

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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.

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, 2016 and 2015, 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 August 31, 2016, 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
August 31, 2016

**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, 2016, 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 August 31, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
University of West Florida Foundation, Inc.

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.

A handwritten signature in black ink, reading "Saltmarsh Clauleland & Lund". The signature is written in a cursive, flowing style.

Pensacola, Florida
August 31, 2016

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 1,833,360	\$ 1,592,636
Restricted cash equivalents	12,009,423	12,454,548
Contributions receivable, net	2,802,212	2,170,155
Other receivables, net	206,595	148,922
Due from University	278,696	379,616
Prepaid expenses	194,195	126,949
Long-term investments	75,880,105	73,557,825
Property and equipment, net	50,694,794	52,245,390
Assets held under split interest agreements	3,121,850	295,598
Other assets	353,073	255,066
Total Assets	\$ 147,374,303	\$ 143,226,705

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 650,797	\$ 736,115
Liabilities held under split interest agreements	1,795,555	198,375
Due to West Florida Historic Trust	1,157,601	1,238,099
Bonds payable, net	47,956,174	50,256,521
Total liabilities	51,560,127	52,429,110

Commitments and Contingencies

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Net Assets:

Unrestricted -		
Undesignated	1,802,410	1,962,380
Board designated	2,035,286	1,877,694
Student Housing System	12,329,976	10,985,957
Total unrestricted	16,167,672	14,826,031
Temporarily restricted	24,550,946	26,024,342
Permanently restricted	55,095,558	49,947,222
Total net assets	95,814,176	90,797,595

Total Liabilities and Net Assets	\$ 147,374,303	\$ 143,226,705
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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, 2016 AND 2015

	Unrestricted		Temporarily	Permanently	2016
	Foundation	Student Housing	Restricted	Restricted	Total
Revenue, Support and Reclassifications:					
Contributions	\$ 934,358	\$ -	\$ 6,640,128	\$ 4,846,621	\$ 12,421,107
Interest and dividends	4,126	-	1,087,761	-	1,091,887
Net unrealized and realized gain (loss) on long-term investments	872,837	-	(3,656,364)	-	(2,783,527)
Student housing system	-	12,004,897	-	-	12,004,897
Other income	218,712	-	-	-	218,712
Reclassification of net assets	-	-	(303,215)	303,215	-
Net assets released from restrictions	5,241,706	-	(5,241,706)	-	-
 Total revenue, support and reclassifications	 7,271,739	 12,004,897	 (1,473,396)	 5,149,836	 22,953,076
Expenses:					
Direct program services -					
Scholarships	1,025,649	-	-	-	1,025,649
Other program services	3,986,413	-	-	-	3,986,413
Student housing system	-	10,660,878	-	-	10,660,878
Total direct program services	5,012,062	10,660,878	-	-	15,672,940
Supporting services -					
Fundraising	376,122	-	-	-	376,122
General and administrative	1,885,933	-	-	-	1,885,933
Total supporting services	2,262,055	-	-	-	2,262,055
 Total expenses	 7,274,117	 10,660,878	 -	 -	 17,934,995
 Loss from cancelled restricted contributions	 -	 -	 -	 1,500	 1,500
 Total expenses and losses	 7,274,117	 10,660,878	 -	 1,500	 17,936,495
 Change in Net Assets	 (2,378)	 1,344,019	 (1,473,396)	 5,148,336	 5,016,581
 Net Assets, Beginning of Year	 3,840,074	 10,985,957	 26,024,342	 49,947,222	 90,797,595
 Net Assets, End of Year	 \$ 3,837,696	 \$ 12,329,976	 \$ 24,550,946	 \$ 55,095,558	 \$ 95,814,176

Unrestricted				
Foundation	Student Housing	Temporarily Restricted	Permanently Restricted	2015 Total
\$ 893,763	\$ -	\$ 2,309,147	\$ 1,403,098	\$ 4,606,008
21,547	-	994,289	-	1,015,836
712,404	-	389,302	-	1,101,706
-	11,919,522	-	-	11,919,522
179,844	-	-	-	179,844
-	-	106,099	(106,099)	-
4,963,180	-	(4,963,180)	-	-
6,770,738	11,919,522	(1,164,343)	1,296,999	18,822,916
1,124,533	-	-	-	1,124,533
3,165,448	-	-	-	3,165,448
-	11,236,326	-	-	11,236,326
4,289,981	11,236,326	-	-	15,526,307
386,453	-	-	-	386,453
1,771,062	-	-	-	1,771,062
2,157,515	-	-	-	2,157,515
6,447,496	11,236,326	-	-	17,683,822
-	-	-	1,024,842	1,024,842
6,447,496	11,236,326	-	1,024,842	18,708,664
323,242	683,196	(1,164,343)	272,157	114,252
3,516,832	10,302,761	27,188,685	49,675,065	90,683,343
\$ 3,840,074	\$ 10,985,957	\$ 26,024,342	\$ 49,947,222	\$ 90,797,595

