

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 opinions 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 audits 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.

Board of Directors
University of West Florida Foundation, Inc.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedules of Student Housing System Revenues and Expenses, Financial Position (Excluding the Student Housing System), and Functional Expenses have been subjected to the auditing procedures applied in the audits 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. The accompanying Schedules of Receipts, Expenses and Endowment Balances for the Chairs Under Eminent Scholars Program and the Major Gifts Program have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, 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 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 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 Foundation's internal control over financial reporting and compliance.

Pensacola, Florida
October 23, 2018

**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 West Florida Foundation, Inc.
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West 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, and have issued our report thereon dated October 23, 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.

Board of Directors
University of West Florida Foundation, Inc.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
October 23, 2018

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 2,630,280	\$ 2,080,462
Restricted cash equivalents	10,193,593	10,474,477
Contributions receivable, net	7,336,118	8,167,001
Other receivables, net	202,735	231,166
Due from University	378,796	441,488
Prepaid expenses	203,330	190,912
Long-term investments	91,849,613	88,223,825
Property and equipment, net	53,579,283	49,071,972
Assets held under split interest agreements	3,208,207	3,144,979
Other assets	1,741,780	326,276
Total Assets	\$ 171,323,735	\$ 162,352,558

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 739,080	\$ 889,892
Liabilities held under split interest agreements	1,604,792	1,642,526
Due to West Florida Historic Trust	1,238,296	1,336,882
Bonds payable, net	45,725,667	48,211,464
Total liabilities	49,307,835	52,080,764

Commitments and Contingencies

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Net Assets:

Unrestricted -		
Undesignated	1,464,895	1,904,438
Board designated	3,070,822	2,415,572
Student Housing System	8,620,025	9,078,934
Total unrestricted	13,155,742	13,398,944
Temporarily restricted	45,485,224	34,908,494
Permanently restricted	63,374,934	61,964,356
Total net assets	122,015,900	110,271,794

Total Liabilities and Net Assets	\$ 171,323,735	\$ 162,352,558
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The accompanying notes are an integral
part of these financial statements.

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UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted		Temporarily	Permanently	2018
	Foundation	Student Housing	Restricted	Restricted	Total
Revenue, Support and Reclassifications:					
Contributions	\$ 865,406	\$ -	\$ 10,934,324	\$ 1,408,116	\$ 13,207,846
Interest and dividends	25,088	-	1,258,867	-	1,283,955
Net unrealized and realized gain on long-term investments	1,469,610	-	5,631,279	-	7,100,889
Student housing system	-	9,258,099	-	-	9,258,099
Other income	164,891	-	-	-	164,891
Reclassification of net assets	-	-	(6,099)	6,099	-
Net assets released from restrictions	7,241,641	-	(7,241,641)	-	-
 Total revenue, support and reclassifications	 9,766,636	 9,258,099	 10,576,730	 1,414,215	 31,015,680
Expenses:					
Direct program services -					
Scholarships	1,947,358	-	-	-	1,947,358
Other program services	5,245,922	-	-	-	5,245,922
Student housing system	-	9,717,008	-	-	9,717,008
Total direct program services	7,193,280	9,717,008	-	-	16,910,288
Supporting services -					
Fundraising	346,255	-	-	-	346,255
General and administrative	2,011,394	-	-	-	2,011,394
Total supporting services	2,357,649	-	-	-	2,357,649
 Total expenses	 9,550,929	 9,717,008	 -	 -	 19,267,937
 Loss from cancelled restricted contributions	 -	 -	 -	 3,637	 3,637
 Total expenses and losses	 9,550,929	 9,717,008	 -	 3,637	 19,271,574
 Change in Net Assets	 215,707	 (458,909)	 10,576,730	 1,410,578	 11,744,106
 Net Assets, Beginning of Year	 4,320,010	 9,078,934	 34,908,494	 61,964,356	 110,271,794
 Net Assets, End of Year	 \$ 4,535,717	 \$ 8,620,025	 \$ 45,485,224	 \$ 63,374,934	 \$ 122,015,900

Unrestricted				
Foundation	Student Housing	Temporarily Restricted	Permanently Restricted	2017 Total
\$ 877,438	\$ -	\$ 10,114,292	\$ 6,895,569	\$ 17,887,299
2,975	-	1,024,234	-	1,027,209
1,082,960	-	8,707,733	-	9,790,693
-	10,410,583	-	-	10,410,583
415,075	-	-	-	415,075
-	-	24,482	(24,482)	-
9,513,193	-	(9,513,193)	-	-
<u>11,891,641</u>	<u>10,410,583</u>	<u>10,357,548</u>	<u>6,871,087</u>	<u>39,530,859</u>
1,240,964	-	-	-	1,240,964
7,968,014	-	-	-	7,968,014
-	13,661,625	-	-	13,661,625
<u>9,208,978</u>	<u>13,661,625</u>	<u>-</u>	<u>-</u>	<u>22,870,603</u>
344,789	-	-	-	344,789
1,855,560	-	-	-	1,855,560
<u>2,200,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,200,349</u>
11,409,327	13,661,625	-	-	25,070,952
-	-	-	2,289	2,289
<u>11,409,327</u>	<u>13,661,625</u>	<u>-</u>	<u>2,289</u>	<u>25,073,241</u>
482,314	(3,251,042)	10,357,548	6,868,798	14,457,618
<u>3,837,696</u>	<u>12,329,976</u>	<u>24,550,946</u>	<u>55,095,558</u>	<u>95,814,176</u>
<u>\$ 4,320,010</u>	<u>\$ 9,078,934</u>	<u>\$ 34,908,494</u>	<u>\$ 61,964,356</u>	<u>\$ 110,271,794</u>

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 11,744,106	\$ 14,457,618
Adjustments to reconcile change in net assets to cash flows used in operating activities -		
Net unrealized and realized gain on long-term investments	(7,100,889)	(9,790,693)
Contributions restricted for long-term purposes	(1,408,116)	(6,895,569)
Contributions of investments	-	(689,216)
Contributions of property and equipment	(6,475,202)	-
Contributions of works of art	(1,388,420)	-
Bad debt expense	24,982	34,702
Loss from cancelled restricted contributions	3,637	2,289
Loss on disposal of property and equipment	15,992	-
Loss on extinguishment of debt	-	3,693,269
Change in fair value of -		
Contributions receivable	402,464	1,298,512
Split interest agreements	(100,962)	(176,158)
Cash surrender value of insurance policies	(27,084)	26,797
Depreciation and amortization	2,990,984	2,829,877
Amortization of bond premium	(42,172)	-
Change in operating assets and liabilities -		
Contributions receivable	418,218	(6,687,204)
Other receivables	10,013	(37,659)
Due from University	62,692	(162,792)
Prepaid expenses	(12,418)	3,283
Accounts payable and accrued expenses	(150,812)	239,095
Net cash used in operating activities	<u>(1,032,987)</u>	<u>(1,853,849)</u>
Cash Flows From Investing Activities:		
Purchases of investments	(12,325,535)	(30,699,047)
Proceeds from sales, maturities, and distributions of investments	15,800,636	28,823,884
Acquisition of property and equipment	(997,213)	(1,177,799)
Due to West Florida Historic Trust	(98,586)	179,281
Net cash provided by (used in) investing activities	<u>2,379,302</u>	<u>(2,873,681)</u>
Cash Flows From Financing Activities:		
Proceeds from bond issuance	-	51,312,905
Defeasance of bonds	-	(29,702,310)
Reissuance of bonds	-	(22,318,344)
Bond principal payments	(2,485,497)	(2,440,046)
Bond issuance costs	-	(319,440)
Contributions to permanent endowments	1,408,116	6,895,569
Net cash provided by (used in) financing activities	<u>(1,077,381)</u>	<u>3,428,334</u>
Net Increase (Decrease) in Cash and Cash Equivalents	268,934	(1,299,196)
Cash and Cash Equivalents at Beginning of Year	<u>12,554,939</u>	<u>13,854,135</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 12,823,873</u></u>	<u><u>\$ 12,554,939</u></u>

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017
(Continued)

	<u>2018</u>	<u>2017</u>
Analysis of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 2,630,280	\$ 2,080,462
Restricted cash equivalents	<u>10,193,593</u>	<u>10,474,477</u>
	<u><u>\$ 12,823,873</u></u>	<u><u>\$ 12,554,939</u></u>
 Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u><u>\$ 1,795,941</u></u>	<u><u>\$ 1,952,277</u></u>
 Supplemental Disclosure of Noncash Investing Activities:		
Investments received as contributions	<u><u>\$ -</u></u>	<u><u>\$ 689,216</u></u>
 Property and equipment received as contributions	<u><u>\$ 6,475,202</u></u>	<u><u>\$ -</u></u>
 Collections received as contributions	<u><u>\$ 1,388,420</u></u>	<u><u>\$ -</u></u>

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The University of West Florida Foundation, Inc. (the “Foundation”) was organized as a Florida not-for-profit corporation in 1965 for the purpose of soliciting, receiving, and administering gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University of West Florida (the “University”) and its objectives. The Foundation is a direct-support organization of the University, as provided for in Section 1004.28, Florida Statutes, and Rule 6C-9.011, Florida Administrative Code, and therefore is considered a component unit of the University.

