NOTE 2. CASH AND CASH EQUIVALENTS

The amounts reported by the Foundation as cash and cash equivalents consists of cash on hand, cash in bank demand accounts, cash held at the University and money market funds. Cash and cash equivalents as of June 30, 2019 are as follows:

Note 2. Cash and Cash Equivalents

Cash in bank demand accounts	$	5,626,036
Money market funds		220,306
Cash held at the University of Florida		820,677
Cash on hand		1,812
Total cash and cash equivalents	$	6,668,831

Cash in bank demand accounts are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Money market funds are uninsured and collateralized by securities held by the institution.

As of June 30, 2019, $220,306 in cash deposits are not insured by federal deposit insurance and are not collateralized.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation has no formal policy for custodial credit risk.

NOTE 3. STATE MATCH RECEIVABLE

In accordance with Florida Statute Chapter 1011.94, *University Major Gifts Program*, endowment contributions of $100,000 or more, made after July 1, 1985, with income to be used to support libraries and instruction and research programs, are eligible for state match. As of June 30, 2019, the Foundation has approved state matching requests that have not yet been received or recognized in the financial statements totaling $130,905,263. The State of Florida has temporarily suspended funding for this program and did not appropriate any funds; therefore, no receivable has been recorded in the accompanying financial statements.

NOTE 4. PLEDGES RECEIVABLE

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

Note 4. Pledges Receivable

Due in less than one year	$	23,578,413
Due in one to five years		48,171,980
Due after five years		20,149,796
		91,900,189
Less:		
Allowance for doubtful amounts		(9,085,412)
Unamortized discounts		(8,697,634)
Total pledges receivable, net	$	74,117,143
Current pledges receivable, net	$	21,244,150
Noncurrent pledges receivable, net		52,872,993
Total pledges receivable, net	$	74,117,143

Noncurrent pledges receivable are net of discounts amounting to $8,697,634 as of June 30, 2019. Pledges receivable are discounted using a risk adjusted discount rate for the month the pledge was initially recognized. The risk adjusted discount rate consists of the 5-year Treasury yield plus a 1% risk premium. Discount rates used ranged from 1.6% to 7.0%.

NOTE 5. INVESTMENT MANAGEMENT AGREEMENT

The University of Florida Board of Trustees created the University of Florida Investment Corporation (UFICO), a direct support organization, to manage University investments. UFICO is governed by a volunteer board of directors independent from the Foundation. The Foundation has a management agreement with UFICO to manage a significant portion of its investments. Management fees are payable at the beginning of each quarter and are computed based on amounts budgeted by UFICO and the market value of the assets as reported by the custodians at the previous quarter end. The asset valuations used in the fee calculations include all funds and assets under management, including cash and accrued income. Annualized fees charged were 0.18% of the related assets under management for the fiscal year ended June 30, 2019. Management fees expensed during the year ended June 30, 2019 under this agreement totaled $3,162,327, which are included in investment return in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

NOTE 6. INVESTMENTS

Investments: The goals of the Foundation's investment program for endowments and other investments is set forth in the investment policy as approved by the Foundation's Board of Directors. The goals are specific to individual investment pools but in general it is to provide a total return from the assets invested that will preserve the purchasing power of those assets and, additionally for endowment invested assets, to also generate an income stream to support the activities of the colleges and units of the University. The investment policy provides guidelines as to risk and investment time horizon but does not address specific types of risks such as credit risk, interest rate risk and foreign currency risk that the Foundation may be exposed to as outlined below.

Investments at June 30, 2019 are summarized as follows:

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investments are subject to custodial credit risk if the securities are uninsured, not registered in the Foundation's name, and are held by someone other than the Foundation. The Foundation has no formal policy on custodial credit risk but it is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name.

Note 6. Investments

	Endowments	Split-interest agreements	Other	Total
Government issues – domestic	$ -	$ 286,422	$ -	$ 286,422
Government issues – foreign	50,000	-	20,000	70,000
Equities	2,901	-	582,665	585,566
Short-term investments	55,757	2,161,149	13,837,739	16,054,645
Mutual funds – equities	-	40,342,634	-	40,342,634
Mutual funds – fixed income	-	18,226,111	-	18,226,111
Private equity investments	2,292,015	-	-	2,292,015
Private equity investments – UFICO limited partnerships	1,822,166,689	-	1,144,973	1,823,311,662
Total investments	$ 1,824,567,362	$ 61,016,316	$ 15,585,377	$ 1,901,169,055

