ 1,734,661,113	\$ 1,612,003,411

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 7. Endowment (Continued)

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 \$70,342 and \$1,319,544 at June 30, 2018 and 2017, respectively (see Note 11). These losses have been recorded as reductions in unrestricted net assets in accordance with accounting principles generally accepted in the United States of America. Future gains will be used to restore these deficiencies in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets. Under current State of Florida law, there is no legal obligation to restore these deficiencies.

Note 8. Property and Equipment

Property and equipment and the related accumulated depreciation at June 30, 2018 and 2017, are summarized as follows:

	2018	2017
Land	\$ 42,826,392	\$ 38,013,876
Buildings and improvements	7,460,120	7,460,120
Vehicles	24,500	64,501
Equipment	4,103,246	3,357,266
	<u>54,414,258</u>	<u>48,895,763</u>
Accumulated depreciation	(8,166,439)	(7,276,667)
Property and equipment, net	<u>\$ 46,247,819</u>	<u>\$ 41,619,096</u>

Note 9. Real Estate Held for Sale and Land Preserve

Contributions of real estate held for sale and land preserve 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. Land preserve is considered by management to be non-revenue producing assets. These assets are not expected to provide revenue to the Foundation in the near future due to donor restrictions.

The table below sets forth a summary of changes in real estate held for sale and land preserve for the years ended June 30, 2018 and 2017.

	Real Estate	
	Held for Sale	Land Preserve
Balance, June 30, 2016	\$ 6,645,574	\$ 15,719,467
Donations	351,501	-
Foreclosure	104,123	-
Disposals	(2,622,499)	-
Impairments	(232,100)	-
Balance, June 30, 2017	<u>4,246,599</u>	<u>15,719,467</u>
Donations	3,927,917	-
Disposals	(2,813,896)	-
Impairments	(16,900)	-
Balance, June 30, 2018	<u>\$ 5,343,720</u>	<u>\$ 15,719,467</u>

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 10. Notes Payable

Notes payable at June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Note payable to Shands Teaching Hospital and Clinics, Inc., due in annual installments of \$100,000 through 2024. Noninterest bearing (interest imputed at a rate of 5% and 3.75% for the years ended June 30, 2018 and 2017, respectively), collateralized by an asset with a carrying value of \$600,000 (see Note 15).	\$ 600,000	\$ 700,000
Note payable to an individual, due 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% and is collateralized by property with a carrying value of \$518,333 (see Note 15).	532,593	548,128
Note payable to a limited partnership, due in annual installments of \$1,000,000, plus accrued interest, through 2020. The interest rate is 2%, and the note is collateralized by property with a carrying value of \$10,760,903.	2,000,000	3,000,000
	<u>\$ 3,132,593</u>	<u>\$ 4,248,128</u>

Aggregate future maturities of notes payable at June 30, 2018, are summarized as follows:

	<u>Amount</u>
Years ending June 30:	
2019	\$ 1,116,493
2020	1,117,510
2021	119,593
2022	125,967
2023	127,568
Thereafter	525,462
	<u>\$ 3,132,593</u>

Interest expense charged to operations totaled \$103,372 and \$309,493 for the years ended June 30, 2018 and 2017, respectively, which is allocated between the program and supporting services in the accompanying statement of activities.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 11. Net Assets

Temporarily restricted and permanently restricted net assets by purpose at June 30, 2018 and 2017, are as follows:

	Net Assets	
	Temporarily Restricted	Permanently Restricted
June 30, 2018:		
General college support	\$ 91,749,867	\$ 294,179,142
Student financial aid	132,915,914	350,424,054
Faculty and staff support	187,871,735	465,977,062
Research	42,368,745	154,868,659
Facilities	57,523,408	12,362,927
Other	43,137,913	120,629,842
Total	<u>\$ 555,567,582</u>	<u>\$ 1,398,441,686</u>
June 30, 2017:		
General college support	\$ 77,574,900	\$ 270,783,687
Student financial aid	116,098,353	339,292,342
Faculty and staff support	165,274,754	455,223,452
Research	35,341,875	147,573,389
Facilities	48,676,546	12,710,748
Other	44,944,198	119,882,862
Total	<u>\$ 487,910,626</u>	<u>\$ 1,345,466,480</u>