The Foundation owns the Student Housing System and is responsible for the management thereof, along with the associated revenues, expenses and debt related to the operation of these projects as further described in Note 12 to the financial statements.

Basis of Accounting:

The Foundation follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

Basis of Presentation:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. 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 the corpus be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all of the investment return on these assets. Such assets primarily include the Foundation’s permanent endowment funds.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. Such assets are available for use by the various colleges and departments of the University, as designated by the donors to the Foundation.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the action of the governing board, including quasi-endowments, or may otherwise be limited by contractual agreements with outside parties.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued):

Unrestricted net assets - student housing system - Unrestricted net assets designated through bond covenant restrictions for the specific purpose of bond repayment for the Student Housing System.

Contributions:

Contributions are reported as temporarily restricted if the donor limits the use of the donated assets. When the restrictions expire, these temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as *net assets released from restrictions*. Contributions of endowments are reported as permanently restricted since the corpus is invested in perpetuity. All other contributions having no restrictions are reported as unrestricted.

The Foundation has elected to record unconditional promises to give at fair value. Management believes the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques at historical discount rates. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end. Conditional promises to give are not recorded in the financial statements.

In the event a donor makes changes to the nature of a restricted gift which affect its classification among the net asset categories, such amounts are reflected as net assets released from restrictions in the revenues section of the statement of activities.

Non-cash contributions are recorded at fair market value at the time of donation.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to University direct support organizations by the University. As discussed in Note 7, Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, requires the recognition and measurement for services received from affiliated not-for-profit organizations when not charged.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and a portion of cash placed with the State Treasury Special Purpose Investment Account ("SPIA").

SPIA has enacted liquidity requirements limiting the amount of money SPIA participants can withdraw from their accounts. The portion considered liquid is calculated as forty percent of the previous three months' average daily balance.

For the purpose of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the Foundation considers the liquid portion of SPIA deposits to be cash equivalents.

Restricted Cash Equivalents:

Restricted cash equivalents represent a portion of SPIA, and funds held by bond trustees for construction of on-campus housing, debt service, and maintenance of reserves required under the bond indentures. In addition, SPIA has established a minimum balance for each account. Each SPIA participant is required to give six months' notice for all withdrawals below the floor, which is calculated as sixty percent of the previous three months' average daily balance.

Investments:

The Foundation has created various pools for the investment of funds on a consolidated basis. All investments are reported at fair value.

Investment income (interest, dividends, realized and unrealized gains or losses) from endowment and restricted operating funds is recognized as temporarily restricted investment income in accordance with donor stipulations. Income from all other operating funds is recognized as unrestricted investment income. There are no permanent restrictions on investment income.

Property and Equipment:

Property and equipment consists of office equipment and property held for lease, future use, or sale. Purchased assets are recorded at cost, while donated assets are recorded at fair market value at the date of donation. Depreciation is allocated over the estimated useful lives of the respective assets on a straight-line basis. Where a contributed asset has an uncertain fair market value due to deed restrictions, the Foundation records no value for the property.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued):

The Foundation capitalizes interest costs on borrowing incurred during the construction of qualifying assets. The capitalized interest is amortized over the life of the borrowing.

Split-Interest Agreements:

The Foundation serves as trustee for split-interest agreements classified as charitable gift annuities and charitable remainder unitrust. Assets received under these agreements are recorded at fair market value and the liabilities to make future payments under these agreements are recorded at present value, with the difference reported as a gain or loss. These assets and liabilities are adjusted to reflect changes in their fair market value and present value. The determination of the present value of liabilities under split-interest agreements is based on discount rates and mortality tables established by the Internal Revenue Code and Regulations.

Works of Art:

Donated works of art are capitalized and are recorded as other assets on the statements of financial position.

Bond Discounts and Premiums:

Bond discounts and premiums are amortized over the terms of the bonds using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Bond discounts and premiums are presented as an adjustment to the face amount of bonds payable.

Compensated Absences:

Employees of the Foundation are entitled to paid vacation and sick days depending on job classification, length of service and other factors. Upon termination of employment, an employee will be paid for accumulated annual leave. In addition, an employee with ten or more years of service may be paid for a portion of their accumulated sick leave.

At June 30, 2018 and 2017, accrued compensated absences totaling \$318,566 and \$292,894 were reported as a component of accrued expenses in the accompanying financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Program Services:

Other program services consist of expenditures released from temporarily restricted net assets based on donor-imposed stipulations to support the objectives of the University and/or its various colleges and departments.

Income Taxes:

The Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain investment activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Retirement Plan:

As discussed in more detail in Note 11, Foundation employees may elect to participate in the Florida Retirement System consisting of a defined benefit plan; the Deferred Retirement Option Program, an alternative method for retirement payment; and the Public Employee Optional Retirement Program, a defined contribution plan. These plans have vesting and service requirements. Certain eligible faculty and administrators may also elect to participate in the Optional Retirement Program, a defined contribution plan which provides full and immediate vesting of contributions. Certain key University personnel participate in a money-purchase retirement savings plan with specific vesting schedules.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events:

Management has evaluated subsequent events through October 23, 2018, the date which the financial statements were available for issue.

Recent Accounting Pronouncements:

In May 2015, FASB issued Accounting Standards Update (“ASU”) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (“NAV”) practical expedient. This ASU is effective for fiscal years beginning after December 15, 2016, with retrospective application required. The Foundation adopted the ASU in 2018 and modified the fair value disclosures.

NOTE 2 - RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents at June 30 consist of the following:

	2018	2017
Housing operating reserves	\$ 1,203,135	\$ 1,201,786
Housing replacement reserves	695,375	839,992
Housing contingency and improvement reserve	6,152,899	7,092,627
Courtelis reserve	640,230	733,415
SPIA operating reserves	1,475,554	601,553
2016A bond interest	6,637	5,104
2016B bond interest	19,727	-
2016C bond interest	36	-
	<u>\$ 10,193,593</u>	<u>\$ 10,474,477</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 3 - CONTRIBUTIONS RECEIVABLE

The Foundation records unconditional promises to give using fair value adjusted for the current year end discount rates, ranging from 0% to 46%, based on the prevailing five-year Treasury constant maturities. As of June 30, 2018, the cumulative fair value adjustment to contributions revenue for temporarily and permanently restricted was \$605,510 and \$1,298,495 respectively. As of June 30, 2017, the cumulative fair value adjustment to contributions revenue for temporarily and permanently restricted was \$483,438 and \$1,018,103, respectively. Multi-year contributions receivable are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. In 2018 and 2017, there were no transfers of contributions receivable into or out of Level 3.

