

# University of North Florida Foundation, Inc.

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**Financial Statements and  
Supplementary Information**

**Years Ended June 30, 2018 and 2017**

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## **Independent Auditors' Report**

Board of Directors  
University of North Florida Foundation, Inc.  
Jacksonville, Florida

We have audited the accompanying financial statements of University of North Florida Foundation, Inc. (the "Foundation"), a direct support organization and component unit of the University of North Florida, which comprise the statements of net position as of June 30, 2018 and 2017 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matters***

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying Schedule of Expenditures of State Financial Assistance for the year ended June 30, 2018, as required by the Chapter 10.650, Rules of the Auditor General, State of Florida, and Schedules I and II as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2018, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
October 23, 2018**

## **The University of North Florida Foundation, Inc. Management's Discussion and Analysis**

### Overview of the Financial Statements and Financial Analysis

The University of North Florida Foundation, Inc. (the "Foundation") presents financial statements as of and for the years ended June 30, 2018 and 2017. The Foundation exists for the sole purpose of providing financial support to students and programs of the University of North Florida (the "University") and is a direct support organization and component unit of the University (a governmental agency).

The Foundation's financial statements are presented on an accrual basis, including the recording of depreciation, which includes 1) assets and liabilities as current and non-current; 2) revenues and expenses as operating and non-operating; 3) the use of the direct method of statement of cash flows; 4) a management's discussion and analysis ("MD&A") of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statement report includes the following:

1. Basic financial statements
  - a. Statements of Net Position
  - b. Statements of Revenues, Expenses, and Changes in Net Position
  - c. Statements of Cash Flows
  - d. Notes to the Financial Statements
2. Supplementary schedules
  - a. Schedule of Expenditures of State Financial Assistance
  - b. Schedule I - Schedule of Assets and Liabilities by Account Type
  - c. Schedule II - Schedule of Revenues and Expenses by Account Type

### **FINANCIAL HIGHLIGHTS**

#### **2018**

- *2018 Fundraising.* In fiscal 2018, the Foundation recorded a total of \$10.389 million in contributions, which included endowment contributions of \$3.791 million.
- The Foundation had \$3.265 million restricted pledges receivable that have been discounted to present value, and adjusted for allowance for doubtful accounts, to a net balance of \$3.095 million, which is recorded on the Statement of Net Position.
- The 2018 annual *Foundation Board Drive* raised \$302,333. Funds raised during this drive are unrestricted and used for scholarships, the Foundation's Board Initiatives projects, and Presidential Lecture Series and board operations.

- *Student academic support.* In fiscal 2018, \$2.899 million was provided to 1,196 students in scholarships, fellowships and study abroad programs.
- *First Generation Matching Grant Program* provided additional scholarship funding. Approved by the Florida Legislature, the program provides State matching funds for the gifts received by the Foundation for the program. In fiscal 2018, the Foundation received an allotment of \$526,327 in gifts with a State match of a like amount for a total of \$1,052,654. There were an additional 493 students awarded scholarships from this program. The primary focus of this program is to provide scholarship opportunities to students who are the first-generation college students in their family. Other student criterion includes admittance to the University, attending at least six credit hours per semester at a state university and demonstrated financial need.
- *The Foundation* continued to manage the loan agreement with the UNF Financing Corporation, Inc. (December 2014) for the East Park Warehouse renovations. The loan has a 10-year term with an interest rate of 3.00% and quarterly note payments of \$34,849, which are current at year end.
- *Capital Assets.* In November 2015, the Athletics Department purchased a scoreboard and scoring table for the Athletics Arena. Total cost was \$700,000. In October 2017, the contract was revised to include a baseball scoring system which totaled \$329,500. The total for the two scoring systems was \$1,029,500. The contract was revised to a four (4) year term that includes both systems. Payments totaling \$137,500 were made in fiscal year 2018.
- *Foundation Investments.* In fiscal 2018, the endowed investments and restricted cash and cash equivalents increased by approximately \$7.923 million. The non-endowed net investment earnings totaled approximately \$454,000.
- *Net Position increased* to \$142.404 million in fiscal 2018, an increase of approximately \$7.508 million or 5.6% over fiscal 2017. This increase consists of a net increase in operating revenue (non-endowed contributions and programs) of approximately \$7.315 million, an increase of approximately \$3.791 million in additions to permanent endowments, less operational expenses of approximately \$11.974 million, and an increase of approximately \$8.377 million for investment earnings appreciation.

## **2017**

- *2017 Fundraising.* In fiscal 2017, the Foundation recorded a total of \$20.794 million in contributions, which included endowment contributions of \$4.967 million.
- The Foundation has \$3.372 million restricted pledges receivable that have been discounted to present value, and adjusted for allowance for doubtful accounts, to a net balance of \$3.207 million, which was recorded on the Statement of Net Position.
- The 2017 annual *Foundation Board Drive* raised \$317,203. Funds raised during this drive were unrestricted and used for scholarships, the Foundation's Board Initiatives projects, and Presidential Lecture Series and board operations.

- *Student academic support.* In fiscal 2017, \$2.739 million was provided to 1,111 students in scholarships, fellowships and study abroad programs.
- *First Generation Matching Grant Program* provided additional scholarship funding. Approved by the Florida Legislature, the program provides State matching funds for the gifts received by the Foundation for the program. In fiscal 2017, the Foundation's allotment of \$212,740 in gifts with a State match of a like amount for a total of \$425,480. There were an additional 269 students awarded scholarships from this program.
- *The Foundation* continued to manage the loan agreement with the UNF Financing Corporation, Inc. (December 2014) for the East Park Warehouse renovations. The loan has a 10-year term with an interest rate of 3.00% and quarterly note payments of \$34,849, which are current at year end.
- *Capital Assets.* In November 2015, the Athletics Department purchased a scoreboard and scoring table for the Athletics Arena. Total cost was \$700,000 with a four-year agreement. Annual payments totaling \$137,500 were made in fiscal year 2017.

An in-kind gift of land, valued at \$9.2 million, was received in 2017 and will be held by UNF Foundation.

- *Foundation Investments.* In fiscal 2017, the Foundation's endowed investments and restricted cash and cash equivalents increased by approximately \$9.725 million. The non-endowed net investment earnings totaled approximately \$360,000.
- *Net Position increased* to \$134.895 million in fiscal 2017, an increase of approximately \$20.475 million or 17.9% over fiscal 2016. This increase primarily consists of a net increase operating revenue (non-endowed contributions and programs) in of approximately \$9.433, which includes a gift of land valued at \$9.230 million, less operational expenses of approximately \$11.559 million, additions to permanent endowments of \$4.967 million and investment earnings appreciation of approximately \$11.837 million.

## **Statements of Net Position**

The purpose of the Statement of Net Position is to present the reader with a look at the Foundation's financial condition as of the end of the fiscal year. In reading the Statement of Net Position, the reader will be able to determine the Foundation's ability to continue operations; how much it owes to vendors, and lending institutions; and to see a snapshot of the assets that are available to pay the expenditures of the Foundation.

**Condensed Summary of Net Position**  
(In thousands of dollars)

	2018	2017	Increase (decrease)	Change	2016	Increase (decrease)	Change
<b>Assets</b>							
Current assets	\$ 3,252	\$ 1,261	\$ 1,991	157.9%	\$ 1,144	\$ 117	10.2%
Non-current assets	139,905	134,243	5,662	4.2%	113,978	20,265	17.8%
Total assets	<u>\$ 143,157</u>	<u>\$ 135,504</u>	<u>\$ 7,653</u>	<u>5.6%</u>	<u>\$ 115,122</u>	<u>\$ 20,382</u>	<u>17.7%</u>
<b>Liabilities:</b>							
Current liabilities	\$ 419	\$ 476	\$ (57)	-12.0%	\$ 433	\$ 43	9.9%
Non-current liabilities	335	133	202	151.9%	269	(136)	-50.6%
Total liabilities	<u>754</u>	<u>609</u>	<u>145</u>	<u>23.8%</u>	<u>702</u>	<u>(93)</u>	<u>-13.2%</u>
<b>Net position:</b>							
<b>Restricted:</b>							
Restricted by donors - expendable	18,751	17,589	1,162	6.6%	16,068	1,521	9.5%
Restricted for gift annuity	204	290	(86)	-29.7%	290	-	0.0%
Permanent endowments - nonexpendable	112,498	106,179	6,319	6.0%	96,454	9,725	10.1%
Net investment in capital assets	9,596	9,553	43	0.5%	255	9,298	3646.3%
Unrestricted	1,354	1,284	70	5.5%	1,353	(69)	-5.1%
Total net position	<u>142,403</u>	<u>134,895</u>	<u>7,508</u>	<u>5.6%</u>	<u>114,420</u>	<u>20,475</u>	<u>17.9%</u>
Total liabilities and net position	<u>\$ 143,157</u>	<u>\$ 135,504</u>	<u>\$ 7,653</u>	<u>5.6%</u>	<u>\$ 115,122</u>	<u>\$ 20,382</u>	<u>17.7%</u>

The Statements of Net Position are presented as part of the basic financial statements. For fiscal year ended June 30, 2018, the total net position increased by \$7.508 million or 5.6%. This year's activity included the following:

**Current Assets**

**2018**

- *Current assets* totaled \$3.252 million, which is an increase of approximately \$1.991 million or 157.9%. The majority of this increase (\$1.404 million) is attributed to a receivable from an art sale.
- *Cash* totaled \$368,614. This is an increase of approximately \$111,000, or 43.4%. These funds are available for operational expenses.
- *Pledges receivable, current portion* totals \$1,367,079, an increase of approximately \$484,112, or 54.8%.
- *Note receivable, current portion* totals \$86,694, an increase of \$2,559 or 3%.
- *Prepaid expenses* totaled \$25,773, a decrease of approximately \$11,000, or 30.4%.