Unrestricted net assets at June 30, 2018 and 2017, consist of the following:

	2018	2017
Undesignated	\$ 3,473,256	\$ (2,864,860)
Board designated:		
Reserve fund	611,799	611,799
Real estate fund	3,061,359	3,061,066
Strategic investment fund	4,354,710	3,354,710
Total board designated	<u>8,027,868</u>	<u>7,027,575</u>
Total unrestricted net assets	<u>\$ 11,501,124</u>	<u>\$ 4,162,715</u>

Undesignated net assets, as shown in the table above, is net of underwater endowments of \$70,342 and \$1,319,544 at June 30, 2018 and 2017, respectively (see Note 7).

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 12. Retirement Plan

The Foundation has a noncontributory, defined benefit pension plan (the Plan). At June 30, 2017, the Plan covered approximately 10% of Foundation employees. All other personnel were University employees who participate in the University's retirement plan. The remaining employees covered by the Plan were converted to University employees by December 31, 2017 and now participate in the University's retirement plan. There were no employees covered by the Plan as of June 30, 2018. The Plan provides for deferred benefits and covers 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. Contributions for eligible employees covered by the Plan are made annually in compliance with legal funding requirements. Plan assets consist of investments in a variety of fixed income, equity securities and cash equivalents. Arthur J. Gallagher & Co. served as the Plan's actuary as of June 30, 2018 and 2017. The measurement dates used were June 30, 2018 and 2017.

The following table presents a reconciliation of the beginning and ending balances of the benefit obligation, fair value of plan assets and the funded status of the pension plan to the net amounts measured and recognized in the statement of financial position at June 30, 2018 and 2017.

	2018	2017
Accumulated benefit obligation at end of year	<u>\$ 33,093,235</u>	<u>\$ 34,262,284</u>
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	\$ 36,845,732	\$ 36,954,242
Service cost	502,995	866,979
Interest cost	1,380,346	1,382,453
Actuarial gain	(3,138,948)	(1,547,827)
Benefits paid	(968,665)	(810,115)
Projected benefit obligation, end of year	<u>34,621,460</u>	<u>36,845,732</u>
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	24,550,426	21,465,799
Actual return on plan assets	1,220,891	2,605,820
Employer contributions	1,288,922	1,288,922
Benefits paid	(968,665)	(810,115)
Fair value of plan assets, end of year	<u>26,091,574</u>	<u>24,550,426</u>
Unfunded status at end of year	<u>\$ (8,529,886)</u>	<u>\$ (12,295,306)</u>

The unfunded statuses at June 30, 2018 and 2017, of \$8,529,886 and \$12,295,306, respectively, are recorded in pension liability in the accompanying statement of financial position.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 12. Retirement Plan (Continued)

The following table presents the components of net periodic pension cost for the plan years ended June 30, 2018 and 2017.

	2018	2017
Service cost	\$ 502,995	\$ 866,979
Interest cost	1,380,346	1,382,453
Expected return on plan assets	(1,730,406)	(1,528,109)
Amortization of net loss	703,768	1,846,623
Net periodic pension cost	<u>\$ 856,703</u>	<u>\$ 2,567,946</u>

The net periodic pension cost has been allocated over communications and marketing, alumni relations, development, operations and talent management expenses in the accompanying statement of activities.