Unconditional promises to give at June 30 are due as follows:

	2018	2017
In one year or less	\$ 606,180	\$ 612,211
Between one and five years	3,328,826	3,143,898
Greater than five years	5,319,010	5,921,619
Total contributions receivable, gross	9,254,016	9,677,728
Less discounts to net fair value	1,904,005	1,501,541
Less allowance for doubtful accounts	13,893	9,186
Net contributions receivable, fair value	<u>\$ 7,336,118</u>	<u>\$ 8,167,001</u>

The table below presents information about unconditional promises to give measured at fair value at June 30, 2018:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	\$ 3,961,619	\$ 5,292,397
Fair value estimate	\$ 3,356,109	\$ 3,993,902
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 605,510	\$ 1,298,495
Cumulative changes included in the statement of activities	\$ 605,510	\$ 1,298,495

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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

The table below presents information about unconditional promises to give measured at fair value at June 30, 2017:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	\$ 4,099,856	\$ 5,577,872
Fair value estimate	\$ 3,616,418	\$ 4,559,769
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 483,438	\$ 1,018,103
 Cumulative changes included in the statement of activities	 \$ 483,438	 \$ 1,018,103

Changes in unconditional promises to give for the year ended June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted
Beginning Balance, July 1, 2017	\$ 3,616,418	\$ 4,559,769
New promises received	527,655	32,500
Collections	(662,142)	(316,225)
Change in fair value	(122,072)	(280,392)
Management and general (write-offs)	(3,750)	(1,750)
	<u>3,356,109</u>	<u>3,993,902</u>
Less allowance for doubtful accounts	<u>7,083</u>	<u>6,810</u>
Ending Balance, June 30, 2018	<u><u>\$ 3,349,026</u></u>	<u><u>\$ 3,987,092</u></u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Changes in unconditional promises to give for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted
Beginning Balance, July 1, 2016	\$ 1,089,549	\$ 1,717,752
New promises received	3,662,655	3,927,500
Collections	(624,532)	(278,225)
Change in fair value	(441,254)	(857,258)
Management and general (write-offs)	(20,000)	-
Change in pledge terms	(50,000)	50,000
	<u>3,616,418</u>	<u>4,559,769</u>
Less allowance for doubtful accounts	<u>4,263</u>	<u>4,923</u>
Ending Balance, June 30, 2017	<u><u>\$ 3,612,155</u></u>	<u><u>\$ 4,554,846</u></u>

Conditional promises to give amounted to \$2,438,052 at June 30, 2018 for state matching funds from the State of Florida Major Gifts Trust Fund. The funds will be forwarded to the Foundation in the event that future appropriations are made by the state legislature.

NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30 consist of the following:

	2018	2017
Student loan fund	\$ 65,321	\$ 63,564
Rent, less allowance of \$236,872 in 2018 and \$218,460 in 2017	118,744	106,495
Other	<u>18,670</u>	<u>61,107</u>
Net other receivables	<u><u>\$ 202,735</u></u>	<u><u>\$ 231,166</u></u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 4 - OTHER RECEIVABLES (Continued)

The Student Loan Fund, established through contributions, provides low-interest, short-term loans to students. All transactions are conducted through the University's cashiers' office. The Student Loan Program is made up of accounts receivable for loans to students, funds held at the University available for loans to students, and funds invested in a quasi-endowment at the Foundation. The Foundation holds \$228,655 that is invested in a quasi-endowment. Earnings in the quasi-endowment are transferred to the University, as needed, to support the Student Loan Program.

NOTE 5 - LONG-TERM INVESTMENTS

Investments are carried at fair value and consist of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
June 30, 2018:			
Certificates of deposit	\$ 586,890	\$ 586,890	\$ -
Equity securities -			
Common stock and mutual funds	44,673,403	59,183,345	14,509,942
Debt securities	17,512,327	17,456,679	(55,648)
Alternative investments -			
Fund of fund hedge funds	5,586,458	8,799,734	3,213,276
Private equity investments	1,997,095	2,648,851	651,756
Real estate investment trust	2,855,044	3,174,114	319,070
	<u>\$ 73,211,217</u>	<u>\$ 91,849,613</u>	<u>\$ 18,638,396</u>
June 30, 2017:			
Certificates of deposit	\$ 601,800	\$ 601,800	\$ -
Equity securities -			
Common stock and mutual funds	43,445,800	53,422,205	9,976,405
Debt securities	14,236,787	14,399,904	163,117
Alternative investments -			
Fund of fund hedge funds	11,218,108	15,900,120	4,682,012
Private equity investments	2,104,629	2,314,903	210,274
Real estate investment trust	1,600,899	1,584,893	(16,006)
	<u>\$ 73,208,023</u>	<u>\$ 88,223,825</u>	<u>\$ 15,015,802</u>

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JUNE 30, 2018 AND 2017

NOTE 5 - LONG-TERM INVESTMENTS (Continued)

Wells Fargo is the custodian for the Foundation's equity securities, debt securities and fund of fund hedge funds.

As further discussed in Note 7, on July 1, 2016, the Foundation entered into a cash and securities agreement with the Pensacola Museum of Art ("PMA") for the furtherance of the PMA mission. The Foundation acts as a manager of PMA's certificates of deposit and mutual funds which are included in the Foundation's investment balance. These investments are kept separate from the Foundation's investment pool. Balances at June 30 were as follows:

	2018	2017
Certificates of deposit	\$ 586,890	\$ 601,800
Mutual funds	112,800	102,113
	<u>\$ 699,690</u>	<u>\$ 703,913</u>

As further discussed in Note 10, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$13,416,917. However, individual donor-restricted endowment funds were deficient, totaling \$46,233, where the fair value of the investments at June 30, 2018 was less than the level required by the donor stipulations.

The net return on investments was as follows:

	Total Unrestricted	Temporarily Restricted
Year Ended June 30, 2018 -		
Dividends and interest	\$ 25,088	\$ 1,258,867
Net realized gain on investments	79,454	3,927,857
Unrealized gain on investments	1,390,156	1,703,422
	<u>\$ 1,494,698</u>	<u>\$ 6,890,146</u>
 Year Ended June 30, 2017 -		
Dividends and interest	\$ 2,975	\$ 1,024,234
Net realized gain on investments	1,292	1,801,488
Unrealized gain on investments	1,081,668	6,906,245
	<u>\$ 1,085,935</u>	<u>\$ 9,731,967</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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JUNE 30, 2018 AND 2017

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30:

	2018	2017
Land	\$ 1,454,483	\$ 1,454,483
Property held under capital lease	75,503,947	74,708,634
Timeless Tanglewood property	6,475,202	-
Office equipment and software	501,957	501,957
	<u>83,935,589</u>	<u>76,665,074</u>
Less accumulated depreciation	32,105,646	29,233,277
	<u>51,829,943</u>	<u>47,431,797</u>
Construction in progress	979,690	793,784
Idle property, net	<u>769,650</u>	<u>846,391</u>
	<u><u>\$ 53,579,283</u></u>	<u><u>\$ 49,071,972</u></u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,949,112 and \$2,800,621, respectively.

Property held under capital lease represents the University's Student Housing System, which consists of the following: the South Side facilities constructed in 1966 and 1972; the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively. The buildings under capital lease are depreciated over the lease term, which is effectively 30 years, and the furniture, fixtures, and equipment are depreciated over their useful life of 5 - 10 years. Amortization of property under capital lease is included in depreciation expense. At June 30, 2018 and 2017, amortization of the property under capital lease totaled \$2,864,997 and \$2,800,621, respectively. See Note 12 for further capital lease disclosure.

During the fiscal year 2018, the Foundation was gifted an estate known as "Timeless Tanglewood" that included land, a building, and furniture and fixtures with carrying values as of June 30, 2018 of \$880,000, \$5,135,697, and \$459,505, respectively. The estate also gifted the Foundation works of art with a total carrying value of \$1,388,420 that are included in other assets on the statement of financial position as of June 30, 2018.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 6 - PROPERTY AND EQUIPMENT (Continued)

This estate will be recognized as the UWF President's Club at Timeless Tanglewood and will be used to host related events. In addition, the estate will act as a lab for students in the University's Global Hospitality and Tourism Management program to immerse themselves in high-end hospitality entertainment services. At June 30, 2018, accumulated depreciation of the building and furniture and fixtures totaled \$61,140 and \$22,975, respectively.

The Foundation routinely evaluates the carrying value of its long-lived assets. The Foundation records impairment losses on long-term assets when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such assets are considered to be impaired, the charge to operations is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of June 30, 2018, none of the Foundation's long-lived assets were considered to be materially impaired.

NOTE 7 - RELATED PARTY TRANSACTIONS

At June 30, 2018 and 2017, the Foundation and the University jointly determined an amount for the Foundation to deposit with the University to be used to manage and pay expenses for the Foundation's operations. Payroll, other University departments, and program expenses that are funded from the Foundation are paid through the University utilizing these funds. At June 30, 2018 and 2017, the cash balances held by the University were \$378,796 and \$441,488 respectively, and were included in due from University.