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation has no formal policy on concentration of credit risk.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. The Foundation has no formal policy on credit risk. The private equity funds are unrated. The following schedule represents the ratings of the Foundation's debt investments as of June 30, 2019, using nationally recognized statistical ratings quality organizations:

Note 6. Investments: Credit Risk

	Quality Rating	Fair Value
Government issues – domestic	AAA	$ 104,872
Government issues – foreign	AA-	70,000
Mutual funds – fixed income	AAA	5,710,052
Mutual funds – fixed income	AA	8,086,610
Mutual funds – fixed income	BBB	3,123,226
Mutual funds – fixed income	BB	1,306,223
Money market funds	AAA	2,257,450
Sweep investment	Unrated	13,797,195
Total		$ 34,455,628

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Foundation has no formal policy on interest rate risk. Interest rate risk for the Foundation's debt investments as of June 30, 2019 is as follows:

Note 6. Investments: Interest Rate Risk

	Average Duration	Fair Value
Government issues – domestic	Less than one year	$ 104,872
Government issues – domestic	One to five years	79,894
Government issues – domestic	Six to ten years	101,656
Government issues – foreign	One to five years	70,000
Mutual funds – fixed income	One to five years	4,429,449
Mutual funds – fixed income	Six to ten years	13,796,662
Total		$18,582,533

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2019, the Foundation did not have any direct investments in equity or fixed income investments subject to this risk. As of June 30, 2019, the Foundation's assets were held in U.S. currency, the currency risk on international and global assets is absorbed by the underlying investment managers. The Foundation has no formal policy on foreign currency risk.

Fair value: GASB Statement No. 72, *Fair Value Measurement and Application,* establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy categorizes the inputs into three levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that government can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for an asset or liability either directly or indirectly.
- **Level 3:** Unobservable inputs for an asset or liability.

The following valuation techniques and inputs were used to estimate the fair value of assets and liabilities carried at fair value on the Statement of Net Position. There have been no changes to these techniques and inputs during the fiscal year ended June 30, 2019.

Corporate stocks and mutual funds (equities and fixed income): The fair value of these equity and fixed income investments is classified as Level 1, based on quoted market prices in active markets on which individual securities are traded, which for mutual funds represents the net asset value of shares held by the Foundation at fiscal year end.

Short-term investments: The fair value of these short-term investments is classified as Level 2, valued at the net asset value of shares held by the Foundation at year end, based on observable inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Corporate bonds and government issues (domestic and foreign): The fair value of these fixed income investments is classified as Level 2, based upon quotes from independent pricing vendors based upon independent pricing models or other model-based valuation techniques such as the present value of the stream of expected cash flows adjusted for the security's credit rating and other factors such as credit loss assumptions.

Private equity investments: The fair value of these private equity investments is not classified, valued as a practical expedient, at the net asset value of the units held by the Foundation at year end, as reported by the investment manager and within the valuation guidelines stipulated in respective investment agreements.

The following tables present the assets measured at fair value on a recurring basis on the Statement of Net Position for the fiscal year ended June 30, 2019, by the GASB Statement No. 72 hierarchy (as described previously).

Note 6. Investments: Fair Value

		Fair Value Measurements Using		
Investments by fair value level	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents classified as short-term (current) investments:				
Cash sweep	$ 13,797,195	$ -	$ 13,797,195	$ -
Money market funds	2,257,450	-	2,257,450	-
Bonds and notes:				
Government issues - domestic	286,422	-	286,422	-
Government issues - foreign	70,000	-	70,000	-
Equities	585,566	585,566	-	-
Mutual funds:				
Equities	40,342,634	40,342,634	-	-
Fixed income	18,226,111	18,226,111	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	77,857,393	$ 59,154,311	$ 16,411,067	$ 2,292,015
Investments measured at the net asset value (NAV)				
Private equity investments - UFICO limited partnerships	1,823,311,662			
Total Investments	$ 1,901,169,055			

Net asset value: GASB Statement No. 72, *Fair Value Measurement and Application,* permits the fair value of certain equity and debt investments that do not have readily determinable fair values to be based on their net asset value (NAV) per share.