The weighted-average discount rates used to measure the projected benefit obligations were 4.20% and 3.92% as of June 30, 2018 and 2017, respectively. There was no assumed rate of increase in future compensation levels as of June 30, 2018, as all of the Foundation employees were converted to University employees by December 31, 2017. The assumed rate of increase in future compensation levels was 3.5% as of June 30, 2017. The discount rate is the estimated rate at which the obligation for pension benefits could be effectively settled. The average wage increase assumption reflects the Foundation's best estimate of the future compensation levels of the individual employees covered by the Plan.

Generally accepted accounting principles require the use of a mortality assumption that reflects the best estimate of the Plan's future experience for purposes of estimating the Plan's obligation. Professional associations of actuaries and actuarial companies occasionally develop and publish updated mortality tables to reflect changes in mortality conditions based on recent historical trends and other information. For the year ended June 30, 2017, the Foundation's best estimate of future events were based on the RP-2014 mortality tables fully projected with scale MP-2016. For the year ended June 30, 2018, the Foundation's best estimate of future events were based on the RP-2014 mortality tables fully projected with scale MP-2017.

As of June 30, 2018, the amount of benefits expected to be paid, based on the assumptions used to measure the benefit obligation, are as follows:

	Amount
Years ending June 30:	
2019	\$ 1,074,270
2020	1,096,254
2021	1,131,112
2022	1,267,721
2023	1,380,630
2024-2028	8,081,236

As of June 30, 2018, the Foundation expects to contribute an amount, on an annual basis, that will satisfy the minimum funding requirement. The minimum funding requirements may be in part, or in full, satisfied with the funding standard carryover balance (credit balance) as calculated by the actuary.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 12. Retirement Plan (Continued)

The expected long-term rate of return on plan assets was 7.0% as of June 30, 2018 and 2017, which reflects the average rate of earnings that the Foundation estimates will be generated on the assets of the Plan.

The Foundation's investment policy for pension plan assets includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories.

The investment policy for pension plan assets is periodically reviewed for investment matters by the Foundation, UFICO and Wilshire, the pension plan investment advisors. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

The objective of the Plan is to maximize the investment return at appropriate levels of risk, while preserving the value and ensuring the availability of funds to meet its obligations. The Plan has a long-term investment horizon. Therefore, it can tolerate variability in short- and intermediate-term investment performance, provided that returns meet the actuarial rate of return objective. Investments of the Plan shall be diversified as to minimize the risk of large losses.

The Plan's weighted-average asset allocations at June 30, 2018 and 2017, by asset category are as follows:

	Target Allocation	Percentage of Plan Assets as of June 30	
	2018	2018	2017
Equity securities	60%	61%	62%
Debt securities	39%	38%	38%
Cash equivalents	1%	1%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following is a description of the valuation methodologies used for the Foundation's pension plan assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017:

- **Mutual funds:** Valued at quoted market prices which represent the net asset value of shares held by the Plan at year end.
- **Money market funds:** Valued at the net asset value of shares held by the Plan at year end.

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 12. Retirement Plan (Continued)

The following tables summarize the Foundation's pension plan assets by level within the fair value hierarchy at June 30, 2018 and 2017.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2018:				
Equity securities:				
Mutual funds – domestic equities	\$ 9,345,222	\$ -	\$ -	\$ 9,345,222
Mutual funds – international equities	6,612,713	-	-	6,612,713
Debt securities:				
Mutual funds – fixed income	9,940,993	-	-	9,940,993
Cash equivalents:				
Money market funds	-	192,646	-	192,646
Total	<u>\$ 25,898,928</u>	<u>\$ 192,646</u>	<u>\$ -</u>	<u>\$ 26,091,574</u>
June 30, 2017:				
Equity securities:				
Mutual funds – domestic equities	\$ 8,552,055	\$ -	\$ -	\$ 8,552,055
Mutual funds – international equities	6,744,938	-	-	6,744,938
Debt securities:				
Mutual funds – fixed income	9,171,195	-	-	9,171,195
Cash equivalents:				
Money market funds	-	82,238	-	82,238
Total	<u>\$ 24,468,188</u>	<u>\$ 82,238</u>	<u>\$ -</u>	<u>\$ 24,550,426</u>

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 13. University of Florida Alumni Association, Inc.