**2017**

- *Current assets* totaled \$1.261 million, which was an increase of approximately \$117,000 or 10.2%.
- *Cash* totaled \$257,120. This was an increase of approximately \$86,000, or 51%. These funds are available for operational expenses.



- *Pledges receivable, current portion* increased approximately \$26,000, or 3%.
- *Note receivable, current portion* totals \$84,135, an increase of \$2,484 or 3%.
- *Prepaid expenses* totaled \$37,047 increased approximately \$2,000, or 6.3%.

## **Non-current assets**

### **2018**

- *Non-current assets* totaled \$139.905 million, which is an increase of approximately \$5.662 million, or 4.2%.
- *Foundation investments (including restricted cash and cash equivalents)* totaled \$121.863 million, a net increase of approximately \$6.287 million or 5.4%. Restricted investments increased approximately \$5.025 million and restricted cash and cash equivalents increased approximately \$1.262 million.
- *Notes receivable.* UNF Training & Service Institute, Inc., has a current line of credit for \$4.800 million at an interest rate of 4.5%, which is paid monthly. The funds were used to assist in the purchase of the ADT property in 2010. The terms of the loan require payment in full by the eleventh anniversary of the date of the advance. In August 2016, UNF Training & Service Institute, Inc. began paying down the principal. At June 30, 2018, the balance totalled \$4,662,000.

The UNF Financing Corporation, Inc. executed a \$1.2 million loan with the Foundation in December 2014 to assist with the renovation of the UNF East Park Warehouse building. The terms are 10 years at an interest rate of 3.0%. The non-current portion totalled \$733,524 at June 30, 2018.

- *Pledges receivable.* The non-current portion totalled \$1.728 million, a decrease of approximately \$596,000, or 25.7%.
- *Capital Assets.* In November 2015, the Foundation financed \$700,000 in connection with the purchase of a scoreboard and score table equipment in the UNF Arena. In October 2017, an additional athletic scoring system was purchased for \$329,500 and the contract was revised to include both systems. At June 30, 2018, capital assets net of depreciation totalled \$818,120.

In March 2017, an in-kind gift of land was made to the Foundation. The appraisal valued the land at \$9.230 million and will be held on the books of the Foundation.

- *Other assets* totaling \$870,696 consists of interest receivable from UNF Training & Services Institute, Inc. and a planned gift insurance policy.

## **2017**

- *Non-current assets* totaled \$134.243 million, which was an increase of approximately \$20.265 million, or 17.8%.
- *Foundation investments (including restricted cash and cash equivalents)* totaled \$115.575 million, a net increase of approximately \$10.6 million or 10.1%. Restricted investments increased approximately \$9.170 million and restricted cash and cash equivalents increased approximately \$1.421 million.
- *Notes receivable.* UNF Training & Service Institute, Inc., has a current line of credit for \$4.800 million at an interest rate of 4.5%, which was paid monthly. The funds were used to assist in the purchase of the ADT property in 2010. The terms of the loan require payment in full by the eleventh anniversary of the date of the advance. In August 2016, UNF Training & Service Institute, Inc. began paying down the principal. At June 30, 2017, the balance totalled \$4,734,000.

The UNF Financing Corporation, Inc. executed a \$1.2 million loan with the Foundation in December 2014 to assist with the renovation of the UNF East Park Warehouse building. The terms are 10 years at an interest rate of 3.0%. The non-current portion totalled \$848,686 at June 30, 2017.

- *Pledges receivable.* The non-current portion totalled \$2.324 million, an increase of approximately \$706,000, or 43.6%.
- *Capital Assets.* In November 2015, the Foundation financed \$700,000 in connection with the purchase of a scoreboard and score table equipment for the Athletics arena. At June 30, 2017, capital assets net of depreciation totalled \$583,333.

In March 2017, an in-kind gift of land was made to the Foundation. The appraisal valued the land at \$9.230 million and will be held on the books of the Foundation.

- *Other assets* totaling \$947,042 consists of interest receivable from UNF Training & Services Institute, Inc. and a planned gift insurance policy.

## ***Liabilities***

### **2018**

- *Current liabilities* totaled \$419,237, a decrease of approximately \$56,400 or 11.9%. The net decrease is related to the increase in accounts payable and accrued expenses of approximately \$27,000, a decrease in salaries payable of approximately \$88,000, and a decrease in compensated absences of approximately \$23,000 for University employee paid with Foundation funds. Annuities payable of \$33,057 increased by approximately \$4,000 and is due for payments in the next fiscal year. The current portion of the note payable for the scoreboard is \$150,833, an increase of approximately \$24,000.

- *Non-current liabilities* totaled \$334,724, an increase of approximately \$202,000 or 151.7%. The net increase represents approximately \$33,000 in the non-current portion of the gift annuities as well as an increase of \$169,000 of the long-term portion of the note payable to NEVCO for the two scoring systems.

## **2017**

- *Current liabilities* totaled \$475,633, an increase of approximately \$43,000 or 9.8%. The net increase was related to the increase in accounts payable and accrued expenses of approximately \$40,000, salaries payable of approximately \$50,000, and compensated absences of approximately \$6,000 for University employee paid with Foundation funds. Annuities payable decreased approximately \$44,000. The current portion of the note payable was \$127,500 compared to \$137,500 in the prior year.
- *Non-current liabilities* totaled \$133,000, a decrease of approximately \$136,000 or 50.6%. The net decrease represented a decrease of \$9,136 in the non-current portion of the gift annuities as well as a decrease of \$127,500 of the long-term portion of the note payable to NEVCO for the scoreboard.

## ***Net Position***

The net position at June 30, 2018, totaled \$142.403 million, an increase of approximately \$7.508 million or 5.6%.

The net position section of the Statement of Net Position provides two classifications:

1. The restricted assets are listed in three categories:
  - a) the restricted by donor's category represents amounts which are available for spending in accordance with the donor's specified criteria;
  - b) the restricted for gift annuity represents the estimated net amount available for future payments by the Foundation; and
  - c) the permanent endowments category represents the Foundation's restricted nonexpendable funds, which are required to be held in perpetuity.
2. The unrestricted assets are the amounts available to the Foundation for any purpose in support of its mission.

## **Statements of Revenues, Expenses, and Changes in Net Position**

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to provide the details of the Foundation's operating and non-operating activities for the fiscal year. This includes the revenues (net of discounts and allowances) displayed by major source, expenses, and gains and losses received or incurred by the Foundation. For fiscal year 2018, the Statements of Revenues, Expenses, and Changes in Net Position reflect a \$7.508 million increase in net position or 5.6%.

**Condensed Summary of Revenues, Expenses, and Changes in Net Position**

For the year ended June 30,

	2018	2017	Increase (decrease)	Change	2016	Increase (decrease)	Change
Operating revenues:							
Contributions	\$ 6,599	\$ 15,827	\$ (9,228)	-58.3%	\$ 6,234	\$ 9,593	153.9%
Programs	716	678	38	5.6%	838	(160)	-19.1%
Total operating revenues	7,315	16,505	\$ (9,190)	-55.7%	7,072	\$ 9,433	133.4%
Operating expenses	11,935	11,559	376	3.3%	10,838	721	6.7%
Operating income (loss)	(4,620)	4,946	(9,566)	-193.4%	(3,766)	8,712	231.3%
Non-operating revenue (expenses):							
Interest and dividends	454	360	94	26.1%	349	11	3.2%
Net (depreciation) appreciation in investments	7,923	10,259	(2,336)	-22.8%	(1,578)	11,837	750.1%
Unrelated business income taxes	(40)	(57)	17	29.8%	(371)	314	84.6%
Non-operating income (loss)	8,337	10,562	(2,225)	-21.1%	(1,600)	12,162	760.1%
Change in net position before contributions to endowments	3,717	15,508	(11,791)	-76.0%	(5,366)	20,874	389.0%
Contributions to permanent endowments	3,791	4,967	(1,176)	-23.7%	5,485	(518)	-9.4%
Change in net position	7,508	20,475	(12,967)	-63.3%	119	20,356	17105.9%
Net position, beginning of year	134,895	114,420	20,475	17.9%	114,301	119	0.1%
Net position, end of year	\$ 142,403	\$ 134,895	\$ 7,508	5.6%	\$ 114,420	\$ 20,475	17.9%

The Statements of Revenues, Expenses, and Changes in Net Position include the following categories:

- Operating revenues are revenues received from donors (i.e. contributions, etc.) and services provided (i.e. workshops, lecture series, special events, etc.) to various customers and constituents of the Foundation.
- Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Foundation. They are detailed by expenditure type, which include educational items, program and professional fees, scholarships, fellowships, study abroad, etc.
- Net operating gain represents the amount of operating revenue in excess of the year's operating expenses and does not include non-operating revenue (expenses).
- Non-operating revenue is received from sources for which no service is provided by the Foundation, e.g. investments.
- Additions to endowments represent contributions received for the permanent endowments.
- The change in net position is the result of the fiscal year's excess (deficiency) of revenues over expenses, which is also the difference in total net position on the Statements of Net Position.

