

**University of South Florida
Alumni Association, Inc.
(A Component Unit of the
University of South Florida)**

Financial Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Directors and Management
University of South Florida Alumni Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of South Florida Alumni Association, Inc. (Alumni Association), a component unit of the University of South Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Alumni Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Alumni Association, as of June 30, 2023, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alumni Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Alumni Association, as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated October 12, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alumni Association's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alumni Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alumni Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit for the year ended June 30, 2023, was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Alumni Association's basic financial statements. The schedule of functional expenses for the year ended June 30, 2023, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2023, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of functional expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

The Alumni Association's basic financial statements for the year ended June 30, 2022, were audited by other auditors whose report thereon dated October 12, 2022, expressed an unmodified opinion on the financial statements. The report of the other auditors dated October 12, 2022, stated that the schedule of functional expenses for the year ended June 30, 2022 was subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or those basic financial statements themselves, and other additional procedures in accordance with GAAS and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of the Alumni Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alumni Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alumni Association's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
October 23, 2023

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

**Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022**

This management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University of South Florida Alumni Association, Inc. (the Alumni Association) for the fiscal years ended June 30, 2023 and 2022, and should be read in conjunction with the financial statements and notes thereto. The Alumni Association is presented as a component unit of the University of South Florida (the University or USF) and is certified as a direct support organization. The Alumni Association assists in maintaining and enhancing a mutually beneficial relationship between the University and its alumni.

Overview of Financial Statements

The Alumni Association's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (GASB). Pursuant to GASB 35, *Basic Financial Statements—Management's Discussion and Analysis—for Public Colleges and Universities*, the Alumni Association's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. The Alumni Association is considered a Business-Type Activity (BTA) under the provisions of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments* and GASB 35, *Basic Financial Statements—Management's Discussion and Analysis—for Public Colleges and Universities*. The BTA format includes accounting on an accrual basis. The statements are a presentation of: (1) assets and liabilities as current and noncurrent and deferred inflows of resources, (2) revenues and expenses as operating and nonoperating, (3) the use of the direct and indirect methods for the statement of cash flows, and (4) management's discussion and analysis (MD&A) of the financial results. The notes to financial statements which provide a summary of the Alumni Association's accounting policies.

The Statement of Net Position

The statement of net position presents the assets, liabilities, deferred inflows of resources and net position of the Alumni Association, as of the end of the fiscal year. The difference between total assets, total liabilities and deferred inflows of resources is net position. The net position is an indicator of the Alumni Association's financial health. Restricted net position is comprised of expendable and nonexpendable and consists of assets that have constraints placed upon their use by external donors. Nonexpendable assets represent endowment assets whose principal cannot be spent and are required by the donor to be held in perpetuity. Unrestricted net position consists of net position that do not meet the definition of restricted.

University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

The following schedule is a summary of the Alumni Association's statements of net position as of June 30, 2023, 2022 and 2021.

Condensed Statements of Net Position
(For the Fiscal Years Ended June 30)

	2023	2022	2021
Assets:			
Current assets	\$ 976,072	\$ 828,441	\$ 788,701
Noncurrent assets	9,434,559	8,851,560	10,035,149
Total assets	\$ 10,410,631	\$ 9,680,001	\$ 10,823,850
Liabilities:			
Current liabilities	\$ 502,828	\$ 435,169	\$ 344,945
Noncurrent liabilities	2,556,415	2,431,285	2,058,752
Total liabilities	\$ 3,059,243	\$ 2,866,454	\$ 2,403,697
Total deferred inflows of resources	\$ 24,920	\$ 18,245	\$ 16,213
Net position:			
Restricted—expendable	\$ 542,812	\$ 451,631	\$ 718,958
Restricted—nonexpendable endowments	1,165,138	1,119,248	1,061,122
Unrestricted	5,618,518	5,224,423	6,623,859
Total net position	\$ 7,326,468	\$ 6,795,302	\$ 8,403,939

The Alumni Association's assets totaled \$10.4 million as of June 30, 2023. This balance reflects an increase of \$718 thousand, or 7.4%, compared to June 30, 2022. This increase primarily consists of market fluctuations in both current and noncurrent investments. Current assets contribute \$964 thousand to total assets and consist primarily of funds available to meet current obligations and membership and contribution receivable that are expected to be collected within the next fiscal year. Noncurrent assets contribute \$9.4 million to the Alumni Association's total assets and consist primarily of investments expected to be held, beneficial interest assets and contribution and membership receivables expected to be collected, beyond the next fiscal year.