The financial statements of the Foundation include the activity related to the University of Florida Alumni Association, Inc. (the Alumni Association). 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. The following schedule presents the operating activities of the Alumni Association accounts administered by the Foundation for the years ended June 30, 2018 and 2017.

	2018	2017
Revenues and other additions:		
Support from the Foundation	\$ 1,027,563	\$ 1,289,791
Alumni program support	1,265,101	1,836,722
Other	1,138,556	651,465
Total revenues and other additions	<u>3,431,220</u>	<u>3,777,978</u>
Expenses and other changes:		
Alumni relations supporting services	3,431,220	3,914,777
Alumni relations pension changes other than net periodic pension costs	-	(136,799)
Total expenses and other changes	<u>3,431,220</u>	<u>3,777,978</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

Note 14. Fee Assessment

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. As of June 30, 2018, the fee schedule is as follows:

Fee Type	Fee Rate	Frequency	Basis
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One-time gift and non-gift fees

Endowment funds:

Cash gift	*	Per transaction	Gross amount of gift received
Noncash gift	*	Per transaction	Net proceeds from liquidation of asset
Non-gift	*	Per transaction	Gross amount of receipt

For endowment gifts, the gift fee is accrued as a payable in the spendable fund. One-half of each quarterly spendable transfer is used to reduce the gift fee payable until the gift fee is paid in full.

Non-endowed funds:

Cash gift	*	Per transaction	Gross amount of gift received
Noncash gift	*	Per transaction	Net proceeds from liquidation of asset
Non-gift	*	Per transaction	Gross amount of receipt

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 14. Fee Assessment (Continued)

*Sliding Scale

	Effective Rate
Amount:	
\$0 to \$4,999,999	5.0000%
\$5,000,000 to \$9,999,999	4.2500%
\$10,000,000 to \$19,999,999	3.5000%
\$20,000,000 to \$29,999,999	2.7500%
\$30,000,000 to \$39,999,999	2.0000%
\$40,000,000 to \$49,999,999	1.2500%
\$50,000,000 or more	1.0000%

Tigert and Horizon funds: No gift fee is assessed at the time of the original contribution to the fund. The gift fee is assessed when the purpose is determined and the gift is transferred from the fund.

Fee Type	Fee Rate	Frequency	Basis
<u>Recurring fees</u>			
Endowment principal funds:			
Security investments pool	0.3375%	Quarterly	Spending base
Security investments non-pooled	0.3375%	Quarterly	Market value
Real estate held for resale, notes receivable and other income-producing assets	0.3375%	Quarterly	Market value
Non-endowed funds:			
Real estate held for resale, notes receivable and other income-producing assets	0.5000%	Quarterly	Market value
Tigert fund	0.2500%	Quarterly	Market value
Horizon fund	None	Not applicable	Not applicable
Annuities and irrevocable trusts:			
Security investments	0.1250%	Quarterly	Market value as of the previous January 1
Real estate held for resale, notes receivable and other income-producing assets	0.1250%	Quarterly	Market value
Revocable trusts:			
Security investments	0.1875%	Quarterly	Market value as of the previous January 1
Real estate held for resale	0.1875%	Quarterly	Market value

University of Florida Foundation, Inc.

Notes to Financial Statements

Note 14. Fee Assessment (Continued)

During the years ended June 30, 2018 and 2017, the Foundation assessed the following fees:

	2018	2017
Fees assessed on pooled investments	\$ 19,646,362	\$ 18,957,666
Gift fees associated with major gifts and eminent scholar program funds	584,583	244,284
Gift fees associated with all other funds	4,184,068	4,149,614
Real estate fees	54,755	41,874
Non-gift fees	47,625	56,645
Total fees	<u>\$ 24,517,393</u>	<u>\$ 23,450,083</u>

These fees are included in investment return in the accompanying statement of activities.