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, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,016,581	\$ 114,252
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Net unrealized and realized gain (loss) on long-term investments	2,783,527	(1,101,706)
Contributions restricted for long-term purposes	(4,846,621)	(1,403,098)
Bad debt expense (recovery)	49,687	(3,634)
Loss from cancelled restricted contributions	1,500	1,024,842
Loss from property abandonment	140,380	-
Loss on bond defeasance	-	341,042
Change in fair value of -		
Contributions receivable	(180,417)	(77,490)
Split interest agreements	(1,229,072)	15,912
Cash surrender value of insurance policies	(98,007)	(64,940)
Depreciation and amortization	2,813,518	2,772,363
Net amortization of bond discount	11,197	8,313
Change in operating assets and liabilities -		
Contributions receivable	(454,878)	132,830
Other receivables	(105,622)	28,736
Due from University	100,920	(13,818)
Prepaid expenses	(67,246)	18,458
Accounts payable and accrued expenses	(85,318)	41,155
Net cash provided by operating activities	<u>3,850,129</u>	<u>1,833,217</u>
Cash Flows From Investing Activities:		
Purchases of investments	(11,995,496)	(15,635,497)
Proceeds from sales, maturities, and distributions of investments	6,889,689	14,797,347
Acquisition of property and equipment	(1,342,550)	(1,325,179)
Due to West Florida Historic Trust	(80,498)	2,195
Net cash used in investing activities	<u>(6,528,855)</u>	<u>(2,161,134)</u>
Cash Flows From Financing Activities:		
Proceeds from bond issuance	-	14,393,280
Defeasance of bond	-	(14,880,000)
Bond principal payments	(2,254,934)	(1,446,000)
Bond issuance costs	(117,362)	(122,051)
Contributions to permanent endowments	4,846,621	1,403,098
Net cash provided by (used in) financing activities	<u>2,474,325</u>	<u>(651,673)</u>
Net Decrease in Cash and Cash Equivalents	(204,401)	(979,590)
Cash and Cash Equivalents at Beginning of Year	<u>14,047,184</u>	<u>15,026,774</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 13,842,783</u></u>	<u><u>\$ 14,047,184</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, 2016 AND 2015
(Continued)

	<u>2016</u>	<u>2015</u>
Analysis of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 1,833,360	\$ 1,592,636
Restricted cash equivalents	<u>12,009,423</u>	<u>12,454,548</u>
	<u><u>\$ 13,842,783</u></u>	<u><u>\$ 14,047,184</u></u>
 Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u><u>\$ 2,200,604</u></u>	<u><u>\$ 2,696,218</u></u>
 Supplemental Disclosure of Noncash Investing Activities:		
Abandonment of construction in progress	<u><u>\$ 140,380</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, 2016 AND 2015

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, 2016 AND 2015

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, FASB 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, 2016 AND 2015

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").

In March 2015, SPIA enacted liquidity requirements limiting the amount of money SPIA participants could 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 (3) 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. With the newly enacted liquidity requirements, SPIA 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, 2016 AND 2015

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.

Collections:

The Foundation has capitalized its collections since its inception. Collections consist of paintings donated to the Foundation. Works of art are stated at the estimated fair market value at the time of donation. Gains and losses on the deaccession of donated collection items are classified in the statement of activities based on the absence or existence and nature of donor restrictions placed on the item at the time of donation.

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.

Bond Discounts:

Bond discounts 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 are presented as a reduction of 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, 2016 and 2015, accrued compensated absences totaling \$258,247 and \$243,114 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, 2016 AND 2015

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.

Reclassifications:

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events:

Management has evaluated subsequent events through August 31, 2016, the date which the financial statements were available for issue.

Recent Accounting Standards:

During the year ended June 30, 2016, the Foundation elected to early adopt and retrospectively apply FASB Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs be presented as a direct deduction from the carrying amount of the debt rather than as an asset, consistent with debt discounts. The June 30, 2015 balance sheet previously reported bonds payable of \$51,231,817 in liabilities, with the associated \$975,296 unamortized debt issuance costs included in bond issue costs, net. There was no impact on the results of operations as a result of the adoption of ASU 2015-03.

NOTE 2 - RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents at June 30 consist of the following:

	2016	2015
	<hr/>	<hr/>
Housing operating reserves	\$ 1,192,064	\$ 1,173,603
Housing replacement reserves	1,028,595	1,049,230
Housing contingency and improvement reserve	7,287,042	6,924,267
Courtelis reserve	772,444	861,986
SPIA operating reserves	728,135	1,444,832
2009 bond issuance -		
Special interest checking	1,001,134	1,000,623
2010 bond interest	6	6
2011 bond issuance -		
Principal	1	1
2015 bond issuance -		
Principal	2	-
	<hr/>	<hr/>
	<u>\$ 12,009,423</u>	<u>\$ 12,454,548</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
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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 20%, based on the prevailing five-year Treasury constant maturities. The current year fair value adjustment to contributions revenue for temporarily and permanently restricted was \$42,183 and \$160,846 respectively. For the year ending June 30, 2015, the fair value adjustment to contributions revenue for temporarily and permanently restricted was \$55,497 and \$327,949, 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 2016 and 2015, there were no transfers of contributions receivable into or out of Level 3.

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

	2016	2015
In one year or less	\$ 568,066	\$ 461,161
Between one and five years	1,026,014	541,361
Greater than five years	1,416,250	1,552,930
Total contributions receivable, gross	3,010,330	2,555,452
Less discounts to net fair value	203,029	383,446
Less allowance for doubtful accounts	5,089	1,851
Net contributions receivable, fair value	<u>\$ 2,802,212</u>	<u>\$ 2,170,155</u>

The table below presents information about unconditional promises to give measured at fair value at June 30, 2016:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	\$ 1,131,733	\$ 1,878,597
Fair value estimate	\$ 1,089,549	\$ 1,717,752
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 42,184	\$ 160,845
Total changes included in the statement of activities	\$ 42,184	\$ 160,845

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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, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Promises measured at Fair Value		
Promised cash flows	\$ 606,375	\$ 1,949,077
Fair value estimate	\$ 550,878	\$ 1,621,128
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 55,497	\$ 327,949
 Total changes included in the statement of activities	 \$ 55,497	 \$ 327,949

Changes in unconditional promises to give for the year ended June 30, 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning Balance, July 1, 2015	\$ 550,878	\$ 1,621,128
New promises received	788,450	368,102
Collections	(263,093)	(438,581)
Contribution revenue	<u>13,314</u>	<u>167,103</u>
 Ending Balance, June 30, 2016	 <u><u>\$ 1,089,549</u></u>	 <u><u>\$ 1,717,752</u></u>

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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Changes in unconditional promises to give for the year ended June 30, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted
Beginning Balance, July 1, 2014	\$ 484,288	\$ 2,767,984
New promises received	309,775	318,000
Collections	(328,532)	(431,999)
Contribution revenue	(9,653)	87,143
Management and general (write-offs)	-	(1,025,000)
Change in pledge terms	95,000	(95,000)
	<u>550,878</u>	<u>(95,000)</u>
Ending Balance, June 30, 2015	<u>\$ 550,878</u>	<u>\$ 1,621,128</u>