The Statements of Revenues, Expenses and Changes in Net Position presented as part of the basic financial statements. For fiscal year 2018, the Foundation's change in net position before contributions to endowments was an increase of approximately \$3,803 million. The Statements' highlights are as follows:

## ***Operating Revenues***

### **2018**

- *Operating revenues* totaled \$7,315 million, a decrease of approximately \$9.190 million or 55.7%.
- The non-endowed *contributions* totaled \$6.598 million, which is a decrease of \$9.228 million or 58.3%. The decrease is due to an in-kind gift of land valued at \$9.230 million recognized in the prior year. Contributions shown under Operating Revenues are exclusive of the contributions to permanent endowments.
- *Program revenues* totaled \$716,417, an increase of approximately \$38,000 or 5.7%. The increase is primarily attributed to fundraising events with a non-gift portion for goods and services received.

### **2017**

- *Operating revenues* totaled \$16.505 million, an increase of approximately \$9.433 million or 133.4%.
- The non-endowed *contributions* totaled \$15.827 million, which was an increase of \$9.593 million or 153.9%. An in-kind gift of land valued at \$9.230 million represents the majority of the increase. Contributions shown under Operating Revenues are exclusive of the contributions to permanent endowments.
- *Program revenues* totaled \$678,089, a decrease of approximately \$160,000 or 19.1%. The decrease was due to fewer game guarantees as well as other non-gift revenue.

## ***Operating Expenses***

### **2018**

Operating expenses totaled \$11.935 million, which is an increase of approximately \$376,000 or 3.3%. The following details several expense categories:

- *Education Programs* totaled \$324,383, a decrease of approximately \$31,000 or 8.8%. The net decrease is the result of increases in small office equipment, computers and software purchased, which is offset by decreases in equipment transferred to the University purchased or donated.
- *Scholarships, Fellowships and Study Abroad*. The Foundation disbursed \$3.425 million to the University for educational support to students. This is an increase of approximately \$474,000 or 16.1%. The amounts disbursed by category:

	<u>Amount</u>
Scholarships	\$ 2,598,140
Fellowships	199,978
Study Abroad	100,766
First Generation	<u>526,327</u>
	<u>\$ 3,425,211</u>

- *Program fees* totaled \$3.282 million, a decrease of approximately \$233,000 or 6.6%. The net decrease is primarily due to a decrease in the number of University employees paid with Foundation funds, which offset by an increase in amounts paid for professorships and other services.
- *Professional Fees* totaled \$617,471, an increase of approximately \$129,000 or 26.4%. The increase represents the expenses associated with the consultants, training and workshop facilitator fees.
- *General and administrative expenses* totaled \$4.286 million, an increase of approximately \$37,000 or 0.9%. These expenses are operational expenses, which include educational material, printing, telephone, meeting, travel, public relations, registrations, memberships, annuitants and other fees, etc.

## **2017**

Operating expenses totaled \$11.559 million, which was an increase of approximately \$721,000 or 6.7%. The following details several expense categories:

- *Education Programs* totaled \$355,492, a decrease of \$122,811 or 25.7%. The decrease was due primarily to the amount of equipment and software that were purchased or donated.
- *Scholarships, Fellowships and Study Abroad.* The Foundation disbursed to the University \$2.951 million to the University for educational support to students. This was an increase of approximately \$233,000 or 8.6% over prior year. The amounts disbursed by category:

	<u>Amount</u>
Scholarships	\$ 2,386,697
Fellowships	212,043
Study Abroad	139,800
First Generation	<u>212,740</u>
	<u>\$ 2,951,280</u>

- *Program fees* totaled \$3.515 million, an increase of approximately \$503,000 or 16.7%. The increase was attributed to the number of University employees paid with Foundation funds and amounts paid for professorships and other services.
- *Professional Fees* totaled \$488,494, a decrease of approximately \$76,000 or 13.4%. The decrease represents the expenses associated with the consultants, training and workshop facilitators' fees.

- *General and administrative expenses* totaled \$4.248 million, an increase of approximately \$184,000 or 4.5%. These expenses were operational expenses, which include educational material, printing, telephone, meeting, travel, public relations, registrations, memberships and other fees, etc.

## ***Non-operating Revenues/Expenses***

### **2018**

- *Non-operating revenue/expenses* totaled \$8.337 million net gain. The endowed funds increased \$8.010 million, a net decrease of approximately \$2.261 million or 1.95% or prior year. The endowed funds are managed by Perella Weinberg Partners /Agility Comprehensive Solutions. The non-endowed funds increased approximately \$327,000, an increase of approximately \$37,000 or 12.6%, from investment earnings.

### **2017**

- *Non-operating revenue/expenses* totaled \$10.562 million net gain. The endowed funds net increase of approximately \$11,837 million is attributed to investment market performance under the leadership of the Perella Weinberg Partners/Agility Comprehensive Solutions. The non-endowed funds had a net decrease of approximately \$59,000 in investment earnings.

The investment performance for both the endowed and non-endowed investment balances is reflected below:

	For the year ended June 30, (in thousands of dollars)						
	2018	2017	Increase (decrease)	Change	2016	Increase (decrease)	Change
Investment income (losses):							
Endowed - Interest & Dividends	\$ 18	\$ 17	\$ 1	5.9%	\$ 23	\$ (6)	-26.1%
Endowed - Realized	19	75	(56)	-74.7%	(103)	178	172.8%
Endowed - Unrealized	8,013	10,236	(2,223)	-21.7%	(1,498)	11,734	783.3%
Unrelated business income taxes	(40)	(57)	17	29.8%	(372)	315	84.7%
Total endowed investment income (loss)	8,010	10,271	(2,261)	-22.0%	(1,950)	12,221	626.7%
Non-Endowed Interest & Dividends:							
Interest & Dividends	436	343	93	27.1%	327	16	4.9%
Non-Endowed - Realized	(95)	(58)	(37)	-63.8%	7	(65)	928.6%
Non-Endowed - Unrealized	(14)	6	(20)	-333.3%	16	(10)	-62.5%
Total non-endowed investment (income) loss	327	291	36	12.4%	350	(59)	-16.9%
Total investment income (loss)	\$ 8,337	\$ 10,562	\$ (2,225)	-21.1%	\$ (1,600)	\$ 12,162	760.1%

## **Additions to Endowments**

### **2018**

- *Permanent Endowments.* The Foundation received \$3.791 million in donor contributions to its permanent endowments. There were no State matching funds received in fiscal year 2018.

## **2017**

- *Permanent Endowments.* The Foundation received \$4.967 million in donor contributions to its permanent endowments. There were no State matching funds received in fiscal year 2017.

### **Statements of Cash Flows**

The Statements of Cash Flows show the cash provided and used for operating, capital and related financing activities and investing activities.

- Operating activities include funds received (i.e. from private donors, student rentals, parking fees, matching programs, etc.) and payments (i.e. for programs, employee services, and suppliers for goods and services) made for Foundation operations.
- Capital and related financing activities include funds received from donor annuities and contributions to permanent endowments; and funds used to pay annuity payables and a note payable.
- Investing activities represent funds used to purchase investments and loan funds to a related party; and funds received from proceeds of investment sales, interest and dividends.

### **Economic Outlook**

The Foundation has no knowledge of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

Management believes the Foundation's overall financial position is strong. With detailed monitoring of each account, the Foundation has sufficient funds to cover its obligations.