In March of 2013, the Foundation entered into a Memorandum of Understanding with the University of West Florida Historic Trust ("WFHT"), another DSO of the University, where WFHT may transfer current cash assets to the Foundation to invest on their behalf. These funds are invested as a Quasi-Endowment with the Foundation and will be part of the overall investment pool subject to spending and investment policies of the Foundation as agreed to in the memorandum. Funds invested by WFHT in the Foundation's investment pool totaled \$1,238,296 and \$1,336,882 at June 30, 2018 and 2017, respectively, and are included in due to WFHT.

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NOTE 7 - RELATED PARTY TRANSACTIONS (Continued)

On July 1, 2016, the assets of Pensacola Museum of Art (“PMA”), an independent not-for-profit corporation, became part of the University. On that date, the Foundation was gifted a historic building, land, a fine arts collection, furniture and equipment, cash and cash equivalents, a permanent endowment, and other current assets from the dissolving entity totaling approximately \$4.2 million. The historic building and land were transferred to the University and the fine arts collection, furniture and equipment, and all other assets were transferred to WFHT, with the exception of the permanent endowment and cash and cash equivalents. On July 1, 2016, the Foundation entered into a cash and securities agreement with PMA for the furtherance of the PMA mission, as discussed in Note 5. As such, the permanent endowment and cash and cash equivalents remained with the Foundation, which stewards the endowment on behalf of PMA.

As a direct support organization, the Foundation received support from the University in performance of its mission. FASB ASC 958, *Not-for-Profit Entities*, requires recognition and measurement for services received from affiliated not-for-profit organizations when not charged. Salaries and benefits of University employees providing such support total approximately \$762,000 and \$776,000 in 2018 and 2017, respectively, and are included in general and administrative expenses. The University also provides centralized payroll processing and IT support that the Foundation estimates as immaterial to these financial statements.

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JUNE 30, 2018 AND 2017

NOTE 8 - BONDS PAYABLE

Revenue Bonds consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
\$28,000,000 Dormitory Refunding Revenue Bonds, Series 2016A, due in annual installments of \$720,000 to \$1,780,000, from June 1, 2017 through June 1, 2040 with interest ranging from 3.375% to 5.00% due semiannually, June 1 and December 1	25,810,000	26,910,000
\$8,635,000 Dormitory Refunding Revenue Bonds, Series 2016B, due in annual installments of \$618,500 to \$830,500, from June 1, 2017 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	7,383,000	8,016,500
\$13,683,344 Dormitory Refunding Revenue Bonds, Series 2016C, due in annual installments of \$731,544 to \$1,120,171, from June 1, 2017 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	<u>12,199,803</u>	<u>12,951,800</u>
Bonds payable	45,392,803	47,878,300
Less unamortized premiums and issue costs	<u>(332,864)</u>	<u>(333,164)</u>
Bonds payable, net of unamortized premiums and issue costs	<u>\$ 45,725,667</u>	<u>\$ 48,211,464</u>

Interest of \$141,684 and \$149,662 was accrued on the bonds as of June 30, 2018 and 2017, respectively.

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NOTE 8 - BONDS PAYABLE (Continued)

Maturities of the revenue bonds are as follows:

<u>For the year ending</u>	
2019	\$ 2,578,196
2020	2,680,371
2021	2,780,073
2022	2,878,587
2023	2,996,456
Thereafter	<u>31,479,120</u>
	<u><u>\$ 45,392,803</u></u>

During fiscal year 2017, the Foundation publicly issued advanced refunding revenue bonds (Series 2016A) of \$28,000,000 to defease the Series 2009 and 2011 outstanding housing revenue bonds for the purpose of consolidation and to achieve debt service coverage savings. The transaction reduced total debt service payments by approximately \$3,723,000, a net present value savings of approximately 9.96% or \$2,684,000. Additionally, Escambia County Housing Finance Authority was removed as sponsor. The Foundation has placed the proceeds from the refunding in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. As a result, at June 30, 2018 and 2017, the trust account assets of \$26,149,592 and \$28,177,867, respectively, and liabilities of \$24,910,000 and \$25,949,000, respectively, for the defeased bonds were not included in the financial statements. Although defeased, the refunded debt from the earlier issue will not be retired until the call date June 1, 2019. For the year ended June 30, 2017, the difference between the reacquisition price and net carrying amount resulted in a loss on extinguishment of debt of \$3,693,269, which is reported in unrestricted student housing system expenses on the statement of activities.

Simultaneous with the issuance of the Series 2016A, the Series 2010 and 2015 bonds were reissued by private placement to the existing holders under Series 2016B and Series 2016C, respectively. The terms remain substantially the same with the exception of the removal of Escambia County Housing Finance Authority as sponsor.

The bonds are secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120% of annual debt service. The debt service ratio for the year ended June 30, 2018 was 126%. The Foundation is not aware of any violations of the covenants at June 30, 2018.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 9 - NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	2018	2017
Scholarships, student awards and loan funds	\$ 10,813,282	\$ 9,577,420
Faculty support, professorships and chairs	5,015,867	4,454,069
Foundation reserve fund	7,329,767	6,164,630
Programs and other	<u>22,326,308</u>	<u>14,712,375</u>
Total temporarily restricted net assets	<u>\$ 45,485,224</u>	<u>\$ 34,908,494</u>

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity, with only the income to be expended. The following is a summary of permanently restricted net assets at June 30, 2018 and 2017, categorized by the purpose for which the income is expendable:

	2018	2017
Scholarships, student awards and loan funds	\$ 28,435,173	\$ 26,653,768
Faculty support, professorships and chairs	11,763,613	11,763,613
Programs and other	<u>23,176,148</u>	<u>23,546,975</u>
Total permanently restricted net assets	<u>\$ 63,374,934</u>	<u>\$ 61,964,356</u>

NOTE 10 - ENDOWMENTS

The Foundation's endowments consist of 281 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As discussed in Note 7, the Foundation acts as a steward of PMA's cultural endowment program. The endowment of \$699,690 does not follow the Foundation's spending policy. All income from the endowment will provide support to PMA's mission.

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NOTE 10 - ENDOWMENTS (Continued)

Interpretation of Relevant Law -

The Foundation's governing board with guidance from legal counsel has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("Florida UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 by the Foundation in a manner consistent with the standard of prudence prescribed by the Florida UPMIFA. In accordance with the Florida UPMIFA, the Foundation's governing board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Florida UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a loan from unrestricted net assets. For the period ending June 30, 2018 and 2017, the amount of the loan was \$16,370 and \$26,241, respectively. The loan considers donor-restricted endowments where the fair value of the investments was less than donor stipulations plus amounts available for spending. The loan is offset against the net assets released from restrictions on the statement of activities. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board.

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NOTE 10 - ENDOWMENTS (Continued)

Return Objectives and Risk Parameters -

The Foundation's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce the desired minimum rate of return which is equal to the Consumer Price Index ("CPI") plus 400 basis points (4%) for spending, plus an amount for the operating budget on an annualized basis.

The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately CPI plus 600 basis points (6%). Actual returns in any year may vary from this amount. The Investment Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The portfolio of funds is structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the portfolio is expected to be in line with general market conditions.

Strategies Employed for Achieving Objectives -

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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation's spending rate is calculated on a three-year average of the market value of the endowments as of June 30. Spending is awarded for endowments greater than \$25,000 after a one year waiting period. The approved spending rate was 4.00% for fiscal years ended June 30, 2018 and 2017.

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NOTE 10 - ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued) -

The Foundation strives to balance the donor's desire to fund current program, faculty, and scholarship needs with the commitment to preserve over time the donor's gifts to the endowment corpus. Furthermore, the Foundation takes seriously its responsibility to provide prudent fiduciary management, oversight of the endowments, and intergenerational equity. However, the Foundation is aware that despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its governing board, there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event an endowment falls underwater, the Foundation will use a 25% step down spending allocation method to slow the spending from the endowment. For each 10% an endowment is underwater, the allocated endowment spending (exclusive of the operating allocation) will be reduced by 25%. Any endowment more than 30% underwater will receive no endowment spending allocation. The intent of this policy is to attempt to continue to provide spending to support the scholarships, programs, and faculty as designated by the donor and within the limits of Florida laws, while also allowing the endowment to recover more quickly from economic downturns.

