

NOTE 7. INVESTMENTS: CREDIT RISK

	Quality Rating		2022 Fair Value		2021 Fair Value
Government issues - foreign	AA-	\$	20,000	\$	-
Mutual funds - fixed income	AAA		5,305,257		6,261,036
Mutual funds - fixed income	AA		4,391,306		136,253
Mutual funds - fixed income	A		5,857,431		8,695,904
Mutual funds - fixed income	BBB		-		3,435,748
Mutual funds - fixed income	BB		1,159,943		1,412,760
Money market funds	AAA		1,704,722		1,543,257
Total		\$	<u>18,438,659</u>	\$	<u>21,484,958</u>
Fiduciary pension trust funds					
Mutual funds - fixed income	AAA	\$	-	\$	7,256,645
Mutual funds - fixed income	AA		-		493,006
Mutual funds - fixed income	A		-		2,520,538
Mutual funds - fixed income	BBB		-		7,846,788
Mutual funds - fixed income	less than BBB		-		3,591,078
Mutual funds - fixed income	Unrated		-		44,662
Money market funds	AAA		-		343,576
Total			<u>-</u>		<u>22,096,293</u>
Fiduciary custodial funds					
Mutual funds - fixed income	AAA	\$	23,231	\$	26,206
Mutual funds - fixed income	AA		40,761		-
Mutual funds - fixed income	A		44,980		75,981
Mutual funds - fixed income	BBB		-		23,161
Mutual funds - fixed income	BB		7,300		8,626
Money market funds	AAA		5,635		7,592
Total		\$	<u>121,907</u>	\$	<u>141,566</u>

Custodial credit risk: Custodial credit risk is the risk that, in 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 UFICO's Statement of Investment Policy addresses risk management of the investments. The investment management agreement with UFICO requires that all securities be held by the Foundation's agent in the Foundation's name.

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, but UFICO's Statement of Investment Policy addresses risk management of the investments.

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 but UFICO's Statement of Investment Policy addresses risk management of the investments. The private equity funds are unrated. The above schedule represents the ratings of the Foundation's debt investments as of June 30, 2022 and 2021, using nationally recognized statistical ratings quality organizations.

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 but UFICO's Statement of Investment Policy addresses risk management of the investments. Interest rate risk for the Foundation's debt investments as of June 30, 2022 and 2021, is presented on the following page.

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates between the U.S.

NOTE 7. INVESTMENTS: INTEREST RATE RISK

	Average Duration		2022 Fair Value		2021 Fair Value
Government issues – domestic	Less than one year	\$	38,566	\$	39,141
Government issues – domestic	One to five years		280,618		308,072
Government issues – domestic	Six to ten years		-		32,859
Government issues – foreign	One to five years		20,000		-
Mutual funds – fixed income	One to five years		3,952,650		4,848,508
Mutual funds – fixed income	Six to ten years		12,761,287		15,093,193
Total		\$	<u>17,053,121</u>	\$	<u>20,321,773</u>
Fiduciary pension trust funds					
Mutual funds – fixed income	Less than one year	\$	-	\$	38,644
Mutual funds – fixed income	One to five years		-		3,425,925
Mutual funds – fixed income	Six to ten years		-		2,947,896
Mutual funds – fixed income	Greater than ten years		-		15,340,252
Total		\$	<u>-</u>	\$	<u>21,752,717</u>
Fiduciary custodial funds					
Government issues – domestic	Less than one year	\$	1,102	\$	1,113
Government issues – domestic	One to five years		5,351		6,880
Mutual funds – fixed income	One to five years		27,127		31,787
Mutual funds – fixed income	Six to ten years		89,145		102,187
Total		\$	<u>122,725</u>	\$	<u>141,967</u>

dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2022 and 2021, the Foundation did not have any direct investments in equity or fixed income investments subject to this risk. As of June 30, 2022 and 2021, 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 but UFICO's Statement of Investment Policy addresses risk management of the investments.

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 Statements of Net Position. There have been no changes to these techniques and inputs during the fiscal years ended June 30, 2022 and 2021.

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, for which mutual funds represent 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 fiscal 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 private equity investments held directly by the Foundation are measured at Level 3 using net asset value (NAV)

as a practical expedient to fair value. The private equity investments held in the UFICO limited partnerships are measured at net asset value and are not included in the fair value hierarchy.