Note 15. Related Party Leases and Receivables

The Foundation assumed the financial obligation for a parking garage facility and the related \$3,000,000 note payable, of which \$600,000 is outstanding as of June 30, 2018, from Shands Teaching Hospital and Clinics, Inc. during 1994. 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 years ended June 30, 2018 and 2017.

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 \$29,737,388 and \$26,050,167 as of June 30, 2018 and 2017, respectively, and is included in other receivables in the accompanying statement of financial position.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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 financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2018.

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.

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 24, 2018

Independent Auditor's Report on Compliance for Each Major State Financial Assistance Project and Report on Internal Control Over Compliance Required by State of Florida Chapter 10.650, *Rules of the Auditor General*

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

Report on Compliance for Each Major State Financial Assistance Project

We have audited the University of Florida Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the Foundation's major state financial assistance projects for the year ended June 30, 2018. The Foundation's major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Financial Assistance Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state financial assistance projects for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

Orlando, Florida
September 24, 2018

University of Florida Foundation, Inc.

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2018**

<u>State Grantor / Program Title</u>	<u>CSFA Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Florida Department of Highway Safety and Motor Vehicles: University of Florida License Plate Project	76.034	\$ 2,515,509	<u>\$ 1,017,460</u>
Florida Department of Education and Commissioner of Education: University Major Gifts Program	48.074	<u>44,908,058</u>	(1)
Total expenditures of state financial assistance		<u>\$ 47,423,567</u>	

(1) The Foundation transfers a portion of the funds to the University as per the donors' wishes.

See notes to schedule of expenditures of state financial assistance.

University of Florida Foundation, Inc.

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2018**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of the University of Florida Foundation, Inc. (the Foundation) under programs of the State of Florida for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies

Expenditures: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

University of Florida License Plate Project: The expenditures under the state license plate project in the Schedule represent \$1,017,460 in scholarship expenditures and \$1,498,049 in fundraising expenditures. Receipts from the program during the year ended June 30, 2018, of \$2,496,749 are allocated to be spent for scholarships and for fundraising, consistent with the allocation plan, as amended, submitted to the Florida Board of Education and the Florida Department of Highway Safety and Motor Vehicles.

In prior years, the Foundation has collected more in receipts for scholarships than it has expended. As a result, the Foundation has the ability to expend more in future years related to scholarships. Amounts are not expended until eligible scholarship recipients are identified. At June 30, 2018, the Foundation had \$131,420 in collected, but unexpended funds related to scholarships. Receipts for fundraising are used in the year of receipt for the Foundation's fundraising programs.

University Major Gifts Program: The University Major Gifts Program has been temporarily suspended by the State of Florida, and no funding was received from the state in the form of matching funds during the year ended June 30, 2018. The expenditures under the University Major Gifts Program in the accompanying schedule of expenditures of state financial assistance represent expenditures of earnings on endowments that have received state matching funds or have been submitted for matching. These expenditures include amounts spent from earnings on both the state match portion and the private donor portions of the endowments.

University of Florida Foundation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X</u> No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported

Type of auditor’s report issued on compliance for major state financial assistance projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State of Florida Chapter 10.650, *Rules of the Auditor General*?

<u> </u> Yes	<u> X</u> No
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Identification of major state financial assistance projects:

CSFA No.	Name of State Financial Assistance Project
48.074	University Major Gifts Program

Dollar threshold used to distinguish between type A and type B state financial assistance projects: \$ 1,422,707

Section II – Financial Statement Findings

No matters were reported.

Section III – Findings and Questioned Costs for State Financial Assistance

No matters were reported.

Section IV – Other Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to state financial assistance projects.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Florida Single Audit Act.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2018 and there were no matters required to be reported in these letters.