Conditional promises to give amounted to \$2,438,052 at June 30, 2016 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:

	2016	2015
Student loan fund	\$ 62,879	\$ 62,119
Rent, less allowance of \$205,565 in 2016 and \$157,616 in 2015	126,070	71,476
Other	17,646	15,327
	<u>206,595</u>	<u>153,922</u>
Net other receivables	<u>\$ 206,595</u>	<u>\$ 148,922</u>

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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 \$185,578 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 in the long-term pool are carried at fair value and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
June 30, 2016:			
Equity securities -			
Common stock and mutual funds	\$ 43,910,566	\$ 46,386,579	\$ 2,476,013
Debt securities	10,131,886	10,686,444	554,558
Alternative investments -			
Fund of fund hedge funds	11,005,742	14,746,138	3,740,396
Private equity investments	1,716,730	2,148,431	431,701
Real estate investment trust	1,778,429	1,912,513	134,084
	<u>\$ 68,543,353</u>	<u>\$ 75,880,105</u>	<u>\$ 7,336,752</u>
June 30, 2015:			
Equity securities -			
Common stock and mutual funds	\$ 38,276,175	\$ 43,878,543	\$ 5,602,368
Debt securities	10,129,034	10,332,591	203,557
Alternative investments -			
Fund of fund hedge funds	11,005,742	15,815,353	4,809,611
Private equity investments	1,659,878	2,032,648	372,770
Real estate investment trust	1,434,679	1,498,690	64,011
	<u>\$ 62,505,508</u>	<u>\$ 73,557,825</u>	<u>\$ 11,052,317</u>

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JUNE 30, 2016 AND 2015

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 10, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$4,731,745. However, individual donor-restricted endowment funds were deficient, totaling \$773,888, where the fair value of the investments at June 30, 2016 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, 2016 -		
Dividends and interest	\$ 4,126	\$ 1,087,761
Net realized gain on investments	3,040	778,101
Unrealized gain (loss) on investments	<u>869,797</u>	<u>(4,434,465)</u>
Total return on investments	<u><u>\$ 876,963</u></u>	<u><u>\$ (2,568,603)</u></u>
Year Ended June 30, 2015 -		
Dividends and interest	\$ 21,547	\$ 994,289
Net realized gain on investments	55,225	2,502,871
Unrealized gain (loss) on investments	<u>657,179</u>	<u>(2,113,569)</u>
Total return on investments	<u><u>\$ 733,951</u></u>	<u><u>\$ 1,383,591</u></u>

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JUNE 30, 2016 AND 2015

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2016	2015
Land	\$ 1,454,483	\$ 1,454,483
Property held under capital lease	74,278,716	73,324,046
Office equipment and software	486,017	465,051
	<u>76,219,216</u>	<u>75,243,580</u>
Less accumulated depreciation	27,571,267	24,818,502
	<u>48,647,949</u>	<u>50,425,078</u>
Construction in progress	1,123,712	954,362
Idle property, net	<u>923,133</u>	<u>865,950</u>
	<u><u>\$ 50,694,794</u></u>	<u><u>\$ 52,245,390</u></u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$2,752,766 and \$2,705,239, 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, 2016 and 2015, amortization of the property under capital lease totaled \$2,716,340 and \$2,668,812, respectively. See Note 12 for further capital lease disclosure.

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, 2016, none of the Foundation's long-lived assets were considered to be materially impaired.

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NOTE 7 - RELATED PARTY TRANSACTIONS

At June 30, 2016 and 2015, 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, 2016 and 2015, the cash balances held by the University were \$278,696 and \$379,616 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 \$1,157,601 and \$1,238,099 at June 30, 2016 and 2015, respectively, and are included in due to WFHT.

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 non-for-profit organizations when not charged. Salaries and benefits of University employees providing such support total approximately \$773,000 and \$764,000 in 2016 and 2015, respectively, and are included in general and administrative expenses. The University also provides centralized payroll processing and IT support that management estimates as immaterial to these financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 8 - BONDS PAYABLE

Revenue Bonds consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
\$14,393,280 Dormitory Refunding Revenue Bonds, Series 2015, due in annual installments of \$709,936 to \$1,120,171, from June 1, 2016 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	\$ 13,683,344	\$ 14,393,280
\$15,000,000 Dormitory Revenue Bonds, Series 2009, due in annual installments of \$487,000 to \$1,190,000, from June 1, 2011 through June 1, 2029 with an interest rate of 5.09% due semiannually, June 1 and December 1	11,680,000	12,304,000
\$9,226,000 Dormitory Refunding Revenue Bonds, Series 2010, due in annual installments of \$591,000 to \$830,500, from June 1, 2016 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	8,635,000	9,226,000
\$16,525,000 Dormitory Revenue Bonds, Series 2011, due in annual installments of \$300,000 to \$1,120,000, from June 1, 2013 through June 1, 2040 with interest ranging from 3.00% to 5.875% due semiannually, June 1 and December 1	<u>15,265,000</u>	<u>15,595,000</u>
Bonds payable	49,263,344	51,518,280
Less unamortized discount and issue costs	<u>1,307,170</u>	<u>1,261,759</u>
Bonds payable, net of unamortized discount and issue costs	<u><u>\$ 47,956,174</u></u>	<u><u>\$ 50,256,521</u></u>

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NOTE 8 - BONDS PAYABLE (Continued)

Interest of \$173,269 and \$191,149 was accrued on the bonds as of June 30, 2016 and 2015, respectively.