The Alumni Association's assets totaled \$9.7 million as of June 30, 2022. This balance reflects a decrease of \$1.1 million, or 10.6%, compared to June 30, 2021. This decrease primarily consists of market fluctuations in noncurrent investments. Current assets contribute \$828 thousand to total assets and consist primarily of funds available to meet current obligations and membership and contribution receivable that are expected to be collected within the next fiscal year. Noncurrent assets contribute \$8.9 million to the Alumni Association's total assets and consist primarily of investments expected to be held, beneficial interest assets, and contribution and membership receivables expected to be collected, beyond the next fiscal year.

**University of South Florida Alumni Association, Inc.
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**Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022**

The Alumni Association's liabilities totaled \$3.1 million as of June 30, 2023. This balance reflects an increase of \$204 thousand, or 7.1%, compared to June 30, 2022, due to an decrease in unearned revenue associated with postponed events. Current liabilities consist of \$227 thousand in obligations that are expected to be paid within the next fiscal year and \$67 thousand in unearned revenue expected to be earned within the next fiscal year. The remaining \$209 thousand represents the portion of life membership revenue which will be recognized in the next fiscal year. Noncurrent liabilities consist of \$2.6 million and consist primarily of the portion of life memberships and life beneficiaries obligations that are expected to be recognized beyond the next fiscal year.

The Alumni Association's liabilities totaled \$2.9 million as of June 30, 2022. This balance reflects an increase of \$463 thousand, or 19.3%, compared to June 30, 2021, as an increase in lifetime memberships. These memberships are deferred and recognized over 20 years. The Association had a significant increase in these memberships during the year. Current liabilities consist of \$155 thousand in obligations that are expected to be paid within the next fiscal year and \$78 thousand in unearned revenue expected to be earned within the next fiscal year. The remaining \$202 thousand represents the portion of life membership revenue which will be recognized in the next fiscal year. Noncurrent liabilities consist of \$2.4 million and consist primarily of the portion of life memberships and life beneficiaries obligations that are expected to be recognized beyond the next fiscal year.

Deferred inflows of resources from beneficial interest totaled approximately \$24 thousand as of June 30, 2023. The balance reflects an increase of approximately \$7 thousand, or 37%, compared to June 30, 2022. This increase represents earnings on current year beneficial interest.

Deferred inflows of resources from beneficial interest totaled approximately \$18 thousand as of June 30, 2022. The balance reflects an increase of approximately \$2 thousand or 12.5%, compared to June 30, 2021. This increase represents earnings on current year beneficial interest.

Total net position totaled \$7.3 million as of June 30, 2023. This balance reflects an increase of \$508 thousand, or 7.5%, compared to June 30, 2022. This increase reflects the market change in investment values in the unrestricted and restricted—expendable category, and new endowments in the restricted nonexpendable category.

Total net position totaled \$6.8 million as of June 30, 2022. This balance reflects a decrease of \$1.6 million, or 19.1%, compared to June 30, 2021. This decrease reflects the market change in investment values in the restricted—expendable category.

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

**Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022**

The Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position present the Alumni Association's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following schedule is a summary of the Alumni Association's statements of revenues, expenses and changes in net position for the fiscal years ended June 30, 2023, 2022 and 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position
(For the Fiscal Years Ended June 30)

	2023	2022	2021
Nonoperating revenues (losses)	\$ 584,850	\$ (1,443,051)	\$ 2,599,506
Income (loss) before endowment contributions	485,276	(1,661,482)	2,359,360
Endowment contributions	45,890	52,845	44,744
Increase (decrease) in net position	531,166	(1,608,637)	2,404,104
Net position—beginning of year	6,795,302	8,403,939	5,999,835
Net position—end of year	\$ 7,326,468	\$ 6,795,302	\$ 8,403,939

The following summarizes the operating revenue by source that were used to fund operating activities for the fiscal years ended June 30, 2023, 2022 and 2021.