### **Requests for Information**

This financial report is designed to provide a general overview of the Foundation's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Beverly A. Evans, Director  
University of North Florida  
TSI/Foundation Accounting  
Hicks Hall, Suite 2900  
1 UNF Drive  
Jacksonville, FL 32224-2648  
(904) 620-2790



**University of North Florida Foundation, Inc.**

**STATEMENTS OF NET POSITION**

**June 30, 2018 and 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 368,614	\$ 257,120
Prepaid expenses	25,775	37,049
Accounts receivable	1,404,000	-
Note receivable, current portion	86,694	84,135
Pledges receivable, restricted net	1,367,079	882,967
Total current assets	3,252,162	1,261,271
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	9,230,530	7,968,083
Restricted investments	112,632,701	107,607,397
Notes receivable	5,395,524	5,582,686
Capital asset, net	10,048,120	9,813,333
Pledges receivable, restricted net	1,727,749	2,323,859
Other assets	870,696	947,042
Total non-current assets	139,905,320	134,242,400
Total assets	\$ 143,157,482	\$ 135,503,671
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 86,377	\$ 59,059
Salaries payable - due to UNF	46,918	134,775
Accrued compensated absences, current portion	102,052	125,127
Annuities payable, current portion	33,057	29,172
Note payable, current portion	150,833	127,500
Total current liabilities	419,237	475,633
<b>NONCURRENT LIABILITIES</b>		
Annuities payable	33,058	-
Note payable, long term	301,667	133,000
Total non-current liabilities	334,725	133,000
Total liabilities	753,962	608,633
<b>NET POSITION</b>		
Restricted		
Restricted by donors - expendable	18,751,346	17,589,300
Restricted for gift annuities	204,144	289,741
Permanent endowments - nonexpendable	112,498,289	106,179,377
Net investment in capital assets	9,595,620	9,552,833
Unrestricted	1,354,121	1,283,787
Total net position	142,403,520	134,895,038
Total liabilities and net position	\$ 143,157,482	\$ 135,503,671

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

**University of North Florida Foundation, Inc.**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**Years ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES</b>		
Contributions	\$ 6,598,497	\$ 15,826,823
Programs	716,417	678,089
Total operating revenues	7,314,914	16,504,912
<b>OPERATING EXPENSES</b>		
Program services:		
Education programs	324,383	355,492
Scholarships, fellowships and study abroad	3,425,211	2,951,280
	3,749,594	3,306,772
Supporting services:		
Program fees	3,282,208	3,514,977
Professional fees	617,471	488,494
	3,899,679	4,003,471
Other expenses:		
General and administrative expenses	4,285,630	4,248,371
Total operating expenses	11,934,903	11,558,614
Operating income (loss)	(4,619,989)	4,946,298
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and dividends	454,191	359,963
Net appreciation in investments	7,923,005	10,259,446
Unrelated business income taxes	(39,788)	(57,614)
Total non-operating revenues (expenses)	8,337,408	10,561,795
Change in net position before contributions to endowments	3,717,419	15,508,093
Contributions to permanent endowments	3,791,063	4,967,219
Change in net position	7,508,482	20,475,312
Net position, beginning of year	134,895,038	114,419,726
Net position, end of year	\$ 142,403,520	\$ 134,895,038

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

**University of North Florida Foundation, Inc.**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from private donors	\$ 6,710,495	\$ 15,091,507
Received from other sources	(687,583)	678,089
Payments to the University for programs	(3,749,594)	(3,306,772)
Payments to employees for services	(3,922,754)	(3,997,337)
Payments to suppliers for goods and services	(4,240,182)	(4,090,270)
Net cash provided by (used in) operating activities	<u>(5,889,618)</u>	<u>4,375,217</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to annuity payable	111,123	24,452
Payments on annuity payable	(74,180)	(77,473)
Contributions to permanent endowments	3,791,063	4,967,219
Payments on note payable	(137,500)	(137,500)
Net cash provided by capital and related financing activities	<u>3,690,506</u>	<u>4,776,698</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(12,291,558)	(13,951,938)
Proceeds from sales of investments	15,392,008	5,916,350
Interest and dividends received	288,000	216,314
Repayments of related party notes receivable	184,603	175,279
Net cash provided by (used in) investing activities	<u>3,573,053</u>	<u>(7,643,995)</u>
Net increase in cash and cash equivalents	1,373,941	1,507,920
Cash and cash equivalents, beginning of year	8,225,203	6,717,283
Cash and cash equivalents, end of year	<u>\$ 9,599,144</u>	<u>\$ 8,225,203</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (4,619,989)	\$ 4,946,298
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	94,713	70,000
Change in allowance and discount of pledges receivable	(5,297)	(48,783)
Changes in assets and liabilities:		
Prepaid expenses	11,274	(2,212)
Accounts receivable	(1,404,000)	-
Pledges receivable	117,295	(683,263)
Other assets	-	(3,270)
Accounts payable and accrued expenses	(60,539)	90,313
Accrued compensated absences	(23,075)	6,134
Net cash provided by (used in) operating activities	<u>\$ (5,889,618)</u>	<u>\$ 4,375,217</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash	\$ 368,614	\$ 257,120
Restricted cash and cash equivalents	9,230,530	7,968,083
Total cash and cash equivalents	<u>\$ 9,599,144</u>	<u>\$ 8,225,203</u>
Supplemental Disclosure:		
Non-cash investing and financing activities in connection with purchase of capital assets	<u>\$ 329,500</u>	<u>\$ 9,230,000</u>

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

The University of North Florida Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The University of North Florida Foundation, Inc. (the "Foundation"), is a not-for-profit entity organized to provide financial support to the students and programs of the University of North Florida (the "University"). It is a direct support organization ("DSO") and proprietary fund component unit of the University.

2. Basis of accounting

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Foundation follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures* as applicable to proprietary funds, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 72 – *Fair Value Measurement and Application*.

GASB Statements No. 34, 35 and 63 establish standards for external financial reporting which include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows using the direct method. GASB Statements No. 34, 35 and 63 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net position into three components – net investment in capital assets; restricted net position; and unrestricted net position. These classifications are defined as follows:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding balances of any debt that is attributable to those assets.
- Restricted net position consists of assets that have externally imposed constraints placed upon their use, either by donors or through laws, regulations, or restrictions imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted net position consists of net position that does not meet the definition of "restricted."

GASB Statement No. 72, Fair Value Measurement and Application ("GASB 72"). GASB 72 The Financing Corporation has adopted the accounting and financial reporting issues related to fair value measurements of investments. The fair value is the unit price that would be received to sell an asset or liability. The fair value hierarchy is determined using valuation techniques that measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are observable for an asset or liabilities, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

### 3. Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers cash on hand, cash on deposit, and investments with original maturities of ninety days or less to be cash and cash equivalents.

### 4. Investments

Investments are stated principally at fair value based on quoted market prices with the exception of the alternative investments (hedge, private equity and other fund investments) which are based on external valuation sources. To the extent investments are held in co-mingled funds, the recorded amount is based on an allocation of the fair value based on the underlying securities of the fund. The Foundation intends to hold its investments for the long term. However, the needs of the Foundation may require the sale of a portion of these assets on a short-term basis, subject to the approval of the Investment Committee.

### 5. Notes receivable

The notes receivable are stated at the amount the Foundation expects to collect from the outstanding balances. An allowance for uncollectible amounts is estimated and recorded based on management's judgment of the collectability of the notes receivable in future years. At June 30, 2018 and 2017, the Foundation considered the full balance of the notes receivable to be collectible. Accordingly, there was no allowance for doubtful accounts.

### 6. In-kind contributions

Donated educational materials, equipment, books and other non-cash contributions are recorded at their estimated fair values, if determinable, at the date of the donations. Nominal values are recorded if fair values are not determinable.

Administrative and fiscal services, office space and other miscellaneous support services are provided to the Foundation by the University at no cost. No value has been assigned to these services in the accompanying statement of revenues, expenses, and changes in net position, since there is no objective basis for determining the value.

### 7. Pledges receivable

Pledges are presented at present value less an allowance for uncollectible accounts. The allowance for uncollectible pledges is based on historical collection rates estimated at 3% of receivables.

8. Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material uncertain tax positions as of June 30, 2018.

9. Operating income

Operating revenues and expenses for a proprietary fund are those that result from providing services and producing and delivering goods and or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, and investing activities.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Interest and dividends, net gains and losses on investments, and contributions received for endowments or from State matching funds are considered non-operating. When both restricted and unrestricted resources are available for use, the Foundation's policy is to use restricted resources first, then unrestricted resources as needed.

10. Vacation and sick leave accrual

Employees earn the right to be compensated during absences for annual leave ("vacation") and sick leave pursuant to Section 6C-5.305 of the Florida Administrative Code. Employees earn annual and sick leave based on their years of service. For annual leave, a maximum of 352 hours can be carried forward from one year to the next or paid upon termination for administrative and professional ("A&P") employees and 240 hours can be carried forward from one year to the next or paid upon termination for University support personnel services ("USPS") employees. Employees who have completed at least ten years of service are eligible to receive payment for one fourth of their accrued sick leave hours, upon termination, not to exceed 480 hours. Vacation pay and sick leave payments are expensed in the period earned by the employee.

Accrued compensated absences as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 125,127	\$ 118,993
Additions	96,452	130,701
Reductions	<u>(119,527)</u>	<u>(124,567)</u>
Ending Balance	<u>\$ 102,052</u>	<u>\$ 125,127</u>

11. Non-cash transactions

The Foundation's change in the fair value of its investments due to net unrealized gains was \$8,506,114 and \$10,695,173 for the years ended June 30, 2018 and 2017, respectively.

12. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Investment decisions are made subject to guidelines established by the Foundation's Investment Committee and approved by the Board. All deposits and investments are held at the financial institutions in the name of the Foundation.