Maturities of the Revenue Bonds are as follows:

<u>For the year ending</u>	
2017	\$ 2,346,044
2018	2,424,497
2019	2,517,196
2020	2,611,371
2021	2,710,073
Thereafter	<u>36,654,163</u>
	<u><u>\$ 49,263,344</u></u>

During fiscal year 2015, the Foundation advance refunded the 2005 Dormitory Refunding Revenue bonds with a private placement bond sponsored through the Escambia County Housing Finance Authority. The transaction reduced total debt service payments by approximately \$2,169,000, a net present value savings of approximately 11.17% or \$1,661,000. As a result, the transaction is accounted for as an extinguishment of debt under FASB ASC 470, *Debt*. The refunding resulted in a difference between the reacquisition price and the net carrying amount of \$341,042 and is recorded in Student Housing expenses in the accompanying financial statements.

The 2009 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

The 2010 Dormitory Refunding Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to refund \$11.5 million from the 1998 Dormitory Revenue bonds. During the year ended June 30, 2016, the Foundation obtained an interest rate reduction sponsored by the Escambia County Housing Finance Authority. This reduced the debt service payments by approximately \$746,000, a net present value savings of approximately 6.6% or \$607,000. As a result, the transaction is accounted for as a loan modification under FASB ASC 470, *Debt*. The modification resulted in capitalization of bond issuance costs of \$117,362.

The 2011 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

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NOTE 8 - BONDS PAYABLE (Continued)

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, 2016 was 155%. The Foundation is not aware of any violations of the covenants at June 30, 2016.

NOTE 9 - NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Scholarships, student awards and loan funds	\$ 5,724,917	\$ 6,881,474
Faculty support, professorships and chairs	3,657,002	4,576,236
Foundation reserve fund	2,665,802	3,535,700
Programs and other	<u>12,503,225</u>	<u>11,030,932</u>
 Total temporarily restricted net assets	 <u><u>\$ 24,550,946</u></u>	 <u><u>\$ 26,024,342</u></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, 2016 and 2015, categorized by the purpose for which the income is expendable:

	<u>2016</u>	<u>2015</u>
Scholarships, student awards and loan funds	\$ 25,049,854	\$ 22,634,860
Faculty support, professorships and chairs	11,763,613	11,763,604
Programs and other	<u>18,282,091</u>	<u>15,548,758</u>
 Total permanently restricted net assets	 <u><u>\$ 55,095,558</u></u>	 <u><u>\$ 49,947,222</u></u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 10 - ENDOWMENTS

The Foundation's endowments consist of 255 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.

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

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NOTE 10 - ENDOWMENTS (Continued)

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, 2016 and 2015, the amount of the loan was \$156,283 and \$15,355, respectively. 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.

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 additional 200 basis points (2%) 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, 2016 and 2015.

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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 is generally 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 from two percent (2%) 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 2016-2017 is 1.78%.

Changes in balances for donor and board restricted endowments by net asset class as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 53,379,642	\$ 53,379,642
Donor-restricted expendable balance from permanent endowments	-	4,731,745	-	4,731,745
Donor-restricted unconditional promises to give, at fair value	-	-	1,715,916	1,715,916
Donor-restricted quasi endowments	-	343,422	-	343,422
Board-designated quasi endowments	1,587,798	-	-	1,587,798
Total endowment balance	<u>\$ 1,587,798</u>	<u>\$ 5,075,167</u>	<u>\$ 55,095,558</u>	<u>\$ 61,758,523</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, 2015 are as follows:

	Expendable		Nonexpendable	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Balance, July 1, 2014	\$ 1,540,320	\$ 13,128,848	\$ 49,675,065	\$ 64,344,233
Restricted contributions	-	-	1,403,098	1,403,098
Loss from cancelled restricted contributions	-	-	(1,024,842)	(1,024,842)
Investment income	96,043	3,235,850	-	3,331,893
Net depreciation	(62,418)	(2,102,154)	-	(2,164,572)
Other changes	255,154	-	(106,099)	149,055
Amounts appropriated for expenditures	(34,121)	(3,192,206)	-	(3,226,327)
Endowment Balance, June 30, 2015	<u>\$ 1,794,978</u>	<u>\$ 11,070,338</u>	<u>\$ 49,947,222</u>	<u>\$ 62,812,538</u>

The earnings from investments, and expenditures from those earnings, related to the permanently restricted nonexpendable balances for the years ended June 30, 2016 and 2015 are classified as temporarily restricted.

Endowment composition by net asset class as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 53,379,642	\$ 53,379,642
Donor-restricted expendable balance from permanent endowments	-	4,731,745	-	4,731,745
Donor-restricted unconditional promises to give, at fair value	-	-	1,715,916	1,715,916
Donor-restricted quasi endowments	-	343,422	-	343,422
Board-designated quasi endowments	<u>1,587,798</u>	<u>-</u>	<u>-</u>	<u>1,587,798</u>
Total endowment balance	<u>\$ 1,587,798</u>	<u>\$ 5,075,167</u>	<u>\$ 55,095,558</u>	<u>\$ 61,758,523</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 - ENDOWMENTS (Continued)

Endowment composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted permanent endowments	\$ -	\$ -	\$ 48,326,431	\$ 48,326,431
Donor-restricted expendable balance from permanent endowments	-	10,786,244	-	10,786,244
Donor-restricted unconditional promises to give, at fair value	-	-	1,620,791	1,620,791
Donor-restricted quasi endowments	-	284,094	-	284,094
Board-designated quasi endowments	1,794,978	-	-	1,794,978
Total endowment balance	<u>\$ 1,794,978</u>	<u>\$ 11,070,338</u>	<u>\$ 49,947,222</u>	<u>\$ 62,812,538</u>

As of June 30, 2016 and 2015, \$1,931,220 and \$2,079,072, 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 7.26% to 21.43% and 7.37% to 21.14% for 2016 and 2015, 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 2016 and 2015, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$79,185 and \$76,844 for the years ended June 30, 2016 and 2015, 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, 2016.

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 allocated 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 \$19,511 and \$18,273 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 totaled \$65,345 and \$56,811, respectively.

Effective July 1, 2007, the University 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 2016 and 2015 for the University President participating in the plan totaled \$38,616 and \$37,290, respectively.