The following table presents the assets measured at fair value on a recurring basis on the Statements of Net Position for the fiscal years ended June 30, 2022 and 2021, by the GASB Statement No. 72 hierarchy (as described previously).

NOTE 7. INVESTMENTS: FAIR VALUE

JUNE 30, 2022

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		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:				
Money market funds	\$ 1,704,722	\$ -	\$ 1,704,722	\$ -
Bonds and notes:				
Government issues - domestic	319,184	-	319,184	-
Government issues - foreign	20,000	-	20,000	-
Equities	1,203,297	1,203,297	-	-
Mutual funds:				
Equities	35,593,300	35,593,300	-	-
Fixed income	16,713,937	16,713,937	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	<u>57,846,455</u>	<u>\$ 53,510,534</u>	<u>\$ 2,043,906</u>	<u>\$ 2,292,015</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	<u>2,275,209,927</u>			
Total investments	<u>\$ 2,333,056,382</u>			
Fiduciary custodial funds:				
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 5,635	\$ -	\$ 5,635	\$ -
Bonds and notes:				
Government issues - domestic	6,453	-	6,453	-
Mutual funds:				
Equities	170,566	-	170,566	-
Fixed income	116,272	-	116,272	-
Total investments by fair value level	<u>298,926</u>	<u>\$ -</u>	<u>\$ 298,926</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	<u>3,338,846</u>			
Total investments, fiduciary custodial funds	<u>\$ 3,637,772</u>			

(1) Consists of investments in two limited partnerships managed by UFICO. See Limited Partnerships section.



NOTE 7. INVESTMENTS: FAIR VALUE

JUNE 30, 2021

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		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:				
Money market funds	\$ 1,543,257	\$ -	\$ 1,543,257	\$ -
Bonds and notes:				
Government issues - domestic	380,072	-	380,072	-
Equities	1,141,934	1,141,934	-	-
Mutual funds:				
Equities	44,273,614	44,273,614	-	-
Fixed income	19,941,701	19,941,701	-	-
Private equity	2,292,015	-	-	2,292,015
Total investments by fair value level	<u>69,572,593</u>	<u>\$ 65,357,249</u>	<u>\$ 1,923,329</u>	<u>\$ 2,292,015</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	2,380,993,078			
Total investments	<u>\$ 2,450,565,671</u>			
Fiduciary pension trust funds:				
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 343,576	\$ -	\$ 343,576	\$ -
Mutual funds:				
Equities	16,709,703	16,709,703	-	-
Fixed income	21,752,717	21,752,717	-	-
Total investments, fiduciary pension trust funds	<u>\$ 38,805,996</u>	<u>\$ 38,462,420</u>	<u>\$ 343,576</u>	<u>\$ -</u>
Fiduciary custodial funds:				
Cash equivalents classified as short-term (current) investments:				
Money market funds	\$ 7,592	\$ -	\$ 7,592	\$ -
Bonds and notes:				
Government issues - domestic	7,993	-	7,993	-
Mutual funds:				
Equities	198,053	198,053	-	-
Fixed income	133,974	133,974	-	-
Total investments by fair value level	<u>347,612</u>	<u>\$ 332,027</u>	<u>\$ 15,585</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Private equity investments - UFICO limited partnerships ⁽¹⁾	3,506,094			
Total investments, fiduciary custodial funds	<u>\$ 3,853,706</u>			

(1) Consists of investments in two limited partnerships managed by UFICO. See Limited Partnerships section.

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 NAV per share.

NOTE 7. INVESTMENTS: NET ASSET VALUE

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JUNE 30, 2022				
Limited partnerships (UFICO):				
Florida Long-term Pool Fund, LP	\$ 2,278,548,773	\$ 382,007,033	Monthly	30 days
Investments measured at NAV that are not held in fiduciary custodial funds	\$ 2,275,209,927			
Investments measured at NAV that are held in fiduciary custodial funds	\$ 3,338,846			
JUNE 30, 2021				
Limited partnerships (UFICO):				
Florida Long-term Pool Fund, LP	\$ 2,384,499,172	\$ 291,788,687	Monthly	30 days
Investments measured at NAV that are not held in fiduciary custodial funds	\$ 2,380,993,078			
Investments measured at NAV that are held in fiduciary custodial funds	\$ 3,506,094			