The Foundation's operating budget has generally been two percent (2%) of the three-year average of the market value of the investment portfolio. Pursuant to the proposal adopted by the governing board, the goal is to reduce the operating budget to one and one-half percent (1.5%) of the total investment assets. As such, for each \$1,000,000 increase in market value of the investment portfolio above \$50,000,000, the percentage for the operating budget will decrease by one basis point (0.01%), reaching the objective of 1.5% with assets of \$100,000,000. Using this formula, the budget rate for fiscal year 2019 is 1.70%.

Changes in balances for donor and board restricted endowments by net asset class as of June 30, 2018 are as follows:

	Expendable		Nonexpendable	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Balance, July 1, 2017	\$ 1,825,566	\$ 10,906,819	\$ 61,964,356	\$ 74,696,741
Restricted contributions	240	175,672	1,408,116	1,584,028
Loss from cancelled restricted contributions	-	-	(3,637)	(3,637)
Investment income	122,255	5,156,400	-	5,278,655
Net appreciation	48,135	1,693,108	-	1,741,243
Other changes	-	(1,188,153)	6,099	(1,182,054)
Amounts appropriated for expenditures	(330,420)	(2,606,225)	-	(2,936,645)
Endowment Balance, June 30, 2018	<u>\$ 1,665,776</u>	<u>\$ 14,137,621</u>	<u>\$ 63,374,934</u>	<u>\$ 79,178,331</u>

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NOTE 10 - ENDOWMENTS (Continued)

Changes in balances for donor and board restricted endowments by net asset class as of June 30, 2017 are as follows:

	Expendable		Nonexpendable	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Balance, July 1, 2016	\$ 1,587,798	\$ 5,075,167	\$ 55,095,558	\$ 61,758,523
Restricted contributions	-	129,029	6,895,569	7,024,598
Loss from cancelled restricted contributions	-	-	(2,289)	(2,289)
Investment income	67,009	2,790,294	-	2,857,303
Net appreciation	204,763	6,876,889	-	7,081,652
Other changes	-	(1,352,886)	(24,482)	(1,377,368)
Amounts appropriated for expenditures	(34,004)	(2,611,674)	-	(2,645,678)
Endowment Balance, June 30, 2017	<u>\$ 1,825,566</u>	<u>\$ 10,906,819</u>	<u>\$ 61,964,356</u>	<u>\$ 74,696,741</u>

The earnings from investments, and expenditures from those earnings, related to the permanently restricted nonexpendable balances for the years ended June 30, 2018 and 2017 are classified as temporarily restricted.

Endowment composition by net asset class as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 59,353,792	\$ 59,353,792
Donor-restricted expendable balance from permanent endowments	-	13,416,917	-	13,416,917
Donor-restricted unconditional promises to give, at fair value	-	-	4,021,142	4,021,142
Donor-restricted quasi endowments	-	720,704	-	720,704
Board-designated quasi endowments	<u>1,665,776</u>	<u>-</u>	<u>-</u>	<u>1,665,776</u>
Total endowment balance	<u>\$ 1,665,776</u>	<u>\$ 14,137,621</u>	<u>\$ 63,374,934</u>	<u>\$ 79,178,331</u>

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NOTE 10 - ENDOWMENTS (Continued)

Endowment composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 57,413,712	\$ 57,413,712
Donor-restricted expendable balance from permanent endowments	-	10,405,920	-	10,405,920
Donor-restricted unconditional promises to give, at fair value	-	-	4,550,644	4,550,644
Donor-restricted quasi endowments	-	500,899	-	500,899
Board-designated quasi endowments	1,825,566	-	-	1,825,566
Total endowment balance	<u>\$ 1,825,566</u>	<u>\$ 10,906,819</u>	<u>\$ 61,964,356</u>	<u>\$ 74,696,741</u>

As of June 30, 2018 and 2017, \$2,253,509 and \$2,326,465, respectively, of net assets have been designated as quasi-endowment funds to support the missions of the University. The quasi-endowments resulting from internal designations are classified as unrestricted net assets. The quasi-endowments resulting from donor designations are classified as temporarily restricted net assets.

NOTE 11 - RETIREMENT PLAN

Certain Foundation employees working in regularly established positions of the University are covered by the Florida Retirement System ("FRS"), a State-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan ("Plan"). The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other non-integrated programs. These include the Plan, a Deferred Retirement Option Program ("DROP"), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program ("PEORP"). Participating employers include all State departments, counties, district school boards, universities and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially all regular employees of participating employers are eligible.

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service.

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NOTE 11 - RETIREMENT PLAN (Continued)

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. The University, as an employer participating in the Plan, paid an amount between 7.92% to 22.71% and 7.52% to 21.77% for 2018 and 2017, respectively, of each individual's salary to the retirement fund. Prior to July of 2011, the Plan was a non-contributory program for the employee. During 2018 and 2017, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$68,371 and \$81,216 for the years ended June 30, 2018 and 2017, respectively.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefits payments while continuing employment with an FRS employer. An employer may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. No employees participated in DROP during the year ended June 30, 2018. Retirement expense for employees participating in this plan was \$652 for the year ended June 30, 2017.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. Employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. Retirement expenses for employees participating in this plan were \$31,236 and \$22,957 for the years ended June 30, 2018 and 2017, respectively.

Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program ("Program") for eligible State University System faculty and administrators. The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions may make an irrevocable election to participate in the Program rather than the Plan, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant an amount equal to a percentage of the participant's gross monthly compensation. The participant may contribute by salary deduction an amount not to exceed the percentage contributed by the University to the participant's annuity account. Contributions made to the Program for fiscal years ended June 30, 2018 and 2017 totaled \$71,868 and \$76,066, respectively.

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NOTE 11 - RETIREMENT PLAN (Continued)

The University has established a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (“Code”), that is a governmental plan as defined under Code Section 414(d), to provide retirement benefits to eligible employees. Retirement expenses paid by the Foundation in 2018 and 2017 for the University President participating in the plan totaled \$60,106 and \$48,651, respectively.

NOTE 12 - STUDENT HOUSING SYSTEM

The Foundation has a sublease agreement with the Florida Board of Education of the State of Florida on behalf of the University for use of land and certain existing student housing facilities. The lease requires the Foundation to construct additional student housing facilities and to operate the facilities as a consolidated housing system on behalf of the University.

The Student Housing System consists of eight projects, which are the following: the South Side facilities constructed in 1966 and 1972; the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President’s Hall) portions of Phase IV completed in 2010 and 2012, respectively.

The terms of the sublease require the Foundation to pay the University rents of \$10 per year plus variable rent equal to 100% of the Surplus Earnings from the Student Housing System. Surplus Earnings represent cash flows after payment of the operating costs, debt service and reserves. No variable rent was due for either 2018 or 2017. The sublease agreement was signed in 1998 and ends August 31, 2038.

The Foundation and the University have a management operating agreement outlining the responsibilities of both parties for the operations of the Student Housing System. The current agreement was signed on December 1, 2016 and is effective until all bonds outstanding are paid in full.

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NOTE 13 - CONCENTRATIONS

Uninsured Cash Balances:

The Foundation's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At June 30, 2018, the Foundation's uninsured cash balance at financial institutions totaled approximately \$700,000.

At June 30, 2018, the Foundation maintained approximately \$9,282,000 of cash and cash equivalent balances in the State of Florida's Division of Treasury's SPIA investment pool ("Pool"). This amount is the Foundation's pro-rata ownership in the Pool itself, not in the underlying securities. The Pool is invested in a combination of short-term liquid instruments and intermediate term fixed income securities. Federal depository insurance does not insure amounts in the Pool. At June 30, 2018, the Pool was rated at A+f by Standard and Poor's and had an effective duration of 3.00 years. Fair value for this account is determined by multiplying the Foundation's cost for its pro-rata share of the Pool by the Pool's Fair Value Factor ("Factor"). At June 30, 2018, the unaudited Factor was 0.9872. The Factor is determined by an independent pricing service which uses quoted market prices as well as multifactor models for securities which have no quoted market prices.

Additional information may be found in Note 2 to the State of Florida Comprehensive Annual Financial Report ("CAFR") and at the Treasury's website, www.fltreasury.org. Due to the dollar for dollar liquidity of the account, the cash amounts in the Foundation's financial statements that are held in SPIA have not been adjusted for the unaudited fair value factor.