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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 sub-lease 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 2016 or 2015. The sub-lease 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 June 14, 2012 and is effective through June 30, 2017.

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, 2016, the Foundation's uninsured cash balance at financial institutions totaled approximately \$427,000.

At June 30, 2016, the Foundation maintained approximately \$8,987,000 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, 2016, the Pool was rated at A+f by Standard and Poor's and had an effective duration of 2.61 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, 2016, the unaudited Factor was 1.0143. 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.

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NOTE 13 - CONCENTRATIONS (Continued)

Uninsured Cash Balances (Continued):

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, 2016, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$4,428,000.

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, 2016, 43% of the Foundation’s contributions receivable was due from one donor.

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.

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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 are 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:

	<u>2016</u>	<u>2015</u>
Carrying amount	\$ 47,956,174	\$ 50,256,521
Fair value	<u>\$ 48,838,346</u>	<u>\$ 51,431,022</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.

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.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

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, 2016 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer	\$ 2,025,683	\$ 2,025,683	\$ -	\$ -
Energy	3,365,459	3,365,459	-	-
Financials	1,962,639	1,962,639	-	-
Health care	540,059	540,059	-	-
Industrials	339,364	339,364	-	-
Technology	1,768,211	1,768,211	-	-
International	12,358,362	12,358,362	-	-
Other	24,026,802	24,026,802	-	-
Total equity securities	46,386,579	46,386,579	-	-
Debt securities:				
Corporate bonds and mutual funds	3,872,024	3,872,024	-	-
High yield fixed income	1,010,121	-	1,010,121	-
U.S. government agencies	1,670,178	1,670,178	-	-
U.S. government mortgage pool	3,650,769	3,650,769	-	-
Corporate mortgage pool	483,352	483,352	-	-
Total debt securities	10,686,444	9,676,323	1,010,121	-
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	4,388,364	-	-	4,388,364
Non-Directional absolute return	2,805,675	-	-	2,805,675
Equity market neutral	7,552,099	-	-	7,552,099
Total fund of fund hedge funds	14,746,138	-	-	14,746,138
Private equity investments	2,148,431	-	-	2,148,431
Real estate investment trust	1,912,513	-	-	1,912,513
Total alternative investments	18,807,082	-	-	18,807,082
Funds held in trust by others	3,121,850	-	-	3,121,850
Total assets	79,001,955	56,062,902	1,010,121	21,928,932
Liabilities:				
Funds held in trust	1,795,555	-	-	1,795,555
Due to WFHT	1,157,601	-	1,157,601	-
Total liabilities	2,953,156	-	1,157,601	1,795,555
Total	\$ 76,048,799	\$ 56,062,902	\$ (147,480)	\$ 20,133,377

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2015 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer	\$ 1,898,917	\$ 1,898,917	\$ -	\$ -
Energy	3,893,056	3,893,056	-	-
Financials	1,804,516	1,804,516	-	-
Health care	502,642	502,642	-	-
Industrials	620,953	620,953	-	-
Technology	1,686,171	1,686,171	-	-
International	12,489,394	12,489,394	-	-
Other	20,982,894	20,982,894	-	-
Total equity securities	43,878,543	43,878,543	-	-
Debt securities:				
Corporate bonds and mutual funds	3,888,951	3,888,951	-	-
High yield fixed income	956,454	-	956,454	-
U.S. government agencies	1,482,253	1,482,253	-	-
U.S. government mortgage pool	3,162,872	3,162,872	-	-
Corporate mortgage pool	842,061	842,061	-	-
Total debt securities	10,332,591	9,376,137	956,454	-
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	4,910,153	-	-	4,910,153
Non-Directional absolute return	3,047,955	-	-	3,047,955
Equity market neutral	7,857,245	-	-	7,857,245
Total fund of fund hedge funds	15,815,353	-	-	15,815,353
Private equity investments	2,032,648	-	-	2,032,648
Real estate investment trust	1,498,690	-	-	1,498,690
Total alternative investments	19,346,691	-	-	19,346,691
Funds held in trust by others	295,598	-	-	295,598
Total assets	73,853,423	53,254,680	956,454	19,642,289
Liabilities:				
Funds held in trust	198,375	-	-	198,375
Due to WFHT	1,238,099	-	1,238,099	-
Total liabilities	1,436,474	-	1,238,099	198,375
Total	\$ 72,416,949	\$ 53,254,680	\$ (281,645)	\$ 19,443,914

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

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.

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 fund of fund hedge funds and private equity partnerships for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs.

Directional (hedged equity) investment strategies utilize market movements, trends, or inconsistencies when picking stocks across a variety of markets. These types of strategies have a greater exposure to the fluctuations of the overall market than do market neutral strategies. Directional hedge fund strategies include U.S. and international long/short equity hedge funds, where long equity positions are hedged with short sales of equities or equity index options.

Non-Directional or absolute return strategies aim to produce a positive absolute return regardless of the directions of financial markets. They typically achieve this by investing the portfolio's assets in cash or other low volatility investments and then taking hedged long and short positions in portfolios of securities that when combined are expected to have modest exposures to market returns.

Equity market neutral is a hedge fund strategy that seeks to exploit investment opportunities unique to some specific group of stocks while maintaining a neutral exposure to broad groups of stocks defined, for example, by sector, industry, market capitalization, country, or region. The strategy holds long/short equity positions, with long positions hedged with short positions in the same and related sectors, so that the equity market neutral investor should be little affected by sector-wide events.