Cash

As of June 30, 2018 unrestricted cash included bank demand accounts and consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash on deposit	\$ 368,614	\$ 257,120

As of June 30, 2018 restricted cash equivalents included money market funds subject to immediate withdrawal and consisted of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 9,230,530	\$ 7,968,083

***Custodial credit risk - deposits.*** Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's deposits may not be returned to it. The Foundation periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

The Foundation's total restricted cash and cash equivalents are restricted for endowment purposes.

Investments

Investments are recorded at fair value and consist of government and agency mortgage backed securities, corporate bonds, mutual funds, and alternative investments which include hedge funds, private equity funds, global equities and fixed income funds, absolute return fund, and real assets funds.

The Foundation's investment policy states equity securities will be broadly diversified (e.g. country, economic sector, industry, etc.) to minimize the impact during sudden and severe market downturn, as equity markets have historically displayed a high degree of such correlation during these periods.

The role of the alternative investment funds described above is to reduce the overall volatility of the equity fund performance. Fixed income securities will be diversified among different sectors of the fixed income market. With the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5% of the fixed income fund to be invested in the securities of any one issuer.

The estimated fair values of investments were based on valuations provided by external investment managers at June 30, and consisted of the following:

Investment Type	2018	2017
U.S. Government bonds and agency securities	\$ 2,878,923	\$ 2,672,402
Fixed Income - Corporate bonds	3,654,096	3,836,893
Fixed income mutual funds	129,904	160,261
Equity mutual funds	449,894	526,470
Absolute return fund	18,505,745	16,545,644
Global equities fund	47,342,926	45,048,561
Global fixed income fund	11,367,624	12,910,349
Hedge funds	37,460	34,710
Private equity funds	23,299,940	23,148,173
Real assets fund	4,966,189	2,723,934
	\$ 112,632,701	\$ 107,607,397

**Credit risk.** Credit risk was the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2018 and 2017, the quality ratings of the Foundation's investments are as follows:

Investment Type	Fair Value	2018 Quality Rating				
		A	AA	AAA	BBB	Unrated
U. S. Government bonds and agency securities	\$ 2,878,923	\$ -	\$ 49,736	\$ 2,382,430	\$ -	\$ 446,757
Fixed Income - Corporate Bonds	3,654,096	2,636,463	828,044	49,384	140,205	-
Fixed income mutual funds	129,904	-	-	-	-	129,904
Equity mutual funds	449,894	-	-	-	-	449,894
Absolute return fund	18,505,745	-	-	-	-	18,505,745
Global equities fund	47,342,926	-	-	-	-	47,342,926
Global fixed income fund	11,367,624	-	-	-	-	11,367,624
Hedge funds	37,460	-	-	-	-	37,460
Private equity funds	23,299,940	-	-	-	-	23,299,940
Real assets fund	4,966,189	-	-	-	-	4,966,189
	\$ 112,632,701	\$ 2,636,463	\$ 877,780	\$ 2,431,814	\$ 140,205	\$ 106,546,439



Investment Type	Fair Value	2017 Quality Rating				Unrated
		A	AA	AAA	BBB	
U. S. Government bonds and agency securities	\$ 2,672,402	\$ -	\$ -	\$ 2,291,726	\$ -	\$ 380,676
Fixed Income - Corporate Bonds	3,836,893	2,217,346	1,318,374	50,088	251,085	-
Fixed income mutual funds	160,261	-	-	-	-	160,261
Equity mutual funds	526,470	-	-	-	-	526,470
Absolute return fund	16,545,644	-	-	-	-	16,545,644
Global equities fund	45,048,561	-	-	-	-	45,048,561
Global fixed income fund	12,910,349	-	-	-	-	12,910,349
Hedge funds	34,710	-	-	-	-	34,710
Private equity funds	23,148,173	-	-	-	-	23,148,173
Real assets fund	2,723,934	-	-	-	-	2,723,934
	<u>\$ 107,607,397</u>	<u>\$ 2,217,346</u>	<u>\$ 1,318,374</u>	<u>\$ 2,341,814</u>	<u>\$ 251,085</u>	<u>\$ 101,478,778</u>

Money market funds are presented in restricted cash and cash equivalents on the Foundation's Statements of Net Position.

**Interest rate risk.** Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above. As of June 30, 2018, the Foundation's investments and money market funds had the following maturities:

	Investment Maturities (in Years)		
	Fair Value	Less than 1	1 - 5
U.S. Government Bonds and Agency Securities	\$ 2,878,923	\$ 820,513	\$ 2,058,410
Fixed Income - Corporate bonds	3,654,096	698,944	2,955,152
Money Market Funds	9,230,530	9,230,530	-
	<u>\$ 15,763,549</u>	<u>\$ 10,749,987</u>	<u>\$ 5,013,562</u>

**Concentration Risk.** The Foundation's portfolio includes alternative investment funds ("Funds") as of June 30, 2018 and 2017, respectively. The Funds' investments are subject to various risk factors including market, credit, and currency risk. The Funds' investments are made in the United States and internationally and thus have concentrations in such regions. The Funds' investments are also subject to the risk associated with investing in private equity securities. The investments in private equity securities are generally illiquid, and there can be no assurance that the fund will be able to realize the value of such investments in a timely manner.

The Funds have invested, for purposes of capital appreciation, in various underlying funds that vary by size, industry and geographical concentration. Investment performance of an industry sector in which the Funds have a concentration of investments may have a significant impact on the performance of the Funds.

The Funds participate in assets and securities of non-U.S. issuers. Investments of this type may be subject to significant price fluctuations and above-average risk. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to currency exchange matters, differences between the U.S. and non-U.S. securities markets, certain economic and political risks, and the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities.

**Investment income.** The following summarizes net investment income for the years ended June 30, 2018 and 2017:

	2018	2017
Net unrealized and realized gains	\$ 8,749,914	\$ 10,776,158
Investment management fees	(826,909)	(516,712)
Net appreciation in investments	7,923,005	10,259,446
Interest and dividends	454,191	359,963
Non-operating revenues	<u>\$ 8,377,196</u>	<u>\$ 10,619,409</u>

The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of the investments.

In accordance with the policies of the Foundation's Board, the Foundation received \$1,840,333 and \$1,723,442 in investment management fees from the permanently endowed accounts during the years ended June 30, 2018 and 2017, respectively. These fees are to be utilized for unrestricted purposes. The investment management fees are calculated as 1.75% of the respective fair value of the endowed investments for the years ended June 30, 2018 and 2017, respectively, and deducted quarterly from the total return of the pooled and non-pooled endowment funds. The fees assessed by the Foundation are for expenses related to the operation of the Foundation such as management of the endowment, audit and accounting functions, development and alumni related activities, as they relate to the operations and fund-raising, gift receipting, acknowledging, and recognition of donors.

#### Permanent endowment pooled and non-pooled cash and investments

The aggregate amount of deficiencies for all donor-restricted endowment funds for which the fair value of the assets was less than the level required by donor stipulations was \$8,589,843 and \$10,177,719 as of June 30, 2018 and 2017, respectively.

## **NOTE C - FAIR VALUE MEASUREMENTS**

The Foundation has provided additional information about fair value measurements which is based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes the information used to develop these assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that an entity has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 Inputs that are unobservable, about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Foundation uses the market approach valuation technique to value its investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

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

The fair value of U.S. government bonds and agency securities, corporate bonds, and mutual funds are based on quoted prices in active markets.

The investments presented as hedge funds, absolute return funds, global equities funds, global fixed income funds, and real assets funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such funds governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e., the more liquid the investments in the portfolio, the greater the liquidity provided the investors). Liquidity of individual hedge funds varies based on various factors and may include "gates," "holdbacks" and "side pockets" imposed by the manager of the hedge fund, as well as redemption fees which may also apply. These investments are generally illiquid in whole or in part. These funds are generally measured at fair value using net asset value ("NAV") as a practical expedient.

Most private equity funds are structured as closed-end, commitment-based investment funds where the entity commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors, and subsequent to final closing, do not permit subscriptions by new or existing investors. Accordingly, the entity generally holds interests in such funds for which there is no active market. These funds are generally measured at fair value using NAV as a practical expedient.

The following tables present the assets carried on the Statements of Net Position by level within the valuation hierarchy as of June 30, 2018 and 2017.

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. government bonds and agency securities	\$ 2,878,923	\$ -	\$ -	\$ 2,878,923
Fixed Income - Corporate bonds	3,654,096	-	-	3,654,096
Fixed income mutual funds	129,904	-	-	129,904
Equity mutual funds	449,894	-	-	449,894
Total	<u>\$ 7,112,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,112,817</u>
Investments measured at NAV (a)				<u>105,519,884</u>
Investments at fair value				<u>\$ 112,632,701</u>

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
U.S. government bonds and agency securities	\$ 2,672,402	\$ -	\$ -	\$ 2,672,402
Fixed Income - Corporate bonds	3,836,893	-	-	3,836,893
Fixed income mutual funds	160,261	-	-	160,261
Equity mutual funds	526,470	-	-	526,470
Total	<u>\$ 7,196,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,196,026</u>
Investments measured at NAV (a)				<u>100,411,371</u>
Investments at fair value				<u>\$ 107,607,397</u>

(a) In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Position.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2018 and 2017.