Limited partnerships: As of June 30, 2022 and 2021, this category consists of investments in a limited partnership managed by UFICO that invests in short-term investments global equities, fixed income, hedge strategies and private equity. The June 30 valuations of the investments in the limited partnership are based upon the value determined by the partnership's general partner as of March 31, adjusted for unrealized gains/losses, capital contributions and distributions that occurred during the quarter ended June 30. These amounts may differ from values that would be determined if the investments in the limited partnership were publicly traded or if the June 30 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, 2022, 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, 2022 and 2021, the major categories of the limited partnerships are summarized as follows:

NOTE 7. INVESTMENTS: UFICO LIMITED PARTNERSHIPS

	2022	2021
Short-term investments	\$ 147,220,497	\$ 190,069,338
Global equities	784,107,785	953,934,021
Global fixed income	90,835,866	64,646,224
Hedge strategies	439,639,124	439,216,514
Private equity investments	816,745,501	736,633,075
Total	<u>\$ 2,278,548,773</u>	<u>\$ 2,384,499,172</u>
UFICO limited partnership		
Investments not held in fiduciary custodial funds	\$ 2,275,209,927	\$ 2,380,993,078
UFICO limited partnership		
Investments held in fiduciary custodial funds	\$ 3,338,846	\$ 3,506,094

Note 8. Endowments

The Foundation's endowment consists of 4,146 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 the 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

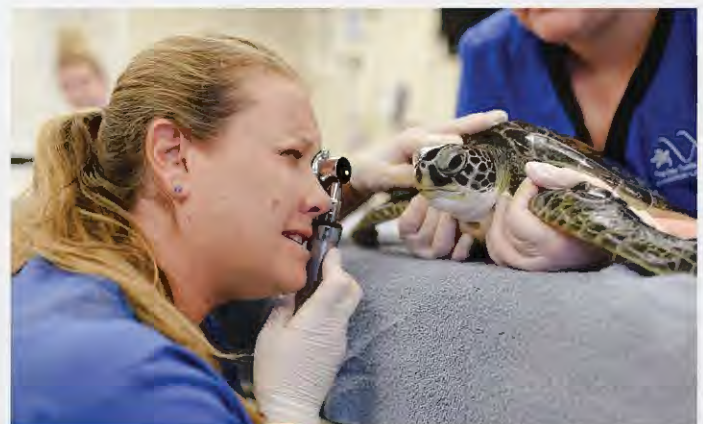
As a result of this interpretation, the Board classifies as restricted nonexpendable: (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) the original value of other corpus additions including state match provided 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 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 4.00% 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 85.00% to 95.00% 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.

While the policy above is the Foundation's current spending policy, the Foundation is working with the University and UFICO to develop and implement a new endowment spending policy to reduce the volatility of endowment payouts and provide greater investment flexibility. As an early action, the Foundation Executive Board approved a fixed payout for the fiscal year ended June 30, 2022 according to the spending base determined at June 30, 2021 and only adjusted for any new gifts invested during the fiscal year. To that end, endowment spending bases remained unadjusted throughout the year unless a new endowment gift was received.



Investment policy: The Foundation's investment objectives are to provide an annualized real rate of return, net of fees, of at least 5.00% in order to preserve, or increase, the purchasing power of endowment capital, while generating an income stream to support activities of the funds held for 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 as of June 30, 2022 and 2021:

NOTE 8. ENDOWMENTS

	2022	2021
Total endowment balance	\$ 2,272,031,288	\$ 2,375,271,275
Less term endowment	(935,238)	(1,084,188)
Less endowment capital assets, net	(2,940,937)	(2,950,381)
Less appreciation portion of restricted expendable	(732,681,394)	(893,000,750)
Restricted nonexpendable balance	<u>\$ 1,535,473,719</u>	<u>\$ 1,478,235,956</u>
	2022	2021
Endowment, beginning of year	\$ 2,375,271,275	\$ 1,844,027,357
Contributions and other revenues	57,331,962	53,744,513
Investment return, net	(51,376,517)	570,399,955
Appropriation of endowment assets for expenditure	(109,195,432)	(92,900,550)
Endowment, end of year	<u>\$ 2,272,031,288</u>	<u>\$ 2,375,271,275</u>

Endowment net position and activity for University of Florida related entities are not included in the preceding schedule. The ending net position including those entities at June 30, 2022 and 2021, are as follows:

NOTE 8. ENDOWMENTS: UNIVERSITY ENDOWMENT

	2022	2021
University of Florida permanent endowments	\$ 2,271,096,050	\$ 2,374,187,087
University of Florida term endowments	935,238	1,084,188
Permanent endowments held on behalf of University of Florida related entities (fiduciary custodial funds)	<u>3,485,270</u>	<u>3,567,044</u>
Total University endowment	<u>\$ 2,275,516,558</u>	<u>\$ 2,378,838,319</u>

Underwater endowments: As a result of market declines, the fair values of certain donor-restricted endowments were less than the historical cost values (original gift/book values), and therefore, are considered to be underwater. The fair value deficiencies of underwater endowments were \$3,155,861 and \$0 at June 30, 2022 and 2021, respectively.

Note 9. Real Estate Held for Sale

Contributions of real estate 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 Note 9 table sets forth a summary of changes in real estate held for sale for the fiscal years ended June 30, 2022 and 2021.

NOTE 9. REAL ESTATE HELD FOR SALE

	2022	2021
Real estate held for sale, beginning of year	\$ 5,126,313	\$ 6,530,454
Donations	2,921,001	2,661,844
Disposals	(2,458,628)	(3,676,475)
Impairments	<u>(152,200)</u>	<u>(389,510)</u>
Real estate held for sale, end of year	<u>\$ 5,436,486</u>	<u>\$ 5,126,313</u>
Real estate held for sale in fiduciary custodial funds	<u>\$ 50,400</u>	<u>\$ 63,000</u>

Note 10. Capital Assets

Capital assets activity for the fiscal years ended June 30, 2022 and 2021 is as follows:

NOTE 10. CAPITAL ASSETS				
	June 30, 2021	Additions	Reductions	June 30, 2022
Property and equipment:				
Land held for use and land preserve	\$ 99,921,273	\$ 525,306	\$ -	\$ 100,446,579
Buildings held for use	8,183,660	115,929	-	8,299,589
Less accumulated depreciation	(5,872,376)	(215,780)	-	(6,088,156)
Net buildings held for use	2,311,284	(99,851)	-	2,211,433
Equipment, furniture and vehicles	6,273,225	2,040,120	(386,153)	7,927,192
Less accumulated depreciation	(4,895,502)	(975,911)	386,153	(5,485,260)
Net equipment, furniture and vehicles	1,377,723	1,064,209	-	2,441,932
Software subscriptions	2,298,162	2,029,534	(821)	4,326,875
Less accumulated amortization	(313,269)	(1,291,914)	-	(1,605,183)
Net software subscriptions	1,984,893	737,620	(821)	2,721,692
Other capital assets	95,002	-	-	95,002
Total capital assets, net	\$ 105,690,175	\$ 2,227,284	\$ (821)	\$ 107,916,638
	June 30, 2020	Additions	Reductions	June 30, 2021
Property and equipment:				
Land held for use and land preserve	\$ 58,999,873	\$ 40,921,400	\$ -	\$ 99,921,273
Buildings held for use	8,183,660	-	-	8,183,660
Less accumulated depreciation	(5,637,056)	(235,320)	-	(5,872,376)
Net buildings held for use	2,546,604	(235,320)	-	2,311,284
Equipment, furniture and vehicles	5,168,193	1,151,044	(46,012)	6,273,225
Less accumulated depreciation	(4,033,804)	(907,710)	46,012	(4,895,502)
Net equipment, furniture and vehicles	1,134,389	243,334	-	1,377,723
Software subscriptions	-	2,298,162	-	2,298,162
Less accumulated amortization	-	(313,269)	-	(313,269)
Net software subscriptions	-	1,984,893	-	1,984,893
Other capital assets	95,002	-	-	95,002
Total capital assets, net	\$ 62,775,868	\$ 42,914,307	\$ -	\$ 105,690,175

Depreciation and amortization expense was charged to the following operating expense functions for the fiscal years ended June 30, 2022 and 2021:

NOTE 10. CAPITAL ASSETS: DEPRECIATION AND AMORTIZATION EXPENSE			
	2022	2021	
Program services	\$ 85,480	\$ 85,480	
Supporting services	2,398,125	1,370,819	
Total	\$ 2,483,605	\$ 1,456,299	