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

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 - The Foundation's beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

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, 2016:

	<u>Fund of Fund Hedge Funds</u>	<u>Private Equity</u>	<u>Real Estate</u>	<u>Funds Held in Trust by Others</u>	<u>Total</u>
Assets:					
Beginning balance	\$ 15,815,353	\$ 2,032,648	\$ 1,498,690	\$ 295,598	\$ 19,642,289
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total gains or losses:					
Included in change					
in net assets	(1,069,215)	220,499	349,049	(105,457)	(605,124)
Purchases, issuances,					
sales, and settlements:					
Purchases	-	106,049	481,784	3,000,000	3,587,833
Sales	-	-	-	-	-
Settlements	-	(210,765)	(417,010)	(68,291)	(696,066)
Total assets	<u>14,746,138</u>	<u>2,148,431</u>	<u>1,912,513</u>	<u>3,121,850</u>	<u>21,928,932</u>
Liabilities:					
Beginning balance	-	-	-	198,375	198,375
Transfers into Level 3	-	-	-	52,974	52,974
Transfers out of Level 3	-	-	-	(13,646)	(13,646)
Total gains or losses:					
Included in change					
in net assets	-	-	-	(104,777)	(104,777)
Purchases, issuances,					
sales, and settlements:					
Purchases	-	-	-	1,731,600	1,731,600
Settlements	-	-	-	(68,971)	(68,971)
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,555</u>	<u>1,795,555</u>
Total	<u>\$ 14,746,138</u>	<u>\$ 2,148,431</u>	<u>\$ 1,912,513</u>	<u>\$ 1,326,295</u>	<u>\$ 20,133,377</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, 2015:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	\$ 15,241,975	\$ 1,753,691	\$ 1,176,321	\$ 311,850	\$ 18,483,837
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total gains or losses:					
Included in change					
in net assets	573,378	215,777	101,426	4,197	894,778
Purchases, issuances, sales, and settlements:					
Purchases	-	244,519	842,378	20,000	1,106,897
Sales	-	-	-	-	-
Settlements	-	(181,339)	(621,435)	(40,449)	(843,223)
Total assets	<u>15,815,353</u>	<u>2,032,648</u>	<u>1,498,690</u>	<u>295,598</u>	<u>19,642,289</u>
Liabilities:					
Beginning balance	-	-	-	198,715	198,715
Transfers into Level 3	-	-	-	32,730	32,730
Transfers out of Level 3	-	-	-	(4,597)	(4,597)
Total gains or losses:					
Included in change					
in net assets	-	-	-	18,710	18,710
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	7,780	7,780
Settlements	-	-	-	(54,963)	(54,963)
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,375</u>	<u>198,375</u>
Total	<u>\$ 15,815,353</u>	<u>\$ 2,032,648</u>	<u>\$ 1,498,690</u>	<u>\$ 97,223</u>	<u>\$ 19,443,914</u>

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NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the Level 3 investments as of June 30, 2016, excluding investments valued using the practical expedient or the net asset value (“NAV”).

<u>Investment 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	\$ 76,289	Independent Appraisal	Capitalization Rate	6.76%
Real Estate Partnership Interest	\$ 121,464	Market Transactions (a)	N/A	N/A
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 85,758	Independent Appraisal	Capitalization Rate	6.64%
Real Estate Partnership Interest	\$ 228,342	Direct Capitalization	Capitalization Rate	6.97%
Real Estate Partnership Interest	\$ 1,400,660	Market Transactions (a)	N/A	N/A
Private Equity Investments:				
Preferred Partnership Interest	\$ 502,927	Market Approach	LTM EBITDA Multiple (9.5X)	N/A
Member or Partnership Interest	\$ 437,462	Market Approach; Recent Transaction Price (b)	LTM EBITDA Multiple (15.2X); 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)

The following table lists investments in hedge funds and investment limited partnerships by strategy as of June 30, 2016:

	<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:				
Directional, hedged equity	\$ 4,388,364	\$ -	Quarterly	90 Days
Non-Directional absolute return	2,805,675	-	Quarterly	90 Days
Equity market neutral	7,552,099	-	Quarterly to Semi-annual	95 Days
Private equity investments	2,148,431	868,836	N/A*	N/A*
Real estate investment trust	1,912,513	354,812	N/A*	N/A*
Funds held in trust by others	<u>3,121,850</u>	<u>-</u>	N/A**	N/A**
	<u>\$ 21,928,932</u>	<u>\$ 1,223,648</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 are uncertain at this time.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 - SUBSEQUENT EVENT

On July 1, 2016, the assets of the 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, a fine arts collection, and a permanent endowment from the dissolving entity. Also on July 1, 2016, the Foundation transferred the building to the University and the fine arts collection to WFHT. WFHT maintains a management agreement with the University covering the preservation of historic properties for the University. As a result of this transaction, the Foundation will have approximately \$4 million in contributions, of which approximately \$3.3 million will be transferred to related parties, and \$700,000 will remain endowments for PMA. The Foundation will continue to steward the endowment for purposes of the PMA, now a division of the WFHT. The new PMA division has a non-governing advisory board that reports to WFHT's board of directors.

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Rent	\$ 11,592,258	\$ 11,556,232
Interest	150,627	139,254
Other	262,012	224,036
Total revenues	<u>12,004,897</u>	<u>11,919,522</u>
Operating Expenses:		
Salaries and wages	2,305,733	2,142,503
Administrative and general	775,969	972,505
Maintenance and repairs	1,280,695	1,260,648
Insurance	141,528	212,116
Utilities	1,185,940	1,233,256
Interest	2,182,724	2,671,048
Depreciation	2,708,340	2,660,812
Amortization	<u>79,949</u>	<u>83,438</u>
Total operating expenses	<u>10,660,878</u>	<u>11,236,326</u>
Excess of Revenues over Expenses	<u><u>\$ 1,344,019</u></u>	<u><u>\$ 683,196</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, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,540,800	\$ 1,285,588
Restricted cash equivalents	1,500,579	2,306,818
Contributions receivable, net	2,802,212	2,170,155
Other receivables, net	80,525	77,446
Prepaid expenses	122,343	56,765
Long-term investments	75,880,105	73,557,825
Property and equipment, net	1,454,483	1,490,909
Assets held under split interest agreements	3,121,850	295,598
Other assets	<u>353,073</u>	<u>255,066</u>
Total Assets	<u><u>\$ 86,855,970</u></u>	<u><u>\$ 81,496,170</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 250,969	\$ 215,399
Liabilities held under split interest agreements	1,795,555	198,375
Due to University	167,645	32,659
Due to West Florida Historic Trust	<u>1,157,601</u>	<u>1,238,099</u>
Total liabilities	<u><u>3,371,770</u></u>	<u><u>1,684,532</u></u>