	Fair Value at June 30, 2018	Fair Value at June 30, 2017	Unfunded Commitments	Withdrawal Frequency	Redemption Notice Period
Absolute return fund	\$ 18,505,745	\$ 16,545,644	None	Monthly, Quarterly, Semi-Annually, Annually, Biennially	3 to 90 Days
Global equities fund	47,342,926	45,048,561	None	Daily, Monthly, Quarterly	6 to 90 Days
Global fixed income fund	11,367,624	12,910,349	None	Daily, Monthly	2 to 60 days
Hedge funds	37,460	34,710	None	Monthly, Quarterly, Semi-Annually, Annually, Biennially	30 to 105 Days
Private equity funds	23,299,940	23,148,173	\$ 14,544,159	None	None
Real assets fund	4,966,189	2,723,934	None	Semi-Monthly, Monthly, Annually	5 to 60 days

#### NOTE D – NOTES RECEIVABLE

##### UNF Training & Service Institute, Inc.

The Foundation entered into a Memorandum of Understanding (“MOU”) in May 2010 between the UNF Foundation, Inc., UNF Training & Services Institute, Inc. (“TSI”) and UNF TSI Investments, LLC (“LLC”) to purchase the ADT property. The MOU includes a) loan funding to the LLC in an amount not to exceed \$4,800,000; b) terms for the loan: interest will accrue at the rate of 4.50% per annum, and the principal and all accrued interest on the loan will be payable in full on or in part at any time prior to its due date in ten years (May 2021); c) no additional encumbrance or loan to any party a security interest in or otherwise pledge, collateralize or encumber the ADT Property; and d) no TSI funding of capital projects for as long as any portion of the loan or interest thereon remains unpaid, TSI will not advance, loan or contribute to UNF or a UNF-related entity any sum for the purpose of funding a UNF capital project.

At June 30, 2018 and 2017, the loan totaled \$4,662,000 and \$4,734,000 respectively, and the related loan interest receivable totaled \$874,728 and \$951,176, respectively.

##### UNF Financing Corporation, Inc.

In December 2014, the Foundation executed a \$1,200,000 agreement with the UNF Financing Corporation, Inc. for the purpose of renovations to the East Park Warehouse. The loan terms include a maturity date of April 2025, interest rate of 3.00% and quarterly principal and interest payments of \$34,849.

At June 30, 2018, the loan principal totaled \$820,218 and \$932,821, respectively.

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning balance	Increases	Decreases	Transfers	Ending balance
Arena Scoring and Display System	\$ 597,464	\$ -	\$ -	\$ -	\$ 597,464
Arena Scoring Table	102,536	-	-	-	102,536
Baseball Scoreboard, Signage, and related Equipment	-	329,500	-	-	329,500
Land	9,230,000	-	-	-	9,230,000
	9,930,000	329,500	-	-	10,259,500
Less accumulated depreciation	116,667	94,713	-	-	211,380
Capital assets, net	<u>\$ 9,813,333</u>	<u>\$ 234,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,048,120</u>

The equipment is being depreciated based on a 10 year estimated useful life using the straight-line method. During fiscal year 2018, depreciation expense of \$94,713 was recorded. A land gift, valued at \$9,230,000, was received in 2017 and is held by UNF Foundation.

**NOTE F - PLEDGES RECEIVABLE**

Pledges receivable are recorded in the Statements of Net Position for restricted accounts at net realizable value in accordance with GASB 33. Pledge receivables were discounted using a discount rate of 2.2% and an allowance for bad debts as of June 30, 2018.

Pledges receivable as of June 30, 2018 are summarized as follows:

Due in year ending June 30:

2018	\$ 444,002
2019	1,409,360
2020	768,217
2021	426,692
2022	191,540
Thereafter	25,000
Subtotal restricted pledges	<u>3,264,811</u>
Less: Allowance for bad debts	(95,713)
Less: Present value discounts	<u>(74,270)</u>
Total pledges receivable, net	3,094,828
Less: Current portion of pledges receivable	<u>(1,367,079)</u>
Long-term portion of pledges receivable	<u>\$ 1,727,749</u>

Unrestricted and endowment pledge receivables not recognized in the Statements of Net Position under the provisions of GASB 33 were \$11,495,769 and \$13,622,982 at June 30, 2018 and 2017, respectively.

**NOTE G – NOTE PAYABLE**

In August 2015, the Foundation executed an agreement with a vendor to purchase a scoreboard and scoring table for \$700,000. In October 2017, an amendment was made to the existing contract to include an additional scoreboard which increased the total to \$1,029,500. The note is non-interest bearing and matures in August 2020. The amount of the note will be reduced by \$6,000 if the note is repaid by December 1, 2019.

A summary of changes in note payable activity for the year ended June 30, 2018 is as follows:

Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
\$ 260,500	\$ 329,500	\$(137,500)	\$ 452,500	\$ 150,833

The scheduled maturities of the note payable is as follows at June 30:

2019	\$ 150,833
2020	150,833
2021	150,834
	<u>\$ 452,500</u>

**NOTE H - ANNUITIES PAYABLE**

Annuity trusts are gift agreements and are fixed, irrevocable contributions at the time of the gift. The donor and/or beneficiary annually receive a payout that is stated in the trust agreement, which is established at the time the trust is created, and additions are not allowed. Income in excess of the annual payment is added to the principal to support future payouts. The trust assets are invested according to investment guidelines established by the Foundation's Investment Committee.

At June 30, 2018, the Foundation had five gift annuity accounts with the following changes:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Annuites Payable	\$ 318,912	\$ 25,527	\$ (74,180)	\$ 270,259	\$ 33,057

**NOTE I - RELATED PARTY TRANSACTIONS**

The Foundation makes contributions to the University for equipment purchases. The University maintains title to all such equipment purchases with the Foundation having use of all equipment without further charges. Contributions to the University for equipment purchases were \$75,864 and \$161,228 for the years ended June 30, 2018 and 2017, respectively.

The Foundation advances funds to the University of North Florida Training and Services, Inc. (the "Institute") for reimbursement of Foundation operating costs paid by the Institute. Advances for the above costs were \$487,933 and \$460,000 for the years ended June 30, 2018 and 2017, respectively.

The Museum of Contemporary Art Jacksonville, Inc. (MOCA) has an endowed account in the Foundation's permanent endowment. The Haskell Foundation (the Donor) established the endowed account in January 2015 for the specific purpose of providing unrestricted operational support for MOCA. At June 30, 2018, MOCA has an ongoing economic interest in the assets of the Foundation in the amount of \$5,138,750.

## NOTE J - PENSIONS

Employees paid with Foundation funds are eligible to be covered by the State of Florida, Florida Retirement System, which is a cost-sharing, multiple-employer, defined-benefit pension plan. Pension benefits vest for employees who have completed at least six years of creditable service. Effective July 1, 2011, employees are assessed a 3% of salary mandatory retirement contribution on a bi-weekly basis. Benefits may be received upon 30 years of service, death or disability, or at retirement age of 62. Reduced benefits may be received prior to age 62 for vested employees with terminated employment. The Foundation makes contributions to the plan in accordance with rates determined by Chapter 121 of the Florida Statutes. The retirement plan is funded by employer contributions at a rate of 7.92% and 7.52% of the gross pay for regular employees for 2018 and 2017, respectively.

The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement  
Department of Management Services  
P.O. Box 9000  
Tallahassee, Florida 32315-9000

Faculty members and A&P employees can also elect to participate in an optional retirement program ("ORP"), a defined contribution pension plan. This program provides full and immediate vesting of all contributions. The Foundation contributes a percentage of earnings and the participants can also contribute up to 11.45% and 10.98% of salary in various investment options for 2018 and 2017, respectively. There is no age or length of service requirements to participate in the ORP. Annuity income at retirement is based on the investment value and the type of annuity selected.

During the years ended June 30, 2018 and 2017, total pension costs were \$123,551 and \$117,594 respectively. Such amounts are included in program fees in the accompanying statements of revenues, expenses, and changes in net position. The Foundation's liability for any unfunded pension benefit obligation is limited to the payment of the required contribution at the rates established by law on future payrolls of the Foundation. The Foundation is current in its payments to the Florida Retirement System at June 30, 2018.



The Deferred Retirement Optional Program (“DROP”) is a program under which an eligible member of the Florida Retirement System may elect to participate, deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer. The deferred monthly benefit accrues on behalf of the participant, plus interest compounded monthly for the specified period of the DROP participation. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

## NOTE K - COMMITMENTS AND CONTINGENCIES

### Investment Manager Subscription Agreements

The Foundation is a party to various subscription agreements with hedge fund managers. Due to the illiquid nature of the investments in these types of funds, there is redemption, notification requirements before an account can be closed, and proceeds paid to the Foundation. The stated redemption notice on the majority of funds is approximately 95 days, however, the Foundation has annually been permitted to withdraw cash to meet its operational needs.