Note 11. Long-term Liabilities

A summary of changes in long-term liabilities for the fiscal years ended June 30, 2022 and 2021 is as follows:

NOTE 11. LONG-TERM LIABILITIES

	June 30, 2021	Additions	Reductions	June 30, 2022	Current Portion
Shands Teaching Hospital and Clinics, Inc. parking garage - direct borrowing	\$ 300,000	\$ -	\$ (100,000)	\$ 200,000	\$ 100,000
College of the Arts warehouse - direct borrowing	478,996	-	(25,966)	453,030	27,568
Software subscriptions	1,163,573	-	(227,627)	935,946	893,028
Total capital related liabilities	1,942,569	-	(353,593)	1,588,976	1,020,596
Split-interest agreements:					
Annuity liabilities	8,935,360	766,010	(463,818)	9,237,552	973,712
Trust liabilities	35,895,224	969,420	(5,492,613)	31,372,031	2,850,754
Other noncurrent liabilities	3,228,972	370,677	(1,130,957)	2,468,692	-
Total other noncurrent liabilities	48,059,556	2,106,107	(7,087,388)	43,078,275	3,824,466
Total noncurrent liabilities	\$ 50,002,125	\$ 2,106,107	\$ (7,440,981)	\$ 44,667,251	\$ 4,845,062
Annuity liabilities held in fiduciary custodial funds	\$ 223,070	\$ 14,064	\$ (10,099)	\$ 227,035	\$ 21,701
	June 30, 2020	Additions	Reductions	June 30, 2021	Current Portion
Shands Teaching Hospital and Clinics, Inc. parking garage - direct borrowing	\$ 400,000	\$ -	\$ (100,000)	\$ 300,000	\$ 100,000
College of the Arts warehouse - direct borrowing	498,589	-	(19,593)	478,996	25,967
Software subscriptions	-	1,773,873	(610,300)	1,163,573	572,484
Total capital related liabilities	898,589	1,773,873	(729,893)	1,942,569	698,451
Split-interest agreements:					
Annuity liabilities	9,402,258	167,270	(634,168)	8,935,360	1,003,668
Trust liabilities	34,936,817	4,891,580	(3,933,173)	35,895,224	2,956,597
Other noncurrent liabilities	3,537,128	583,829	(891,985)	3,228,972	-
Total other noncurrent liabilities	47,876,203	5,642,679	(5,459,326)	48,059,556	3,960,265
Total noncurrent liabilities	\$ 48,774,792	\$ 7,416,552	\$ (6,189,219)	\$ 50,002,125	\$ 4,658,716
Annuity liabilities held in fiduciary custodial funds	\$ 233,236	\$ -	\$ (10,166)	\$ 223,070	\$ 21,701

Shands Teaching Hospital and Clinics, Inc. parking garage - direct borrowing:

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 non-interest bearing, but interest is imputed at a rate of 3.75% for the fiscal years ended June 30, 2022 and 2021. The note is collateralized by an asset with a carrying value of \$200,000.

College of the Arts warehouse - direct borrowing:

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 6.00%. The note is collateralized by property with a carrying value of \$478,333.

Software subscriptions: The Foundation has entered into multiple software subscription agreements over the

prior fiscal years. The aggregate amount of outstanding principal on all agreements is \$935,946 as of the fiscal year ended June 30, 2022. The agreements are payable in annual installments ranging from \$44,333 to \$610,300 through 2024. The liability for each agreement was initially measured at the present value of the subscription payments expected to be made during the subscription term. The discount rate used to measure the liability for each agreement was 3.25%, the most-recent U.S. Prime Rate. The related software subscription asset has a carrying value of \$2,721,692 and includes other costs capitalized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Interest expense: Total interest expense for the fiscal years ended June 30, 2022 and 2021, respectively, was \$85,627 and \$39,852. These amounts are included in program services and supporting services in the accompanying Statements 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, 2022, are as follows:

**NOTE 11. LONG-TERM LIABILITIES:
DEBT SERVICE REQUIREMENTS - DIRECT BORROWINGS**

Year Ending June 30,	Principal	Interest	Total
2023	\$ 127,568	\$ 26,432	\$ 154,000
2024	129,268	24,732	154,000
2025	31,074	22,926	54,000
2026	32,990	21,010	54,000
2027	35,025	18,975	54,000
2028-2032	210,320	59,680	270,000
2033-2034	86,785	4,704	91,488
Total	\$ 653,030	\$ 178,459	\$ 831,488

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

NOTE 11. SOFTWARE SUBSCRIPTION

Year Ending June 30,	Principal	Interest	Total
2023	\$ 893,028	\$ 189,731	\$ 1,082,759
2024	42,918	7,992	50,910
Total	\$ 935,946	\$ 197,723	\$ 1,133,669

Note 12. 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 Foundation employees before all remaining employees were converted to University employees prior to December 31, 2017.