Commitments and Contingencies

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Net Assets:

Unrestricted	3,837,696	3,840,074
Temporarily restricted	24,550,946	26,024,342
Permanently restricted	<u>55,095,558</u>	<u>49,947,222</u>
Total net assets	<u><u>83,484,200</u></u>	<u><u>79,811,638</u></u>

Total Liabilities and Net Assets

<u><u>\$ 86,855,970</u></u>	<u><u>\$ 81,496,170</u></u>
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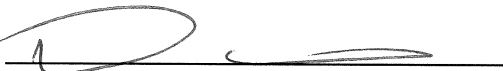
UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2016 Total	2015 Total
Amortization	\$ -	\$ -	\$ 79,949	\$ -	\$ -	\$ 79,949	\$ 83,438
Bad debt expense (recovery)	-	1,738	47,949	-	-	49,687	(3,634)
Bond expense	-	-	66,778	-	-	66,778	79,939
Depreciation	-	36,426	2,708,340	-	-	2,744,766	2,697,239
Equipment	-	40,901	12,055	-	531	53,487	126,663
Housing administrative and general	-	-	87,255	-	-	87,255	121,187
Insurance	-	65,435	141,528	-	23,915	230,878	303,466
Interest	-	-	2,182,724	-	-	2,182,724	2,671,048
Investment and consultant fees	-	3,549	-	-	260,315	263,864	217,615
Lobbying	-	20,000	-	-	45,000	65,000	70,000
Maintenance and repairs	-	-	1,280,695	-	434	1,281,129	1,262,388
Miscellaneous	-	121,305	-	4,936	7,901	134,142	101,136
Office	-	141,047	126,217	41,963	71,763	380,990	352,399
Professional development	-	66,588	14,398	3,981	1,078	86,045	100,618
Professional services	-	399,462	164,380	101,450	128,657	793,949	693,768
Public radio program	-	303,961	-	-	-	303,961	341,660
Public relations	-	96,634	-	28,210	22,280	147,124	199,960
Recruitment	-	24,469	916	842	77	26,304	37,234
Rental	-	33,529	-	6,430	160	40,119	34,442
Salaries and wages	-	1,268,151	2,305,733	151,941	1,418,968	5,144,793	4,745,848
Scholarships	1,025,649	-	-	-	-	1,025,649	1,124,533
Service charges and other fees	-	32,018	170,499	3,023	(142,013)	63,527	410,459
Student and staff support	-	5,032	-	-	-	5,032	1,615
Travel and entertainment	-	280,280	85,522	33,346	41,492	440,640	460,951
University support	-	1,045,888	-	-	5,375	1,051,263	216,594
Utilities	-	-	1,185,940	-	-	1,185,940	1,233,256
	<u>\$ 1,025,649</u>	<u>\$ 3,986,413</u>	<u>\$ 10,660,878</u>	<u>\$ 376,122</u>	<u>\$ 1,885,933</u>	<u>\$ 17,934,995</u>	<u>\$ 17,683,822</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, 2016
(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	\$ 1,549,686	\$ -	\$ 69,749	\$ 6,866	\$ 85,347	\$ 1,527,222	\$ 1,210,852	\$ 1,527,222
John C. Pace, Sr., Business Chair	1,000,000	1,275,253	-	57,397	5,650	70,233	1,256,767	1,000,000	1,256,767
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,448,000	-	155,188	15,276	189,895	3,398,017	2,644,500	3,398,017
John C. Pace, Jr., Distinguished University Professorship	3,966,750	5,172,000	-	232,783	22,914	284,843	5,097,026	3,966,750	5,097,026
Mary Ball Washington Chair	<u>1,320,155</u>	<u>1,586,106</u>	<u>-</u>	<u>71,388</u>	<u>7,027</u>	<u>87,353</u>	<u>1,563,114</u>	<u>1,320,155</u>	<u>1,563,114</u>
Total - Eminent Scholars Program	<u>\$ 10,142,257</u>	<u>\$ 13,031,045</u>	<u>\$ -</u>	<u>\$ 586,505</u>	<u>\$ 57,733</u>	<u>\$ 717,671</u>	<u>\$ 12,842,146</u>	<u>\$ 10,142,257</u>	<u>\$ 12,842,146</u>