Note 6. Investments: Net Asset Value

Investments measured at NAV	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Limited partnerships (UFICO):				
Florida Long-Term Pool Fund, LP	$ 1,822,166,689	$ 271,893,616	Monthly	30 days
Florida Short-Term Fund, LP-Fixed Income Series	1,144,973	-	Monthly	30 days
	$ 1,823,311,662	$ 271,893,616		

Limited partnerships: As of June 30, 2019, this category consists of investments in two limited partnerships managed by UFICO that invest in short-term investments, global equities, fixed income, hedge strategies and private equity. The June 30th valuations of the investments in limited partnerships are based upon the value determined by each partnership's general partner as of March 31st, adjusted for capital contributions and distributions that occurred during the quarter ended June 30th. These amounts may differ from values that would be determined if the investments in limited partnerships were publicly traded or if the June 30th valuation amounts were currently available. The nature of the investment in this category is that distributions are received through liquidation of underlying assets. Redemptions are limited at the discretion of the general partner (UFICO) to the extent any limitations are imposed by any of the underlying third party managed funds. As of June 30, 2019, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation's ownership interest and partner's capital.

As of June 30, 2019, the major categories of the limited partnerships are summarized as follows:

Note 6. Investments: UFICO Limited Partnerships

Short-term investments	$	57,915,401
Global equities		643,479,846
Global fixed income		120,255,829
Hedge strategies		442,628,877
Private equity investments		559,031,709
Total	$	1,823,311,662

NOTE 7. ENDOWMENTS

The Foundation's endowment consists of 3,665 individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. GAAP, the net position associated with endowment funds is classified and reported based on the existence or absence of donor-imposed restrictions.

Permanent endowments: Permanent endowments are those funds subject to donor-imposed restrictions permitting only the income to be used as specified by the donor and that the principal be held in perpetuity.

Term endowments: Term endowments are similar to permanent endowments except that upon the passage of a stated period of time or a particular occurrence, all or part of the principal may be expended at any time.

Interpretation of relevant law: The Board has interpreted the State of Florida Statute (617.2104) cited as the *Florida Uniform Prudent Management of Institutional Funds Act* (FUPMIFA) as requiring the Board to use reasonable care and caution as would be exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. The Board considers the following factors in making its determination:

- The purpose of the Foundation.
- The intent of the donor of the endowment fund.
- The terms of the applicable instrument.
- The long-term and short-term needs of the Foundation and the University in carrying out their purposes.
- General economic conditions.
- The possible effect of inflation or deflation.
- The other resources of the Foundation and the University.
- Perpetuation of the endowment.

As a result of this interpretation, the Board classifies as restricted nonexpendable: (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) the original value of other corpus additions including state match provided to the permanent endowment. The remaining portion of the donor-restricted permanent endowment fund that is not classified as restricted nonexpendable is classified as restricted expendable until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by FUPMIFA. However, by Board policy, any appreciation is considered an asset of each individual endowment and is not appropriated for general Foundation or University use. For term endowments, the entire value of the endowment is classified as restricted expendable until those amounts are appropriated for expenditure as specified by the terms for that endowment.

Spending policy: The Foundation's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment assets. Over the long-term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers and administrative fees.

The annual rate for spendable transfers, distributed quarterly, is 4% of the spending base of each endowment's principal fund. The principal fund's spending base is a percentage of the market value, and is adjusted quarterly, if necessary, to fall within a range of 85% to 95% of the market value of the endowment investments. In addition, the principal fund is assessed an annual 1.35% fee, charged quarterly. This fee is a portion of the funding mechanism for the advancement programs of the University.

Investment policy: The Foundation's investment objectives are to provide an annualized real rate of return, net of fees, of at least 5% in order to preserve, or increase, the purchasing power of endowment capital, while generating an income stream to support activities

A FATHER'S GIFT

Hotel magnate **Harris Rosen's** *$12 million gift, inspired by his son's struggle, will help support UF's vision to "rewrite the story of brain cancer." Harris is widely heralded for his investments in underserved communities. From pre-K programs to college scholarships, his efforts transform lives by vastly expanding opportunities available to families in two of Orlando's struggling neighborhoods. Rosen also created robust college and healthcare programs for his employees. This year, he contributed $12 million toward UF's brain tumor research program.*

of the funds held for the colleges and units of the University. This policy is designed to tolerate volatility in short and intermediate-term performance.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation, through UFICO, targets a diversified asset allocation to achieve long-term objectives within prudent risk constraints.