The Foundation is also a party to various subscription agreements with private equity managers which provide for capital contributions as requested by the funds. At June 30, 2018, the Foundation has future funding commitments to the following funds:

Morgan Creek Partners I	\$	337,500
Morgan Creek Partners II		270,000
Morgan Creek Partners III		630,000
Morgan Creek Partners IV		50,000
Agility Private Capital II		1,923,660
Agility Private Capital III		2,380,391
Agility Private Capital IV		3,332,262
Total	\$	<u>8,923,813</u>

## NOTE L - SUBSEQUENT EVENTS

The Foundation has evaluated the effect subsequent events would have on the financial statements through October 23, 2018, which is the date the financial statements were available to be issued.

## **Independent Auditors' 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**

Board of Directors  
University of North Florida Foundation, Inc.  
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of North Florida Foundation, Inc. (the "Foundation") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 23, 2018.

### ***Internal Control over Financial Reporting***

In planning and performing our audits of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the auditing 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*, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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 the 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.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
October 23, 2018**

**SUPPLEMENTAL INFORMATION**

**UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended June 30, 2018**

**CSFA No. 48.074**  
**Agency: State of Florida Department of Education and Commissioner of Education**  
**Program: University Major Gift Challenge Grant Program**

Account Number	Account Name	State Expenditures Total
7001	Andrew Robinson Scholarship Endowment	\$ 9,375
7002	Lovee and Hy Kliman Family Scholars Endowment	6,000
7003	Captain Blanchart Maritime Endowed Scholarship	78,382
7004	Wells Fargo Bank Scholarship Endowment	3,000
7005	Herman & Virginia Terry Scholars Endowment	119,145
7009	Mayor Jake Godbold Endowed Scholarship	4,000
7017	Presidential Endowed Scholarship	15,000
7018	Eminent Scholar Char in American Music	53,403
7020	Danciger Scholarship Endowment	-
7021	Madison-Mullis Endowment	6,696
7027	Richard deRaimis Kip Professor of International Business	5,395
7028-7032	de R. Kip Endowment	175,333
7048	de R. Kip Professorship in Financial Services	10,670
7049	Eminent Scholalr Chair in Wholesaling	44,577
7050	Eminent Scholar Chair in Transportation	-
7051	AT&T Scholarship Endowment	7,000
7052	Alumni Association Scholarship Endowment	7,500
7054	Hercules Scholarship Endowment - COAS	-
7055	Hercules Scholarship Endowment - COCSE	-
7057	Fred and Rose Cobb Endowment Scholarship	7,500
7059	Martinez Family Scholarship Endowment	11,200
7060	Eminent Scholar Chair in Education	69,507
7063	R Ernest & D Ferrell Endowed Scholarship	11,000
7064	Elizabeth Larsen Music Scholarship	13,450
7065	John E Mathews Endowment	12,894
7067	Marcus E Drewa Distinguished Professorship Endowment	18,860
7068	Jacksonville Kennel Club Scholarship Endowment	5,000
7069	William Sheffield Real Estate Professorship Endowment	53,000
7071	Delores Kesler Scholarship Endowment	55,000
7072	Pre-Law: Brown, Terrell, Hogan et al	1,275
7073	Pre-Law: Coker Visiting Professorship	1,250
7074	Pre-Law: RP & KR Liles Lecture	3,099
7075	Pre-Law: Child Advocacy Program	467
7076-7079	Hicks and Gray Scholars Endowment	374,329
7080	Fidelity National Financial - Ann &David Hicks Scholarship	9,184
7081	Florida Book Depository Endowed Graduate Fellows	9,625
7083	Coggin Professorship Endowment	9,366
7084	Coggin Endowment Scholarship	17,551
7085	Adam W. Herbert Scholarship Endowment	11,000
7086	E & I Zekaria Scholarship Endowment	12,107
7088	Bank of America Information Technology Endowed Professorship	9,643
7089	Bank of America Endowed Scholarship	5,000
7090	Jacksonville Jaguars Foundation Endowed Scholarship	40,000
7093-7098	Brooks Health Endowment Scholarships, Professorships	47,292
7099	Gerson Yessin Distinguished Endowed Professorship	11,320
7104	David A Stein Business Ethics Scholarship Endowment	56,000
7105	Donna L Harper Endowment Professor Business Admin	2,733
7106-7107	M & H Scheidel Scholarship Endowment	269,089

**UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended June 30, 2018**

**CSFA No. 48.074**  
**Agency: State of Florida Department of Education and Commissioner of Education**  
**Program: University Major Gift Challenge Grant Program**

Account Number	Account Name	State Expenditures Total
7108-7109	Jody & Layton Smith Professorship and Osprey Financial Group	33,301
7110	Jody & Layton Smith Scholarship Endowment	18,000
7111	Pat H Foster Graduate Nurse Fellowship Endowment	20,000
7114	University Scholars Endowment	10,200
7115	Memorial Hospital Jaxcksonville Auxiliary Endowment Scholarship	6,000
7116	St. Joe Company Endowed Scholarship	6,000
7117	Dixon, Hughes, Goodman LLP Endowed Accounting Scholarship	10,000
7118	Weaver Family Foundation Business Endowment Scholarship	74,842
7120	CSX Transportation Scholarship Endowment	4,000
7122	Lazzara Family Scholarship Endowment	13,750
7123	Elkins Constructors Endowment Scholarship	6,000
7124	Fidelity National Financial Distinguished Professorship in CIS	18,000
7125	The Haskell Company Endowed Scholarship	7,200
7129	Let Us Play Scholarship Endowment	2,000
7130	Bill & Angie Halimandaris Endowed Scholarship	4,317
7131	Dr. Reza Vaghefi Endowed Scholarship	14,766
7132	David A. Smith & PSS World Medical Inc., Endowed Scholar	6,000
7134	Ann C. Hicks Endowed Merit Scholarship	24,558
7137	Compass Bank Endowed Scholarship in International Business	7,500
7138	Baptist Health MSN Endowed Fellowships	20,000
7140	James Van Vleck Endowed Scholarship	1,500
7141	Dannehl & Kevin Twomey Endowed Scholarship	6,500
7142-7143	Blue Cross Blue Shield - Florida Ethics Center, Public Policy Professorship, Scholarships, Fellowships	65,856
7144	Stellar Group Scholarship Endowment	5,000
7146-7151	Coggin Scholarships, Fellowships, Professorships	175,989
7152	Mayor John A. Delaney Endowed Scholarship	10,000
7153	James Van Vleck Endowed Leadership & Ethics	4,500
7154	Pajcic Scholars Program Endowment	20,000
7155	Katherine H. Lovett Endowed Scholarship	42,729
7157	Mark E. Workman Endowed Professorship	35,303
7159	Thomas F & Eleanor H Aretz Endowed Nursing Scholarship	20,000
7167 - 7168	Crawford Early Literacy Faculty Fellow Corpus/Early Childhood Research Prof	30,438
7179	Women & Girls Health Research Professorship Endowment	(461)
7180	Terry Presidential Professorship Endowment	15,000
7182	Pre-Law Scholarship Endowment	1,700
7184	Paul Mucciolo MD Pre-Medical Scholarship	650
7186	Panides-Doughty Memorial Endowed Scholarship	3,800
7187	Debra Doughty-Jason Panides Endowed Memorial Scholarship	5,229
7188	Betty Lawson Endowed Physical Therapy Fellowship	5,000
7191	James Kufeldt Memorial Endowed Scholarship	5,750
7195	Gate Petroleum Company Entrepreneurial Endowed Scholarship	14,972
7199	Sam E Mousa Endowed Merit Scholarship	4,500
7205	Linda Carter & Tom H Slade III Endowed Prof of Entrepreneurial Studies	22,153
7207	James Van Vleck Promising Future Endowed Scholarship	1,200
7213	The Wachovia Foundation Endowed Scholarship	12,000
7217	Blue Cross Blue Shield Endowed Nursing Professorship	187
7222	Brooks College of Health Physical Therapy Professorship 1	1,156

**UNIVERSITY OF NORTH FLORIDA FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended June 30, 2018**

**CSFA No. 48.074**  
**Agency: State of Florida Department of Education and Commissioner of Education**  
**Program: University Major Gift Challenge Grant Program**

Account Number	Account Name	State Expenditures Total
7223	Brooks College of Health Physical Therapy Professorship 2	8,901
7224	Brooks College of Health Physical Therapy Professor 3	46,453
7225	Brooks College of Health Physical Therapy Professor 4	55,865
7226	Brooks College of Health Nursing Professorship 1	71,777
7227	Brooks College of Health Nursing Professorship 2	36,100
7228	Pamela S Chally Distinguished Professorship	132,049
7229	Taylor Engineering Endowed Professorship	39,856
7232	Charles M & Doris B Nevasier Endowed Nursing Scholarship	15,000
7242	River Branch Foundation Endowment	24,443
7246	Thad M Moseley, MD Endowed Scholarship	8,400
7247	Donald Loop Spanish Scholarship Endowment	12,500
	Total State Appropriations	<u>\$ 2,961,646</u>

**University of North Florida Foundation, Inc.**

**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") presents the activity of the state award program of the University of North Florida Foundation, Inc. (the "Foundation") for the year ended June 30, 2018.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida.