On September 17, 2021, the Foundation's Board voted to terminate the Plan effective January 1, 2022. In conjunction with this termination, remaining Plan participants were offered an optional one-time, lump sum payout. For any participants who did not elect the payout, the remaining liability was transferred to an insurance company that is responsible for continuing payments to participants under a group annuity. The total amount paid to the insurance company as part of this agreement was \$4,748,051. As a result of this termination, no balances exist in the Plan as of June 30, 2022.

Benefits provided: The Plan provides for deferred benefits and covered participants with more than five years of service as a Foundation employee and a minimum 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, 2022 and 2021, the following employees were covered by the benefit terms:

NOTE 12. RETIREMENT PLANS: COVERED EMPLOYEES

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	-	88
Inactive employees entitled to but not yet receiving benefits	-	84
Active employees	-	-
Total	-	172

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, 2022 and 2021 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, 2021 and July 1, 2020 for the fiscal years ended June 30, 2022 and 2021, respectively.

Actuarial assumptions: There was no pension liability in the July 1, 2021 actuarial valuation due to the closing of the Plan. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTE 12. RETIREMENT PLANS: ASSUMPTIONS

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2014 mortality tables fully projected with scale MP-2020 for the actuarial valuation as of July 1, 2020.

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. There were no plan assets, and thus no target allocation, in the July 1, 2021 actuarial valuation due to the closing of the Plan. The target allocation and best estimates of real rates of return for each major asset class applicable to the actuarial valuation as of July 1, 2020 are summarized in the following table:

NOTE 12. RETIREMENT PLANS: TARGET ALLOCATION

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00%	8.50%
Fixed income	39.00%	4.70%
Cash	1.00%	3.00%
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.00% for the actuarial valuation as of July 1, 2020. 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 liability is equal to the long-term expected rate of return.

CHANGES IN THE NET PENSION ASSET**NOTE 12. RETIREMENT PLANS: CHANGES IN NET PENSION**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
BALANCES AT JUNE 30, 2021	\$ 24,487,812	\$ 38,955,997	\$ (14,468,185)
Changes for the year:			
Interest	1,681,729	-	1,681,729
Differences between expected and actual experience	13,690,592	-	13,690,592
Changes of assumptions	-	-	-
Contributions - employer	-	-	-
Net investment income	-	926,130	(926,130)
Benefit payments, including refunds of member contributions	(39,860,133)	(39,860,133)	-
Administrative expense	-	(21,994)	21,994
Net changes	(24,487,812)	(38,955,997)	14,468,185
Balances at June 30, 2022	\$ -	\$ -	\$ -
BALANCES AT JUNE 30, 2020	\$ 23,032,516	\$ 30,593,190	\$ (7,560,674)
Changes for the year:			
Interest	1,570,496	-	1,570,496
Differences between expected and actual experience	1,011,157	-	1,011,157
Changes of assumptions	67,364	-	67,364
Contributions - employer	-	1,750,000	(1,750,000)
Net investment income	-	7,854,297	(7,854,297)
Benefit payments, including refunds of member contributions	(1,193,721)	(1,193,721)	-
Administrative expense	-	(47,769)	47,769
Net changes	1,455,296	8,362,807	(6,907,511)
Balances at June 30, 2021	\$ 24,487,812	\$ 38,955,997	\$ (14,468,185)

Sensitivity of the net pension asset to changes in the discount rate: The following tables present the net pension asset of the Plan, calculated using the discount rate of 7.00%, 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 (8.00%) or 1-percentage point lower (6.00%) than the current rate, as of June 30, 2021:

NOTE 12. RETIREMENT PLANS: SENSITIVITY TO CHANGES IN DISCOUNT RATE

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
JUNE 30, 2021			
Net pension asset	\$ (11,393,018)	\$ (14,468,185)	\$ (17,006,292)