The following displays the total ending endowment balances for nonexpendable endowments or donor-restricted endowments as of June 30, 2019:

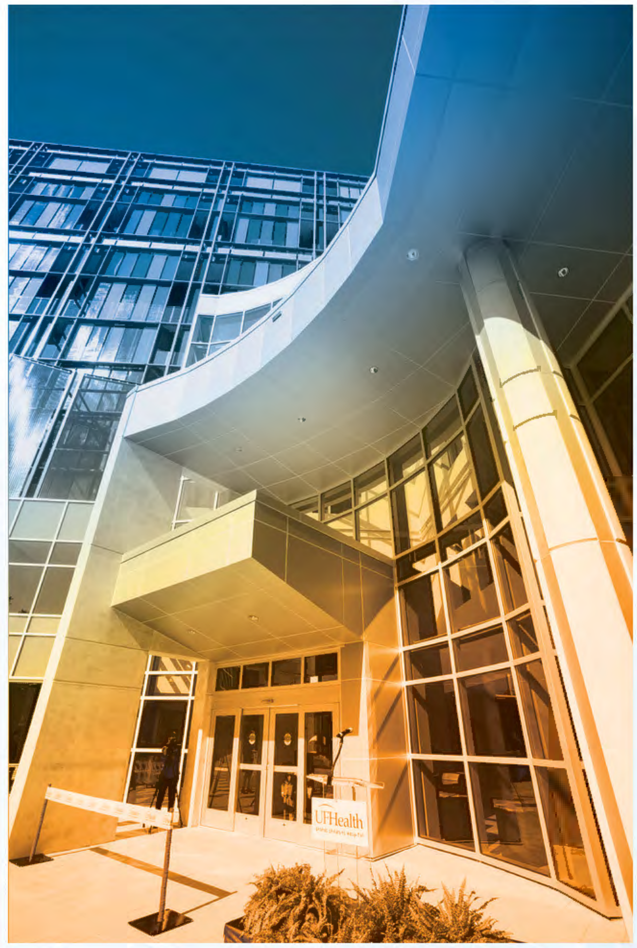
Note 7. Endowments

Total endowment balance	$	1,817,826,793
Less term endowment		(1,041,634)
Less endowment capital assets, net		(2,853,518)
Less appreciation portion of restricted expendable		(453,055,660)
Restricted nonexpendable balance	$	1,360,875,981
Endowment, beginning of year	$	1,727,399,751
Contributions and other revenues		53,823,055
Investment return, net		116,453,654
Appropriation of endowment assets for expenditure		(79,849,667)
Endowment, end of year	$	1,817,826,793

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

Note 7. Endowments: University Endowment

University of Florida permanent endowments	$	1,816,785,159
University of Florida term endowments		1,041,634
Permanent endowments held on behalf of University of Florida related entities		7,422,739
Total University endowment	$	1,825,249,532



NOTE 8. REAL ESTATE HELD FOR SALE

Contributions of real estate held for sale are generally recorded at their appraised value at the date of gift. Real estate held for sale is actively marketed with realtors and is expected to be sold at a reasonable price.

The table below sets forth a summary of changes real estate held for sale for the fiscal year ended June 30, 2019.

Note 8. Real Estate Held for Sale

Real estate held for sale, beginning of year	$ 5,343,720
Donations	3,883,399
Disposals	(1,013,173)
Transfers from for use	300,000
Impairments	(90,339)
Real estate held for sale, end of year	$ 8,423,607

NOTE 9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019 is as follows:

Note 9. Capital Assets

	June 30, 2018	Additions	Reductions	June 30, 2019
Property and equipment:				
Land held for use and land preserve	$ 58,545,860	$ 281,692	$ (300,000)	$ 58,527,552
Buildings held for use	7,460,120	231,040	-	7,691,160
Less accumulated depreciation	(5,184,099)	(221,820)		(5,405,919)
Net buildings held for use	2,276,021	9,220	-	2,285,241
Equipment, furniture and vehicles	4,127,746	821,123	(1,517)	4,947,352
Less accumulated depreciation	(2,982,339)	(739,312)	-	(3,721,651)
Net equipment, furniture and vehicles	1,145,407	81,811	(1,517)	1,225,701
Other capital assets	95,002	-	-	95,002
Total capital assets, net	$ 62,062,290	$ 372,723	$ (301,517)	$ 62,133,496

Depreciation expense was charged to the following operating expense functions for the fiscal year ended June 30, 2019.