Operating Revenue
(For the Fiscal Years Ended June 30)

	2023	2022	2021
Contributions	\$ 1,665,562	\$ 1,129,091	\$ 1,025,072
Membership dues	300,878	324,671	535,472
Special events and other income	657,792	717,007	574,188
Total operating revenue	\$ 2,624,232	\$ 2,170,769	\$ 2,134,732

Total 2023 operating revenues of \$2.6 million include contributions, membership dues, affinity income, event related revenue and other miscellaneous operating activity. Contributions were \$1.7 million and represented 64% of total operating revenues. This reflects an increase of \$536 thousand over 2022 due to additional budget funding received from USF. Special events and other income were \$658 thousand and represented 25% of total operating revenues. This reflects a decrease of \$59 thousand over 2022 due to a decrease in affinity related contracts with insurance providers.

Total 2022 operating revenues of \$2.1 million include contributions, membership dues, affinity income, event related revenue and other miscellaneous operating activity. Contributions were \$1.1 million and represented 52% of total operating revenues. This reflects an increase of \$104 thousand over 2021 due an increase in budget funding received from USF. Special events and other income were \$717 thousand and represented 33% of total operating revenues. This reflects an increase of \$143 thousand over 2021, as the Association returned to pre COVID level of events during the year.

**University of South Florida Alumni Association, Inc.
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**Management’s Discussion and Analysis (Unaudited)
June 30, 2023 and 2022**

The following summarizes the operating expenses by type that incurred the operating activities for the fiscal years ended June 30, 2023, 2022 and 2021.

Operating Expense
(For the Fiscal Years Ended June 30)

	2023	2022	2021
Salaries and other supplements	\$ 1,657,135	\$ 1,541,904	\$ 1,812,325
Event services	410,798	291,874	96,615
Postage and printing	239,984	186,808	123,496
Services and independent contractors	122,075	116,814	124,403
Scholarships and awards	71,135	76,255	74,500
Travel and per diems	59,959	23,637	3,459
Community relations	36,599	19,616	11,935
Other	126,121	132,292	128,145
Total operating expenses	\$ 2,723,806	\$ 2,389,200	\$ 2,374,878

Total 2023 operating expenses of \$2.7 million include program related costs, fundraising and management and general expenses related to support of the Alumni Association’s mission. This balance reflects an increase of \$335 thousand, or 14%, over the prior fiscal year. This increase is due to growth in Alumni related events, both in attendance at the events and the number of events held.

Total 2022 operating expenses of \$2.4 million include program related costs, fundraising and management and general expenses related to support of the Alumni Association’s mission. This balance reflects an increase of \$14 thousand, or 1%, over the prior fiscal year. The increase is due to a higher amount of in person events as the Association experienced a full non COVID year. This was offset by a decrease in salaries due to a structural reorganization within Advancement.

2023 nonoperating revenue of \$585 thousand consists entirely of unrealized gains on the endowment investment pool held at the University of South Florida Foundation, Inc. (the Foundation). This gain represents a 133% increase over the fiscal year ended 2022 due primarily to stronger performance of the market during 2023.

2022 nonoperating loss of \$1.4 million consists entirely of unrealized losses on the endowment investment pool held at the University of South Florida Foundation, Inc. (the Foundation). This loss represents a 44% decrease over the fiscal year ended 2021 due primarily to stronger performance of the market during 2021.

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

**Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022**

The Statement of Cash Flows

The statement of cash flows provides information in the form of cash inflows and outflows summarized by operating, investing and noncapital financing activities. This statement will assist in evaluating the Alumni Association's ability to generate net cash flows and its ability to meet its financial obligations as they come due. Cash flows from operating activities show the net cash used by typically ongoing operating activities of the Alumni Association. Cash flows from investing activities show the net sources and uses of cash related to the purchasing or selling investments and earnings income on those investments. Cash flows from noncapital financing activities consist of endowment contributions received. For purposes of cash flow, the Alumni Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The following summarizes the major sources and uses of cash for the fiscal years ended June 30, 2023, 2022 and 2021:

Condensed Statements of Cash Flow
(For the Fiscal Years Ended June 30)

	2023	2022	2021
Cash flows provided by (used in):			
Operating activities	\$ 155,836	\$ 187,450	\$ (290,911)
Investing activities	(206,602)	(233,851)	221,600
Non-capital financing activities	45,890	52,845	44,744
Change in cash and cash equivalents	(4,876)	6,444	(24,567)
Cash and cash equivalents:			
Beginning of year	8,735	2,291	26,858
End of year	<u>\$ 3,859</u>	<u>\$ 8,735</u>	<u>\$ 2,291</u>

Cash and cash equivalents during 2023 decreased by \$5 thousand, or 56%, during fiscal year 2023. Net cash flows from operating activities decreased by \$32 thousand, mainly attributed to a smaller ending cash balance at the end of the year due to an increase in operating expenses compared to the prior year. This decrease is offset by an increase in investing activities of \$27 thousand. Cash flows provided by investing consisted of the sale of short-term investments. Cash flows provided by non-capital financing activities consisted of payments made on endowment contribution.