PENSION EXPENSE AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the fiscal years ended June 30, 2022 and 2021, the Foundation recognized pension benefits of \$9,757,352 and \$888,308, respectively. At June 30, 2021, the Foundation reported deferred inflows of resources as related to pensions from the following sources:

NOTE 12. RETIREMENT PLANS: DEFERRED INFLOWS

	Deferred Inflows of Resources
JUNE 30, 2021	
Net difference between projected and actual earnings on investments	\$ (4,710,834)

All remaining deferred inflows of resources related to pension were recognized in pension expense during the fiscal year 2022 as a result of the termination of the Plan. As such, there are no deferred inflows of resources at June 30, 2022.

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.

Health Insurance Subsidy (HIS): The HIS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

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 Plan. 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 applies the guidance in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in accounting for the FRS and HIS. The University has determined that the Foundation is not a payor fund for the purpose of liquidating the pension and HIS liabilities, therefore, no net pension liability or related deferred amounts are reported in the financial statements of the Foundation. An actuarial valuation has been performed for both plans. Personnel assigned to the Foundation were included in the actuarial analysis and are part of the total pension liabilities, the net pension liabilities and the plan net positions disclosed in the notes and other required supplementary information of the Annual Financial Report of the University, which may be obtained from the University.

Other post-employment healthcare benefits:

As required by Florida Statutes, Section 112.081, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium costs (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.

The University has determined that the Foundation is not a payor fund for the purpose of liquidating the

net OPEB liability, therefore no net OPEB liability or related deferral amounts are reported in the financial statements of the Foundation. An actuarial valuation has been performed for the plan. Personnel assigned to the Foundation were included in the actuarial analysis and are part of the total OPEB liability, net OPEB liability, and plan net position disclosed in the notes and other required supplementary information of the University's Annual Financial Report, which may be obtained from the University. An amount representing group insurance benefits for current personnel assigned to the Foundation is charged to the Foundation through a fringe rate assessed by the University in the period the benefits are earned.

Note 13. 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 years ended June 30, 2022 and 2021, the Foundation assessed the following fees:

NOTE 13. ADMINISTRATIVE FEES

	2022	2021
Fees assessed on pooled investments	\$ 27,523,936	\$ 23,776,211
Gift fees associated with major gifts and eminent scholar program funds	169,815	375,509
Gift fees associated with all other funds	6,492,019	5,925,087
Real estate fees	9,415	25,398
Non-gift fees	85,447	30,169
Total fees	\$ 34,280,632	\$ 30,132,374

For financial reporting purposes, these fees are eliminated.

Note 14. 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.



In 1994, the Foundation assumed the financial obligation for a parking garage facility from Shands Teaching Hospital and Clinic, Inc. and the related \$3,000,000 note payable, of which \$200,000 is outstanding as of June 30, 2022. 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 through the Foundation through June 30, 2024 (See Note 11).

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 11).

The Foundation has several long-term agreements relating to office facilities with the University expiring in 2044 and 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 is \$1,655,596 and \$1,407,256 for the fiscal years ended June 30, 2022 and 2021, respectively.

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 \$67,461,538 and \$46,919,331 as of June 30, 2022 and 2021, respectively, and is included in receivables and prepaid expenses in the accompanying Statements of Net Position. The amounts are considered fully collectible and, as such, no allowance has been recorded.

Note 15. Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destructions 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 fiscal year ended June 30, 2022, basic types of insurance coverage remained the same as the types of coverage for June 30, 2021. No settlements have exceeded coverage levels in place during the past three fiscal years.

Note 16. 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 17. Blended Component Unit

Condensed component unit information for the University of Florida Alumni Association, Inc. (Alumni Association), a blended component unit, as of and for the fiscal years ended June 30, 2022 and 2021 is as follows:

NOTE 17. CONDENSED STATEMENTS

Condensed Statements of Revenues, Expenses and Changes in Net Position	2022	2021
Operating revenues		
Alumni operating revenues	\$ 2,102,351	\$ 1,945,813
Support from the Foundation	575,424	210,713
Total operating revenues	2,677,775	2,156,526
Operating expenses		
Alumni operating expenses	2,677,775	2,156,526
Change in net position	-	-
Net position - beginning of year	-	-
Net position - end of year	\$ -	\$ -

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