Note 9. Capital Assets: Depreciation Expense

Program services	$ 67,913
Supporting services	893,219
Total	$ 961,132

NOTE 10. LONG-TERM LIABILITIES

Long-term liabilities for the fiscal year ended June 30, 2019 is as follows:

Note 10. Long-Term Liabilities

	June 30, 2018	Additions	Reductions	June 30, 2019	Current Portion
Shands Teaching Hospital and Clinics, Inc. parking garage	$ 600,000	$ -	$ (100,000)	$ 500,000	$ 100,000
College of the Arts warehouse	532,593	-	(16,493)	516,100	17,510
University retreat center	2,000,000	-	(1,000,000)	1,000,000	1,000,000
Total capital related notes payable	3,132,593	-	(1,116,493)	2,016,100	1,117,510
Split-interest agreements:					
Annuity liabilities	8,559,162	547,792	(1,122,569)	7,984,385	955,613
Trust liabilities	16,173,261	20,924,673	(160,887)	36,937,047	2,740,717
Other noncurrent liabilities	2,843,888	638,744	(300,205)	3,182,427	-
Amounts held on behalf of University of Florida related entities	29,763,464	24,897,781	(14,701,086)	- 39,960,159	-
Total other noncurrent liabilities	57,339,775	47,008,990	(16,284,747)	88,064,018	3,696,330
Total noncurrent liabilities	$ 60,472,368	$ 47,008,990	$ (17,401,240)	$ 90,080,118	$ 4,813,840

Shands Teaching Hospital and Clinics, Inc. parking garage: On June 30, 1994, the Foundation entered into a $3,000,000 30-year note, maturing September 1, 2023, to assume the financial obligation for the Shands parking garage facility. The note is payable to Shands in annual installments of $100,000. The note is noninterest bearing but interest is imputed at a rate of 3.75% for the fiscal year ended June 30, 2019. The note is collateralized by an asset with a carrying value of $500,000.

College of the Arts warehouse: On April 15, 2010, the Foundation entered into a $600,000 24-year note, maturing April 1, 2034, to purchase property for the University of Florida College of the Arts. The note is payable to an individual in monthly installments of $3,500 through 2016, $4,000 through 2021 and $4,500 through 2034. The note bears interest at a fixed rate of 6%. The note is collateralized by property with a carrying value of $508,333.

University retreat center: On August 26, 2014, the Foundation entered into a $5,000,000 5-year note, maturing August 26, 2019, to purchase property for the University. The note is payable to a limited partnership in annual installments of $1,000,000. The note bears interest at a fixed rate of 2%. The note is collateralized by property with a carrying value of $10,750,903.

Interest expense: Total interest expense for the fiscal year ended June 30, 2019, was $82,393. These amounts are included in program services and supporting services in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Principal and interest requirements: Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2019, are as follows:

Note 10. Long-term Liabilities: Debt Service Requirements

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,117,510	$ 50,490	$ 1,168,000
2021	119,593	29,407	149,000
2022	125,967	28,033	154,000
2023	127,568	26,432	154,000
2024	129,268	24,732	154,000
2025-2029	175,753	94,247	270,000
2030-2034	220,442	33,049	253,490
Total	$ 2,016,100	$ 286,390	$ 2,302,490

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

NOTE 11. RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE UNIVERSITY OF FLORIDA FOUNDATION PENSION PLAN

Plan description: The Foundation has a noncontributory, defined benefit pension plan (the Plan) that covered all permanent Foundation employees before all remaining employees were converted to University employees by December 31, 2017.

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

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

Note 11. Retirement Plans: Covered Employees

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to but not yet receiving benefits	95
Active employees	-
Total	175

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

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

NET PENSION ASSET

The Plan's net pension asset was measured as of June 30, 2019 by comparing the Plan's fiduciary net position to the total pension liability. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Note 11. Retirement Plans: Assumptions

Inflation	3%
Salary increases	N/A
Investment rate of return	7%

Mortality rates were based on the RP-2014 mortality tables fully projected with scale MP-2018.

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

Note 11. Retirement Plans: Target Allocation

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60%	8.5%
Fixed income	39%	4.7%
Cash	1%	3.0%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments to inactive employees. Therefore, the discount rate for calculating the total pension asset is equal to the long-term expected rate of return.