**NOTE C – SCOPE OF AUDIT TO THE STATE SINGLE AUDIT ACT**

All state grant operations of the Foundation are included in the scope of the Florida Single Audit Act. The Florida Single Audit Act was performed in accordance with the provisions of the Department of Financial Services' State Projects Compliance Supplement. Compliance testing of all requirements, as described in the State Projects Compliance Supplement, was performed for the grant program noted in the accompanying Schedule.

**NOTE D – CONTINGENCY**

The grant revenue amount received is subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for the reimbursement to the grantor agency would become a liability of the Foundation. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and regulations.



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

Board of Directors  
University of North Florida Foundation, Inc.  
Jacksonville, Florida

### ***Report on Compliance for Each Major State Project***

We have audited the University of North Florida Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state project for the year ended June 30, 2018. The Foundation's major state project is identified in the summary of auditors' results of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

### ***Auditors' Responsibility***

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

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

### ***Opinion on Each Major State Project***

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

***Report on Internal Control over Compliance***

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

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

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

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

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
October 23, 2018**

University of North Florida Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued:  | Unmodified    |
| 2. Internal control over financial reporting:                                    |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to the financial statements noted?                     | No            |

State financial assistance

- |  |   |
|--|---|
| 1. Internal control over major projects:   |   |
| a. Material weaknesses identified?   | No  |
| b. Significant deficiencies identified not considered to be material weaknesses?                 | None Reported                                 |
| 2. Type of auditors' report issued on compliance for major projects:                             | Unmodified                                    |
| 3. Any audit findings disclosed that are required to be reported in accordance with Rule 10.656? | No  |
| 4. Identification of major state financial assistance projects:                                  |   |
| <u>CSFA Number</u>   | <u>Name of State Project</u>                  |
| 48.074   | University Major Gift Challenge Grant Program |
| 5. Dollar threshold used to distinguish between type A and type B programs:                      | \$300,000                                     |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III - STATE FINANCIAL ASSISTANCE PROJECTS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None reported.

**University of North Florida Foundation, Inc.**

**SCHEDULE I -  
SCHEDULE OF ASSETS AND LIABILITIES BY ACCOUNT TYPE**

**June 30, 2018**

<b>Assets</b>	<b>Net</b>					<b>Total</b>
	<b>Unrestricted</b>	<b>Investment in Capital Assets</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Gift Annuity</b>	
<b>Current assets:</b>						
Cash and cash equivalents	\$ 345,258	\$ -	\$ 23,356	\$ -	\$ -	\$ 368,614
Prepaid expenses	5,387	-	20,388	-	-	25,775
Accounts receivable	-	-	-	1,404,000	-	1,404,000
Note receivable, current portion	86,694	-	-	-	-	86,694
Pledge receivable, restricted	-	-	1,367,079	-	-	1,367,079
<b>Total current assets</b>	<b>437,339</b>	<b>-</b>	<b>1,410,823</b>	<b>1,404,000</b>	<b>-</b>	<b>3,252,162</b>
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents	218,225	-	3,709,374	5,296,354	6,577	9,230,530
Restricted investments	-	-	6,573,659	105,795,360	263,682	112,632,701
Notes receivable	733,524	-	4,662,000	-	-	5,395,524
Capital assets, net	-	10,048,120	-	-	-	10,048,120
Pledges receivable, restricted	-	-	1,727,749	-	-	1,727,749
Other assets	-	-	868,121	2,575	-	870,696
<b>Total assets</b>	<b>\$ 1,389,088</b>	<b>\$ 10,048,120</b>	<b>\$ 18,951,726</b>	<b>\$ 112,498,289</b>	<b>\$ 270,259</b>	<b>\$ 143,157,482</b>
<b>Liabilities and Net Position</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses	\$ 6,391	\$ -	\$ 79,986	\$ -	\$ -	\$ 86,377
Salaries payable - due to UNF	(3,567)	-	50,485	-	-	46,918
Accrued compensated absences, current portion	32,143	-	69,909	-	-	102,052
Annuities payable, current portion	-	-	-	-	33,057	33,057
Notes payable, current portion	-	150,833	-	-	-	150,833
<b>Total current liabilities</b>	<b>34,967</b>	<b>150,833</b>	<b>200,380</b>	<b>-</b>	<b>33,057</b>	<b>419,237</b>
<b>Noncurrent liabilities:</b>						
Annuities payable	-	-	-	-	33,058	33,058
Notes payable	-	301,667	-	-	-	301,667
<b>Total liabilities</b>	<b>34,967</b>	<b>452,500</b>	<b>200,380</b>	<b>-</b>	<b>66,115</b>	<b>753,962</b>
<b>Net position:</b>						
<b>Restricted:</b>						
Restricted by donors	-	-	18,751,346	-	-	18,751,346
Restricted for gift annuity	-	-	-	-	204,144	204,144
Permanent endowments	-	-	-	112,498,289	-	112,498,289
Net investment in capital assets	-	9,595,620	-	-	-	9,595,620
Unrestricted	1,354,121	-	-	-	-	1,354,121
<b>Total net position</b>	<b>1,354,121</b>	<b>9,595,620</b>	<b>18,751,346</b>	<b>112,498,289</b>	<b>204,144</b>	<b>142,403,520</b>
<b>Total liabilities and net position</b>	<b>\$ 1,389,088</b>	<b>\$ 10,048,120</b>	<b>\$ 18,951,726</b>	<b>\$ 112,498,289</b>	<b>\$ 270,259</b>	<b>\$ 143,157,482</b>

See independent auditors' report.

**University of North Florida Foundation Inc.**

**SCHEDULE II - SCHEDULE OF REVENUES AND EXPENSES BY ACCOUNT TYPE**

**Year ended June 30, 2018**

	<b>Unrestricted</b>	<b>Net Investment in Capital Assets</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Gift Annuity</b>	<b>Total</b>
Operating revenues:						
Contributions	\$ 303,056	\$ -	\$ 6,295,441	\$ -	\$ -	\$ 6,598,497
Programs	-	-	716,417	-	-	716,417
	<u>303,056</u>	<u>-</u>	<u>7,011,858</u>	<u>-</u>	<u>-</u>	<u>7,314,914</u>
Operating expenses:						
Program services:						
Education programs	458	-	323,925	-	-	324,383
Scholarships, fellowships, study abroad	-	-	3,425,211	-	-	3,425,211
	<u>458</u>	<u>-</u>	<u>3,749,136</u>	<u>-</u>	<u>-</u>	<u>3,749,594</u>
Supporting services:						
Program fees	1,009,001	-	2,273,207	-	-	3,282,208
Professional fees	296,399	-	321,072	-	-	617,471
	<u>1,305,400</u>	<u>-</u>	<u>2,594,279</u>	<u>-</u>	<u>-</u>	<u>3,899,679</u>
Other expenses:						
General and administrative expenses	1,058,046	94,713	3,047,274	-	85,597	4,285,630
	<u>2,363,904</u>	<u>94,713</u>	<u>9,390,689</u>	<u>-</u>	<u>85,597</u>	<u>11,934,903</u>
Total operating expenses	<u>2,363,904</u>	<u>94,713</u>	<u>9,390,689</u>	<u>-</u>	<u>85,597</u>	<u>11,934,903</u>
Operating loss	<u>(2,060,848)</u>	<u>(94,713)</u>	<u>(2,378,831)</u>	<u>-</u>	<u>(85,597)</u>	<u>(4,619,989)</u>
Nonoperating revenues (expenses):						
Interest and dividends	454,191	-	-	-	-	454,191
Net appreciation (depreciation) in investments	(52,987)	-	(73,800)	8,049,792	-	7,923,005
Unrelated business income taxes	-	-	-	(39,788)	-	(39,788)
Total non-operating revenues (expenses)	<u>401,204</u>	<u>-</u>	<u>(73,800)</u>	<u>8,010,004</u>	<u>-</u>	<u>8,337,408</u>
Change in net position before additions to endowments	<u>(1,659,644)</u>	<u>(94,713)</u>	<u>(2,452,631)</u>	<u>8,010,004</u>	<u>(85,597)</u>	<u>3,717,419</u>
Additions to endowments:						
Contributions to permanent endowments	-	-	-	3,791,063	-	3,791,063
	<u>(1,659,644)</u>	<u>(94,713)</u>	<u>(2,452,631)</u>	<u>11,801,067</u>	<u>(85,597)</u>	<u>7,508,482</u>
Transfers	1,729,978	137,500	3,614,677	(5,482,155)	-	-
Net position, beginning of year	<u>1,283,787</u>	<u>9,552,833</u>	<u>17,589,300</u>	<u>106,179,377</u>	<u>289,741</u>	<u>134,895,038</u>
Net position, end of year	<u>\$ 1,354,121</u>	<u>\$ 9,595,620</u>	<u>\$ 18,751,346</u>	<u>\$ 112,498,289</u>	<u>\$ 204,144</u>	<u>\$ 142,403,520</u>

See independent auditors' report.