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


Daniel Lucas, Chief Financial Officer

August 31, 2016
Date

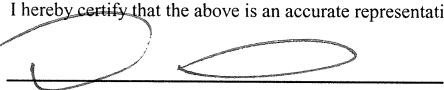
UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Name of Gift	Corpus			Fund Balance							Ending Corpus Balance	Ending Total Balance
	Beginning	Beginning	Contributed	Investment Earnings	Investments & Other Expenses	Spending Transfers	Net of Earnings, Expenses & Transfers	Reclass for Spending	Loan from Unrestricted Transfers			
	Corpus	Net	During the									
	Balance	Balance	Year									
Alexander Memorial Scholarship	\$ 282,852	\$ 310,905	\$ -	\$ (13,993)	\$ 1,377	\$ 17,121	\$ 278,414	\$ -	\$ -	\$ 282,852	\$ 278,414	
Alfred duPont Foundation Scholarship	275,000	289,533	40,000	(12,048)	1,398	13,143	302,944	-	-	315,000	302,944	
Bank of America	150,000	170,221	-	(7,661)	754	9,374	152,432	-	-	150,000	152,432	
Baptist Hospital Fund	170,530	231,621	9	(10,209)	1,005	12,493	207,923	-	-	170,539	207,923	
Barnett Bank Endowment	166,692	226,835	-	(10,425)	1,026	12,756	202,628	-	-	166,692	202,628	
Blue Cross & Blue Shield Nursing Scholarship	155,673	163,322	-	(7,351)	724	7,381	147,866	-	-	155,673	147,866	
C. L. Fountain Family Business Ethics	100,000	109,260	-	(4,918)	484	6,017	97,841	-	-	100,000	97,841	
Cacilda Prado Pace Library Fund	150,046	156,329	-	(7,036)	693	7,064	141,536	-	-	150,046	141,536	
Chadbourn Foundation - PJC/UWF	166,434	211,837	10,000	(9,328)	965	11,834	199,710	-	-	176,434	199,710	
Chadbourn Foundation Business Ethics	300,000	318,425	-	(14,332)	1,411	14,065	288,617	-	-	300,000	288,617	
Charles & Fran Switzer Business Ethics	198,774	214,668	-	(9,662)	951	11,821	192,234	-	-	198,774	192,234	
CHARLOTTE	150,000	187,449	-	(8,437)	830	10,324	167,858	-	-	150,000	167,858	
Dorothy Martin Endowment	150,005	187,814	-	(8,453)	832	10,344	168,185	-	-	150,005	168,185	
E. W. Hopkins Jr., Professorship	175,343	236,379	-	(10,639)	1,047	13,018	211,675	-	-	175,343	211,675	
Elizabeth R. Woolf	275,412	347,246	-	(15,629)	1,538	19,123	310,956	-	-	275,412	310,956	
Gulf Power Electrical Engineering	152,700	160,079	-	(7,205)	709	7,234	144,931	-	-	152,700	144,931	
Harold E. & Pat Marcus History/Archaeology	150,000	179,350	-	(8,072)	795	9,877	160,606	-	-	150,000	160,606	
Jane & Fred Seligman Endowment	207,251	217,448	-	(9,787)	963	9,828	196,870	-	-	207,251	196,870	
John C. Pace, Jr., Memorial Endowment	8,592,090	11,061,487	-	(497,858)	49,007	609,200	9,905,422	-	-	8,592,090	9,905,422	
John C. Pace, Jr., Memorial Scholarship Fund	7,740,820	10,038,235	15	(451,803)	44,474	552,846	8,989,127	-	-	7,740,835	8,989,127	
John L. Switzer Business Ethics	195,688	211,058	-	(9,499)	935	11,623	189,001	-	-	195,688	189,001	
Katherine C. Pace Memorial Endowment	1,700,000	1,728,993	-	(77,819)	7,660	78,128	1,565,386	-	-	1,700,000	1,565,386	
Kerrigan Daughters' Endowment	340,204	356,422	-	(16,042)	1,579	16,105	322,696	-	-	340,204	322,696	
Kugelman Family Scholarship Endowment	185,563	250,336	-	(16,069)	577	233,832	(142)	-	-	185,563	(142)	
Levin Fund	251,906	311,617	-	(14,025)	1,381	17,162	279,049	-	-	251,906	279,049	
Mabie Fund	324,014	392,910	-	(17,684)	1,741	21,639	351,846	-	-	324,014	351,846	
Mattie M. Kelly Music Education Fund	163,443	219,477	-	(9,878)	972	12,087	196,540	-	-	163,443	196,540	
Maygarden Lecture Series	162,810	178,499	-	(8,034)	791	9,830	159,844	-	-	162,810	159,844	
Medical Center Clinic Endowment	164,297	211,418	9	(9,515)	937	11,644	189,331	-	-	164,306	189,331	

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, 2016
(UNAUDITED)
(Continued)

Name of Gift	Beginning Corpus Balance	Beginning Net Balance	Corpus Contributed During the Year	Investment Earnings	Investments & Other Expenses	Spending Transfers	Fund Balance Net of Earnings, Expenses & Transfers	Reclass for Spending	Loan from Unrestricted Transfers	Ending Corpus Balance	Ending Total Balance
National Defense Industrial Assoc Sch End	150,000	155,856	-	(7,015)	691	7,043	141,107	-	-	150,000	141,107
Orville Beckford Scholarship Endowment	150,050	182,180	-	(8,200)	807	10,033	163,140	-	-	150,050	163,140
Pickens Foundation For Education	161,582	206,011	383	(9,266)	914	11,334	184,880	-	-	161,965	184,880
Pre Professional Endowment	165,338	237,260	-	(10,679)	1,051	13,067	212,463	-	-	165,338	212,463
Raymond C. Dyson Fund I	177,422	232,243	-	(10,453)	1,029	12,791	207,970	-	-	177,422	207,970
Raymond C. Dyson Fund II	162,282	208,733	-	(9,395)	925	11,496	186,917	-	-	162,282	186,917
Rotary Business Ethics	105,000	112,600	-	(5,068)	499	6,201	100,832	-	-	105,000	100,832
Sacred Heart Allied Health Endowment	163,947	222,829	-	(10,029)	987	12,271	199,542	-	-	163,947	199,542
Seymour Gitenstein Scholarship Endowment	200,000	180,702	-	(8,133)	801	10,138	161,630	-	-	200,000	161,630
Switzer Brothers Professorship Endowment	581,859	618,452	-	(27,835)	2,740	27,951	559,926	-	-	581,859	559,926
T. T. Wentworth, Jr. Historical Center	151,240	145,808	-	(6,563)	646	6,589	132,010	-	-	151,240	132,010
William D. Smart Seminar Series in Chem. End.	161,579	162,362	-	(7,308)	719	7,337	146,998	-	-	161,579	146,998
Women's Athletic Trust Fund	166,834	210,257	900	(9,445)	933	11,586	189,193	-	-	167,734	189,193
Total	<u>\$ 25,694,680</u>	<u>\$ 31,754,466</u>	<u>\$ 51,316</u>	<u>\$ (1,432,800)</u>	<u>\$ 140,298</u>	<u>\$ 1,924,750</u>	<u>\$ 28,307,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,745,996</u>	<u>\$ 28,307,934</u>

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


Daniel Lucas, Chief Financial Officer

August 31, 2016

Date