CHANGES IN THE NET PENSION ASSET

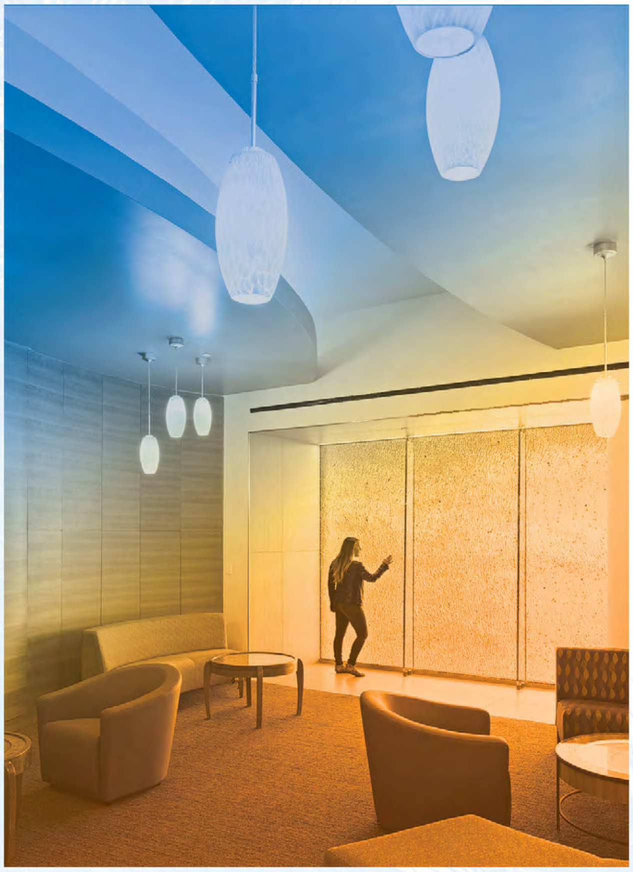
Note 11. Retirement Plans: Changes in Net Pension

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/2018	$ 23,966,003	$ 26,091,574	$ (2,125,571)
Changes for the year:			
Service cost	-	-	-
Interest	1,640,829	-	1,640,829
Differences between expected and actual experience	(1,683,207)	-	(1,683,207)
Changes of assumptions	(65,696)	-	(65,696)
Contributions - employer	-	1,300,000	(1,300,000)
Net investment income	-	2,367,391	(2,367,391)
Benefit payments, including refunds of member contributions	(1,051,181)	(1,051,181)	-
Administrative expense	-	(130,971)	130,971
Net changes	(1,159,255)	2,485,239	(3,644,494)
Balances at 6/30/2019	$ 22,806,748	$ 28,576,813	$ (5,770,065)

Sensitivity of the net pension asset to changes in the discount rate: The following presents the net pension asset of the Plan, calculated using the discount rate of 7%, as well as what the Plan's net pension asset would be if it were calculated using a discount rate that is 1-percentage point higher (8%) or 1-percentage point lower (6%) than the current rate:

Note 11. Retirement Plans: Sensitivity to Changes in Discount Rate

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net pension asset	$ (2,673,010)	$ (5,770,065)	$ (8,297,448)



PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the fiscal year ended June 30, 2019, the Foundation recognized a pension benefit of $1,597,606. At June 30, 2019, the Foundation reported deferred outflows of resources and deferred inflows of resources as related to pensions from the following sources:

Note 11. Retirement Plans: Deferred Outflows and Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ (432,083)

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

Note 11. Retirement Plans: Recognition of Deferred Inflows

Year ended June 30:	Deferred Inflows of Resources
2020	$ (17,894)
2021	(274,667)
2022	(32,149)
2023	(107,373)
Total	$ (432,083)

UNIVERSITY RETIREMENT PLANS

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement* No. 27. This statement requires a cost-sharing employer to recognize a liability for its proportionate share of the net pension liability.

Florida Retirement System (FRS): The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes and is a multiple-employer defined benefit pension plan. Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS.

FRS Investment Plan (Investment Plan): Pursuant to Section 121.4501, Florida Statutes, the Florida legislature created a Public Employee Optional Retirement Program (PEORP), also known as the FRS Investment Program. The Investment Plan is a defined contribution plan. Eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan.

State University System Optional Retirement Program (SUSORP): Pursuant to Section 121.35, Florida Statutes, the Florida legislature created an Optional Retirement Program (SUSORP) for eligible university faculty and administrators. The SUSORP is a defined contribution plan.

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

Other post-employment healthcare benefits: As required by Section 112.081, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University subsidizes the premium rates paid by retirees, including Foundation funded participants, by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) rates. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Since all employees working for the Foundation are considered University employees, the University does not determine a separate unfunded liability amount for University personnel working for the Foundation.

NOTE 12. ADMINISTRATIVE FEES

The University funds its advancement programs primarily through a series of fees. The fees are part of the Foundation's operating budget. The Finance Advisory Committee of the Foundation's Board is responsible for reviewing and recommending a fee assessment policy. Changes to the policy are approved by the Foundation's Board.

During the fiscal year ended June 30, 2019, the Foundation assessed the following fees:

Note 12. Administrative Fees

Fees assessed on pooled investments	$ 20,250,371
Gift fees associated with major gifts and eminent scholar program funds	287,736
Gift fees associated with all other funds	5,042,559
Real estate fees	34,346
Non-gift fees	53,060
Total fees	$ 25,668,072

For financial reporting purposes, these fees are eliminated.