Additional financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash deposits at brokerage firms. These accounts are not insured by the FDIC. At June 30, 2018, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$2,625,000.

Management monitors the soundness of the financial institutions and does not believe the Foundation is exposed to any significant credit risk on cash and cash equivalents.

Contributions Receivable:

For the year ended June 30, 2018, 51% of the Foundation's contributions receivable was due from one donor.

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NOTE 14 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Foundation has conditional asset retirement obligations (“AROs”) primarily related to the encapsulated structural fireproofing in the older residence halls that is not subject to abatement unless the buildings are demolished and non-encapsulated asbestos that the Foundation would remediate only if it performed major renovations of those buildings. Under current accounting guidance, these AROs meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. Because there is no definitive timeframe in which these halls will be demolished and they are tied to the current bond funding that will not be alleviated until 2040, these conditional obligations are considered to have indeterminate settlement dates. Therefore, the Foundation could not develop a reasonable estimate of their fair values. However, the Foundation will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient additional information becomes available.

NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, restricted cash, other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Long-term investments are carried at fair value, as discussed in Note 5. Contributions receivable and assets held under split interest agreements, and the related liabilities, are reported at fair value based on life expectancy of the beneficiary and the present value of expected cash flows using a discount rate.

The fair value of bonds payable is estimated using discounted cash flow analyses based on the Foundation’s current incremental borrowing rates for similar types of bond arrangements.

A comparison of the carrying value of the bonds payable, net, as of June 30, is as follows:

	2018	2017
Carrying amount	\$ 45,725,667	\$ 48,211,464
Fair value	<u>\$ 44,985,773</u>	<u>\$ 48,011,184</u>

The Foundation determined the estimated fair value amounts by using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Foundation or holders of the instruments could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

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NOTE 16 - FAIR VALUE MEASUREMENTS

The Foundation utilizes various methods to measure fair value of its assets and liabilities on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of hierarchy are:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3: Unobservable inputs that are supported by little or no market activity.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of any input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level as described above.

The inputs used to measure the fair value of contributions receivable are categorized as Level 3. All information related to the fair value disclosure of these assets is described in Note 3.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2018 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 59,183,345	\$ 59,183,345	\$ -	\$ -
Debt securities	17,456,679	12,173,971	5,282,708	-
Alternative investments:				
Private equity investments	1,231,297	-	-	1,231,297
Real estate investment trust	3,174,114	-	-	3,174,114
Total alternative investments	4,405,411	-	-	4,405,411
Funds held in trust by others	3,208,207	3,208,207	-	-
Contributions receivable, net	7,336,118	-	-	7,336,118
Total assets measured at fair value	91,589,760	74,565,523	5,282,708	11,741,529
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	8,799,734			
Private equity investments	1,417,554			
Total assets measured at NAV	10,217,288			
Total assets	101,807,048			
Liabilities:				
Funds held in trust	1,604,792	-	-	1,604,792
Due to WFHT	1,238,296	-	1,238,296	-
Total liabilities	2,843,088	-	1,238,296	1,604,792
Total	\$ 98,963,960	\$ 74,565,523	\$ 4,044,412	\$ 10,136,737

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2017 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 53,422,205	\$ 53,422,205	\$ -	\$ -
Debt securities	14,399,904	9,102,445	5,297,459	-
Alternative investments:				
Private equity investments	1,214,879	-	-	1,214,879
Real estate investment trust	1,584,893	-	-	1,584,893
Total alternative investments	2,799,772	-	-	2,799,772
Funds held in trust by others	3,144,979	3,144,979	-	-
Contributions receivable, net	8,167,001	-	-	8,167,001
Total assets measured at fair value	81,933,861	65,669,629	5,297,459	10,966,773
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	15,900,120			
Private equity investments	1,100,024			
Total assets measured at NAV	17,000,144			
Total assets	98,934,005			
Liabilities:				
Funds held in trust	1,642,526	-	-	1,642,526
Due to WFHT	1,336,882	-	1,336,882	-
Total liabilities	2,979,408	-	1,336,882	1,642,526
Total	\$ 95,954,597	\$ 65,669,629	\$ 3,960,577	\$ 9,324,247

The following methods and assumptions were used to estimate the fair value for each class of asset and liability, measured at fair value:

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

Debt securities - Investments in fixed income securities are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis. However, a small segment of debt security holdings are in a High Yield Commingled Fund where there are inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly, and therefore included in Level 2.

Alternative investments - Investments in private equity partnerships for which there is no readily determinable fair value is classified as Level 3 as the valuation is based on significant unobservable inputs.

Private equity and real estate investment trust funds for which there are not readily determinable fair values are classified as Level 3 as the valuation is based on significant unobservable inputs. Private equity real estate are partnerships formed for the purpose of acquiring, holding, managing and selling income producing real estate and real estate related assets including interest in joint venture development projects for current income, investment and capital appreciation over a three to five year holding period.

Funds held in trust by others - Funds held in trust by others are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. The liabilities are classified as Level 3 as they are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

Contributions receivable - Unconditional promises to give that are expected to be collected in future years are recorded at an estimated fair value determined using the discounted present value of expected cash flows. They are classified as Level 3 as the discounts on those amounts are computed using a risk adjusted discount rate applicable at the time promises are received.

Due to WFHT - The amount payable to WFHT is classified as Level 2 as the value correlates directly to the fair value of WFHT's interest in the Foundation's investment pool.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

	Private Equity	Real Estate	Contributions Receivable, net	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	\$ 1,214,879	\$ 1,584,893	\$ 8,167,001	\$ -	\$ 10,966,773
Total gains or losses:					
Included in change in net assets	97,027	355,098	-	-	452,125
Purchases, issuances, sales, and settlements:					
Purchases	216,816	1,547,796	-	-	1,764,612
Settlements	(297,425)	(313,673)	-	-	(611,098)
New pledges, payments, Write-offs:					
New pledges	-	-	560,157	-	560,157
Payments	-	-	(978,367)	-	(978,367)
Write-offs	-	-	(412,673)	-	(412,673)
Total assets	<u>1,231,297</u>	<u>3,174,114</u>	<u>7,336,118</u>	<u>-</u>	<u>11,741,529</u>
Liabilities:					
Beginning balance	-	-	-	1,642,526	1,642,526
Adjustments	-	-	-	(67,526)	(67,526)
Total gains or losses:					
Included in change in net assets	-	-	-	166,887	166,887
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	46,566	46,566
Settlements	-	-	-	(183,661)	(183,661)
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,604,792</u>	<u>1,604,792</u>
Total	<u>\$ 1,231,297</u>	<u>\$ 3,174,114</u>	<u>\$ 7,336,118</u>	<u>\$ (1,604,792)</u>	<u>\$ 10,136,737</u>

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2017:

	Private Equity	Real Estate	Contributions Receivable, net	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	\$ 958,869	\$ 1,912,513	\$ 2,802,212	\$ 3,121,850	\$ 8,795,444
Transfers out of Level 3	-	-	-	(3,121,850)	(3,121,850)
Total gains or losses:					
Included in change in net assets	54,250	231,463	-	-	285,713
Purchases, issuances, sales, and settlements:					
Purchases	793,914	-	-	-	793,914
Settlements	(592,154)	(559,083)	-	-	(1,151,237)
New pledges, payments, Write-offs:					
New pledges	-	-	7,590,155	-	7,590,155
Payments	-	-	(902,757)	-	(902,757)
Write-offs	-	-	(1,322,609)	-	(1,322,609)
Total assets	1,214,879	1,584,893	8,167,001	-	10,966,773
Liabilities:					
Beginning balance	-	-	-	1,795,555	1,795,555
Adjustments	-	-	-	(176,159)	(176,159)
Total gains or losses:					
Included in change in net assets	-	-	-	211,684	211,684
Purchases, issuances, sales, and settlements:					
Settlements	-	-	-	(188,554)	(188,554)
Total liabilities	-	-	-	1,642,526	1,642,526
Total	\$ 1,214,879	\$ 1,584,893	\$ 8,167,001	\$ (1,642,526)	\$ 9,324,247

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the Level 3 assets and liabilities as of June 30, 2018, excluding investments valued using the practical expedient or the net asset value ("NAV").