NOTE 13. RELATED PARTY TRANSACTIONS

The Foundation considers the University and the University's direct support organizations (DSOs) to be related parties for the purpose of the financial statements.

The Foundation is the primary fundraiser for the University; in return, the University provides monetary support. The Foundation receives administrative and fundraising support from the University pertaining to expenses for salaries and related benefits that are funded as part of the University support.

The Foundation assumed the financial obligation for a parking garage facility and the related $3,000,000 note payable, of which $500,000 is outstanding as of June 30, 2019, from Shands Teaching Hospital and Clinics, Inc. during 1994. Simultaneously, the Foundation executed a non-cancelable operating lease with the University as the tenant. The lease agreement requires the University to make annual lease payments of $100,000 to the Foundation through June 30, 2024 (see Note 10).

The Foundation executed a non-cancelable operating lease for real property with the University as the tenant. The lease agreement requires the University to make monthly lease payments of $3,500 through 2016, $4,000 through 2021 and $4,500 through 2025. The University has the right to renew the lease; whereby, the agreement requires monthly lease payments of $4,500 to be made through 2034 (see Note 10).

The Foundation has several long-term agreements relating to office facilities with the University expiring in 2044 to 2046. Lease payments for these facilities range from $1 per year to $10 per year, well below the current market rates for comparable space. The Foundation recognized an expense and in-kind revenue associated with these lease agreements of $1,655,596 for the fiscal year ended June 30, 2019.

The Foundation transfers excess operating funds and certain funds held on behalf of University related entities and records a receivable due from the University. The receivable from the University was $30,732,137 as of June 30, 2019, and is included in receivables and prepaid expenses in the accompanying Statement of Net Position.

NOTE 14. RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Foundation purchases commercial insurance. Insurance for job-related illnesses or injuries to University employees is the responsibility of the state of Florida and no amounts are charged to the various state entities for this cost.

During the fiscal year ended June 30, 2019, basic types of insurance coverage remained the same as the types of coverage as of June 30, 2018. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE 15. CONTINGENCIES

The Foundation participates in state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Foundation. Liabilities, if any, from such audits, if any, are recorded when the amounts of such liabilities become reasonably determinable.

NOTE 16. UNIVERSITY OF FLORIDA ALUMNI ASSOCIATION, INC. BLENDED COMPONENT UNIT

Condensed component unit information for the University of Florida Alumni Association, Inc. (the Alumni Association), a blended component unit, as of and for the fiscal year ended June 30, 2019, is as follows:

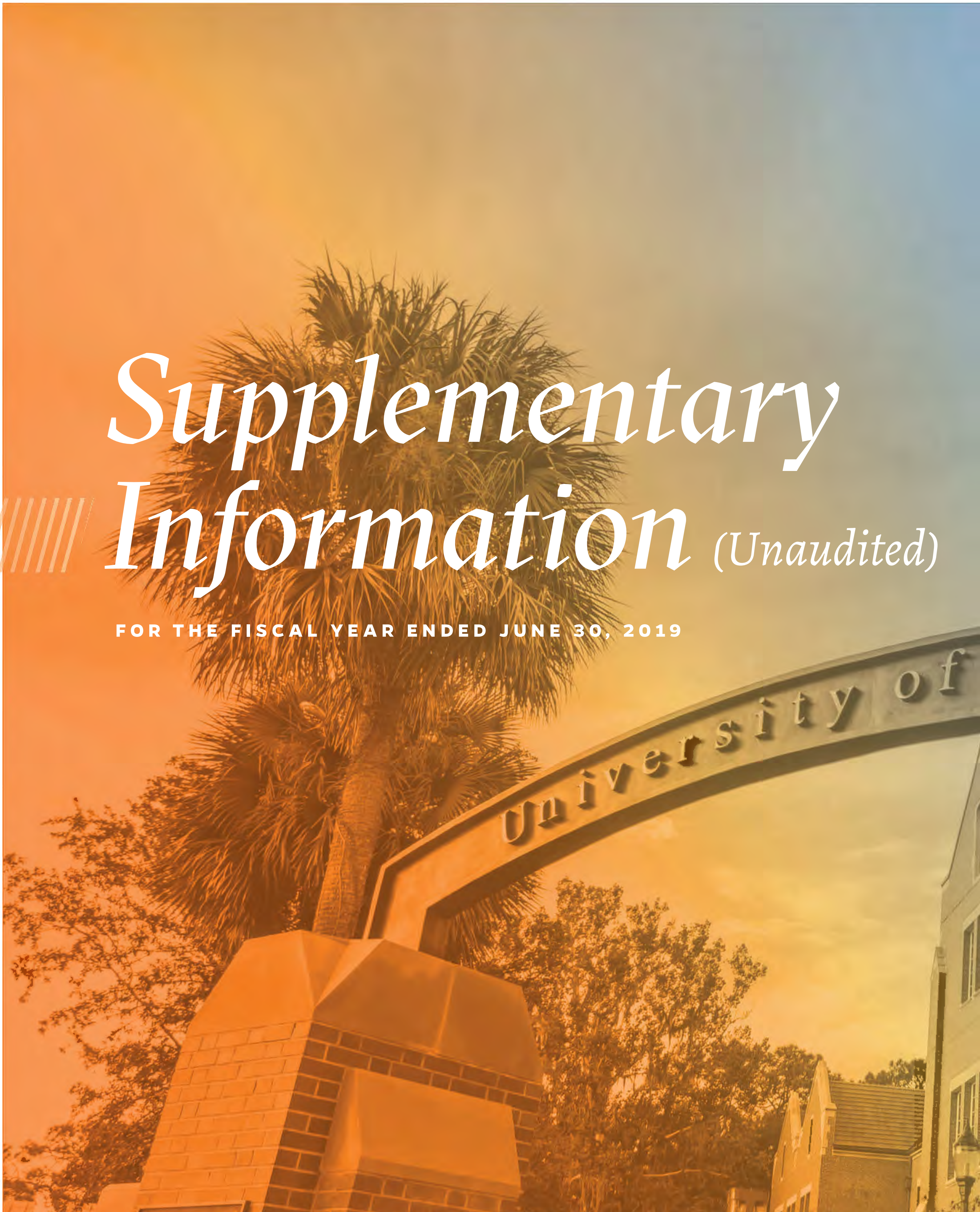
Note 16. Condensed Statements

Condensed Statement of Net Position	
Assets	$ -
Liabilities	$ -
Net position	$ -
Condensed Statement of Revenues, Expenses and Changes in Net Position	
Operating revenues	
Alumni operating revenues	$ 2,205,527
Support from the Foundation	1,747,009
Total operating revenues	3,952,536
Operating expenses	
Alumni operating expenses	3,952,536
Change in net position	-
Net position – beginning of year	-
Net position – end of year	$ -
Condensed Statement of Cash Flows	
Net cash used in operating activities	$ -
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -

The Alumni Association operating expenses are included in alumni relations under supporting services on the Statement of Revenues, Expenses and Changes in Net Position. The Foundation funds any operating deficiency of the Alumni Association, and the operating accounts related to the Alumni Association have no assets or liabilities at the end of the fiscal year.

Supplementary Information *(Unaudited)*

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Supplemental Schedule of Revenues, Expenses and Changes in Net Position (for the fiscal year ended June 30, 2019)

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

Supplemental Schedule of Changes in Net Pension Asset and Related Ratios

		June 30, 2019
Total pension liability		
Service cost	$	-
Interest		1,640,829
Differences between expected and actual experience		(1,683,207)
Changes of assumptions		(65,696)
Benefit payments, including refunds of member contributions		(1,051,181)
Net change in total pension liability		(1,159,255)
Total pension liability - beginning		23,966,003
Total pension liability - ending (a)	$	22,806,748
Plan fiduciary net position		
Contributions - employer	$	1,300,000
Net investment income		2,367,391
Benefit payments, including refunds of member contributions		(1,051,181)
Administrative expense		(130,971)
Net change in plan fiduciary net position		2,485,239
Plan fiduciary net position - beginning		26,091,574
Plan fiduciary net position - ending (b)	$	28,576,813
Net pension liability (asset) - ending (a) - (b)	$	(5,770,065)
Plan fiduciary net position as a percentage of the total pension liability		125.3%
Covered-employee payroll	$	-
Net pension asset as a percentage of covered-employee payroll		N/A

Supplemental Schedule of Pension Contributions

		June 30, 2019
Actuarially determined contribution	$	795,418
Contributions in relation to the actuarially determined contribution		1,300,000
Contribution excess	$	(504,582)
Covered-employee Payroll	$	-
Contributions as a percentage of covered-employee payroll		N/A

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the University of Florida Foundation, Inc. (the Foundation), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2019.

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
September 27, 2019

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