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Real Estate Investment Trust - Harbert IV:				
Real Estate Partnership Interest	\$ 43,637	Independent Appraisal	Capitalization Rate	8.30%
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 591,258	Independent Appraisal	Capitalization Rate	6.33%
Real Estate Partnership Interest	\$ 691,553	Direct Capitalization	Capitalization Rate	7.02%
Real Estate Partnership Interest	\$ 212,658	Market Transactions (a)	N/A	N/A
Real Estate Investment Trust - Harbert VI:				
Real Estate Partnership Interest	\$ 38,243	Independent Appraisal	Capitalization Rate	N/A
Real Estate Partnership Interest	\$ 435,844	Direct Capitalization	Capitalization Rate	7.27%
Real Estate Partnership Interest	\$1,160,921	Market Transactions (a)	N/A	N/A
Private Equity Investments - Step Stone:				
Preferred Partnership Interest	\$ 435,027	Market Approach	LTM EBITDA Multiple (7.8X)	
Member or Partnership Interest	\$ 431,664	Market Approach; Recent Transaction Price (b)	LTM EBITDA Multiple (9.6X); Discount for lack of marketability	15%

(a) Market Transactions include related capital expenditures of a particular investment.

(b) Investment is valued based on pending transactions with an expended close date after valuation date.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund:				
Common Securities	\$ 33,628	Market Comparable Companies	EBITDA Multiple (10.8X)	11.5x
Common Securities	\$ 9,029	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 1,953	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 4,621	Impairment analysis/Market comparable companies	EBITDA Multiple (10.8X)	11.1x
Debt Securities	\$ 129,206	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 186,169	Relative Value Analysis	Yield to Maturity 10.83%	12.22%
Contributions receivable, net	\$7,336,118	Discounted present value	Discounted present value of expected cash flows at a risk-adjusted discount rate applicable at the time promises are received	N/A
Funds Held in Trust - Liabilities	\$1,604,792	Factor times Annuity	Value of \$1 paid every year discounted for both mortality and interest multiplied by the annual amount paid to annuitant(s)	N/A

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The following table lists investments in hedge funds and investment limited partnerships by strategy, excluding investments measured at fair value, as of June 30, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Non-Directional absolute return	\$ 101,183	\$ -	Quarterly	90 Days
Equity market neutral	8,698,551	-	Quarterly to Semi-annual	95 Days
Private equity investments	<u>1,417,554</u>	<u>2,335,764</u>	N/A*	N/A*
	<u>\$ 10,217,288</u>	<u>\$ 2,335,764</u>		

* These funds are in private equity structures, with no ability to be redeemed.

** These funds are in trust that have no identifiable redemption period.

NOTE 17 - CONTINGENCY

During the year ended June 30, 2016, management decided to take the Southside units, which are part of the University's student housing system, off line. This action was compliant with the covenants in Section 5.14 of all the bond agreements, which allow housing facilities to be abandoned, sold, converted, razed or removed in the event that the facilities are found to be not capable of producing positive net revenues. Management has been considering this action as a portion of these units have been taken off line over the past few years. The Southside units, originally constructed in the 1960's, are the oldest units and maintenance costs have increased each year. It was economically unfeasible to continue to operate these units in their current capacity. Management continues to explore alternative uses of the Southside units, including Greek housing, that are in line with the University's master plan. Conversion costs and the highest and best use alternatives for these assets were uncertain at June 30, 2018.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 18 - SUBSEQUENT EVENT

At its September 30, 2018 meeting, the Foundation Board voted to execute an amendment to the sublease, which is discussed in Note 12, to revert six of the fifteen Southside units back to the University. As a result, the Foundation will recognize a loss on disposal of property of approximately \$300,000 during fiscal year 2019.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF STUDENT HOUSING SYSTEM REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Revenues:		
Rent	\$ 8,848,847	\$ 9,949,539
Interest	168,220	146,617
Other	241,032	314,427
Total revenues	<u>9,258,099</u>	<u>10,410,583</u>
Operating Expenses:		
Salaries and wages	2,031,881	2,181,272
Administrative and general	417,285	520,241
Loss on extinguishment of debt	-	3,693,269
Maintenance and repairs	1,294,057	1,175,478
Insurance	190,932	178,801
Utilities	1,130,193	1,154,017
Interest	1,745,791	1,928,670
Depreciation and amortization	<u>2,906,869</u>	<u>2,829,877</u>
Total operating expenses	<u>9,717,008</u>	<u>13,661,625</u>
Deficiency of Revenues Under Expenses	<u><u>\$ (458,909)</u></u>	<u><u>\$ (3,251,042)</u></u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF FINANCIAL POSITION
(EXCLUDING THE STUDENT HOUSING SYSTEM)
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 2,304,203	\$ 1,686,740
Restricted cash equivalents	2,115,784	1,334,968
Contributions receivable, net	7,336,118	8,167,001
Other receivables, net	83,991	124,671
Due from University	378,796	146,229
Prepaid expenses	127,110	123,120
Long-term investments	91,849,613	88,223,825
Property and equipment, net	7,845,571	1,454,483
Assets held under split interest agreements	3,208,207	3,144,979
Other assets	1,741,780	326,276
Total Assets	\$ 116,991,173	\$ 104,732,292

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 752,210	\$ 560,024
Liabilities held under split interest agreements	1,604,792	1,642,526
Due to West Florida Historic Trust	1,238,296	1,336,882
Total liabilities	3,595,298	3,539,432

Commitments and Contingencies

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Net Assets:

Unrestricted	4,535,717	4,320,010
Temporarily restricted	45,485,224	34,908,494
Permanently restricted	63,374,934	61,964,356
Total net assets	113,395,875	101,192,860

Total Liabilities and Net Assets

\$ 116,991,173	\$ 104,732,292
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UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2018 Total	2017 Total
Bad debt expense	\$ -	\$ 6,564	\$ 18,412	\$ -	\$ 6	\$ 24,982	\$ 34,702
Bond expense	-	-	20,756	-	-	20,756	38,728
Depreciation and amortization	-	84,115	2,906,869	-	-	2,990,984	2,829,877
Equipment	-	57,056	2,660	-	-	59,716	101,694
Housing administrative and general	-	-	56,593	-	-	56,593	72,410
Insurance	-	33,749	190,932	-	20,655	245,336	200,432
Interest	-	-	1,745,791	-	-	1,745,791	1,928,670
Investment and consultant fees	-	5,304	-	-	262,068	267,372	259,665
Lobbying	-	30,000	-	-	90,000	120,000	95,000
Maintenance and repairs	-	-	1,294,057	-	-	1,294,057	1,175,478
Miscellaneous	-	243,022	-	7,186	15,728	265,936	208,086
Office	-	296,583	113,193	43,169	90,560	543,505	457,237
Professional development	-	99,134	3,567	16,091	3,856	122,648	99,740
Professional services	-	753,740	10,000	34,025	77,177	874,942	642,401
Public radio program	-	285,213	-	-	-	285,213	267,786
Public relations	-	80,255	-	26,929	19,022	126,206	156,300
Recruitment	-	34,832	1,552	418	1,093	37,895	54,479
Rental	-	41,698	-	6,945	294	48,937	60,998
Salaries and wages	-	1,368,863	2,031,881	143,700	1,536,786	5,081,230	5,118,442
Scholarships	1,947,358	-	-	-	-	1,947,358	1,240,964
Service charges and other fees	-	178,456	131,279	3,260	(108,067)	204,928	255,129
Loss on extinguishment of debt	-	-	-	-	-	-	3,693,269
Student and staff support	-	653	-	-	-	653	1,238
Travel and entertainment	-	348,937	59,273	64,532	35,254	507,996	523,975
University support	-	1,297,748	-	-	(33,038)	1,264,710	4,400,235
Utilities	-	-	1,130,193	-	-	1,130,193	1,154,017
	<u>\$ 1,947,358</u>	<u>\$ 5,245,922</u>	<u>\$ 9,717,008</u>	<u>\$ 346,255</u>	<u>\$ 2,011,394</u>	<u>\$ 19,267,937</u>	<u>\$ 25,070,952</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
CHAIRS UNDER EMINENT SCHOLARS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Name of Gift	Beginning Corpus Balance	Beginning Net Balance	Corpus Contributed During the Year	Net Investment Earnings	Expenditures	Other Expenditures and Transfers	Fund Balance Net of Earnings, Expense & Transfers	Ending Corpus Balance	Ending Total Balance
William Craig Nystul Chair	\$ 1,210,852	\$ 1,518,663	\$ -	\$ 153,069	\$ 5,835	\$ 81,052	\$ 1,584,845	\$ 1,210,852	\$ 1,584,845
John C. Pace, Sr., Business Chair	1,000,000	1,249,724	-	125,962	4,802	66,698	1,304,186	1,000,000	1,304,186
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,378,976	-	340,573	12,983	180,337	3,526,229	2,644,500	3,526,229
John C. Pace, Jr., Distinguished University Professorship	3,966,750	5,068,462	-	510,860	19,474	270,505	5,289,343	3,966,750	5,289,343
Mary Ball Washington Chair	1,320,155	1,554,354	-	156,666	5,972	82,956	1,622,092	1,320,155	1,622,092
Total - Eminent Scholars Program	<u>\$ 10,142,257</u>	<u>\$ 12,770,179</u>	<u>\$ -</u>	<u>\$ 1,287,130</u>	<u>\$ 49,066</u>	<u>\$ 681,548</u>	<u>\$ 13,326,695</u>	<u>\$ 10,142,257</u>	<u>\$ 13,326,695</u>

I hereby certify that the above is an accurate representation of the activity for this program.


 Daniel Lucas, Chief Financial Officer

October 23, 2018
 Date

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Name of Gift	Beginning	Beginning	Corpus	Investments	Spending	Fund Balance		Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed			Net of	Earnings, Expenses				
	Balance	Balance	During the	Investment	& Other	Spending	& Transfers	for	Unrestricted	Corpus	Total
			Year	Earnings	Expenses	Transfers		Spending	Transfers	Balance	Balance
Alexander Memorial Scholarship	\$ 282,852	\$ 304,684	\$ -	\$ 30,710	\$ 5,512	\$ 11,920	\$ 317,962	\$ -	\$ -	\$ 282,852	\$ 317,962
Alfred duPont Foundation Scholarship	355,000	375,797	40,000	38,240	7,395	12,910	433,732	-	-	395,000	433,732
Bank of America	150,000	166,814	-	16,814	3,018	6,526	174,084	-	-	150,000	174,084
Baptist Hospital Fund	170,539	227,090	-	22,406	4,022	8,696	236,778	-	-	170,539	236,778
Barnett Bank Endowment	166,692	222,199	-	22,879	4,107	8,880	232,091	-	-	166,692	232,091
Blue Cross & Blue Shield Nursing Scholarship	155,673	161,867	-	16,315	2,929	6,307	168,946	-	-	155,673	168,946
C. L. Fountain Family Business Ethics	100,000	107,073	-	10,792	1,937	4,189	111,739	-	-	100,000	111,739
Cacilda Prado Pace Library Fund	150,346	155,274	-	15,651	2,809	6,042	162,074	-	-	150,346	162,074
Chadbourne Foundation - PIC/UWF	186,434	229,537	5,000	-	4,228	8,548	221,761	-	-	191,434	221,761
Chadbourne Foundation Business Ethics	300,000	315,972	-	31,848	5,716	12,307	329,797	-	-	300,000	329,797
Charles & Fran Switzer Business Ethics	198,774	210,371	-	21,204	3,806	8,230	219,539	-	-	198,774	219,539
CHARLOTTE	150,000	183,696	-	18,515	3,323	7,187	191,701	-	-	150,000	191,701
Dorothy Martin Endowment	150,005	184,054	-	18,552	3,329	7,201	192,076	-	-	150,005	192,076
E. W. Hopkins Jr., Professorship	175,343	231,647	-	23,349	4,192	9,062	241,742	-	-	175,343	241,742
Elizabeth R. Woolf	275,412	340,297	-	34,299	6,156	13,313	355,127	-	-	275,412	355,127
Gulf Power Electrical Engineering	152,700	158,653	-	15,991	2,870	6,182	165,592	-	-	152,700	165,592
Harold E. & Pat Marcus History/Archaeology	150,000	175,759	-	17,715	3,180	6,876	183,418	-	-	150,000	183,418
Jane & Fred Seligman Endowment	207,251	215,511	-	21,722	3,899	8,398	224,936	-	-	207,251	224,936
John C. Pace, Jr., Memorial Endowment	8,592,090	10,840,047	-	1,092,589	196,093	424,093	11,312,450	-	-	8,592,090	11,312,450
John C. Pace, Jr., Memorial Scholarship Fund	7,740,835	9,837,296	-	991,520	177,954	384,862	10,266,000	-	-	7,740,835	10,266,000
John L. Switzer Business Ethics	195,688	206,835	-	20,847	3,742	8,092	215,848	-	-	195,688	215,848
Katherine C. Pace Memorial Endowment	1,700,000	1,713,614	-	172,717	30,998	66,773	1,788,560	-	-	1,700,000	1,788,560
Kerrigan Daughters' Endowment	340,204	353,253	-	35,605	6,389	13,765	368,704	-	-	340,204	368,704
Levin Fund	251,906	305,378	-	30,779	5,525	11,947	318,685	-	-	251,906	318,685
Mabie Fund	324,014	385,044	-	38,810	6,966	15,064	401,824	-	-	324,014	401,824
Mattie M. Kelly Music Education Fund	163,443	215,083	-	21,679	3,891	8,414	224,457	-	-	163,443	224,457
Maygarden Lecture Series	162,810	174,926	-	17,631	3,165	6,843	182,549	-	-	162,810	182,549
Medical Center Clinic Endowment	164,306	207,195	-	20,884	3,748	8,106	216,225	-	-	164,306	216,225

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

Name of Gift	Beginning	Beginning	Corpus		Investments		Fund Balance				
	Corpus	Net	Contributed	Investment	& Other	Spending	Net of	Reclass	Loan from	Ending	Ending
	Balance	Balance	During the	Earnings	Expenses	Transfers	Earnings, Expenses	for	Unrestricted	Corpus	Total
			Year				& Transfers	Spending	Transfers	Balance	Balance
National Defense Industrial Assoc Sch End	150,000	154,468	-	15,569	2,795	6,019	161,223	-	-	150,000	161,223
Orville Beckford Scholarship Endowment	150,050	178,533	-	17,995	3,229	6,985	186,314	-	-	150,050	186,314
Pickens Foundation For Education	162,349	202,748	207	20,444	3,672	7,915	211,812	-	-	162,556	211,812
Pre Professional Endowment	165,338	232,510	-	23,435	4,206	9,096	242,643	-	-	165,338	242,643
Raymond C. Dyson Fund I	177,422	227,592	-	22,940	4,118	8,904	237,510	-	-	177,422	237,510
Raymond C. Dyson Fund II	162,282	204,553	-	20,617	3,700	8,002	213,468	-	-	162,282	213,468
Rotary Business Ethics	105,000	110,346	-	11,122	1,996	4,317	115,155	-	-	105,000	115,155
Sacred Heart Allied Health Endowment	163,947	218,370	-	22,010	3,950	8,543	227,887	-	-	163,947	227,887
Seymour Gitenstein Scholarship Endowment	200,000	176,822	-	17,822	3,198	10,383	181,063	-	-	200,000	181,063
Switzer Brothers Professorship Endowment	581,859	612,943	-	61,780	11,088	23,884	639,751	-	-	581,859	639,751
T. T. Wentworth, Jr. Historical Center	151,240	145,939	-	14,710	2,640	5,650	152,359	-	-	151,240	152,359
William D. Smart Seminar Series in Chem. End.	161,579	162,509	-	16,379	2,939	6,292	169,657	-	-	161,579	169,657
Women's Athletic Trust Fund	168,451	207,845	560	20,990	3,779	8,100	217,516	-	-	169,011	217,516
Total	\$ 25,611,834	\$ 31,040,144	\$ 45,767	\$ 3,105,876	\$ 562,209	\$ 1,214,823	\$ 32,414,755	\$ -	\$ -	\$ 25,657,601	\$ 32,414,755

I hereby certify that the above is an accurate representation of the activity for this program.


Daniel Lucas, Chief Financial Officer

10/23/2018
Date