Cash and cash equivalents during 2022 increased by \$6 thousand, or 281%, during fiscal year 2022. Net cash flows from operating activities increase by \$478 thousand, mainly attributed to an increase in revenue earned from events and fundraising. This increase is offset by a decrease in investing activities of \$152 thousand and an increase in non-capital financing activities of \$23 thousand. Cash flows provided by investing consisted of the sale of short-term investments. Cash flows provided by non-capital financing activities consisted of payments made on endowment contribution.

Economic Outlook

The economic outlook of the Alumni Association is affected by several factors, including support received from the University, the Foundation, and various other revenue sources. The University and the Foundation support is contingent on state appropriations and performance of the investment market. The Alumni Association will be able to mitigate risks of budget fluctuation through prudent budgeting and access to reserves.

**University of South Florida Alumni Association, Inc.
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**Management's Discussion and Analysis (Unaudited)
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The Alumni Association participates in the State of Florida Major Gifts Challenge Grant Program (the Program). The Program has been temporarily suspended for donations received on or after June 30, 2011. Existing eligible donations received on or before June 29, 2011, remain eligible for future matching funds when appropriated by the state. As of June 30, 2023, the Alumni Association submitted matching requests totaling \$52,802 to the state of Florida. The Program may be restarted by the state of Florida after \$200 million of the backlog for the state match programs has been funded. When received, state matching grants will benefit the endowment. Therefore, the \$52,802 has not been recorded in the financial statements.

Requests For Information

This financial report is designed to provide a general overview of the Alumni Association's finances for all those interested. Questions concerning any of the information provided in this report should be addressed to the USF Alumni Association, 4202 East Fowler Ave., ALC 100, Tampa, Florida 33620.

University of South Florida Alumni Association, Inc.
(A Component Unit of the University of South Florida)

Statements of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,859	\$ 8,735
Equity in the University of South Florida Foundation, Inc.	787,485	554,995
Membership dues receivable, net	133,807	147,083
Contribution receivable	3,568	3,585
Accounts receivable	8,639	63,445
Due from University	8,021	-
Prepaid expense and other assets	30,693	50,598
Total current assets	976,072	828,441
Noncurrent assets:		
Equity in the University of South Florida Foundation, Inc.	9,336,536	8,777,574
Beneficial interest assets	71,345	66,732
Membership dues receivable	21,853	3,500
Contribution receivable	4,825	3,754
Total noncurrent assets	9,434,559	8,851,560
Total assets	10,410,631	9,680,001
Liabilities		
Current liabilities:		
Accounts payable	226,947	126,284
Lifetime memberships	209,262	202,492
Unearned revenue	66,619	78,600
Due to the University	-	27,793
Total current liabilities	502,828	435,169
Noncurrent liabilities:		
Lifetime memberships	2,509,989	2,382,799
Life beneficiaries obligations	46,426	48,486
Total noncurrent liabilities	2,556,415	2,431,285
Total liabilities	3,059,243	2,866,454
Deferred Inflows of Resources		
Deferred inflows from beneficial interest assets	24,920	18,245
Total deferred inflows of resources	24,920	18,245
Net Position		
Restricted:		
Expendable	542,812	451,631
Nonexpendable endowments	1,165,138	1,119,248
Unrestricted	5,618,518	5,224,423
Total net position	\$ 7,326,468	\$ 6,795,302

See notes to financial statements.

University of South Florida Alumni Association, Inc.
(A Component Unit of the University of South Florida)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Contributions	\$ 1,665,562	\$ 1,129,091
Membership dues	300,878	324,671
Special events and other income	657,792	717,007
Total operating revenues	2,624,232	2,170,769
Operating expenses:		
Program service support	2,241,742	2,016,084
Fundraising support	204,294	161,009
Management expenses	277,770	212,107
Total operating expenses	2,723,806	2,389,200
Operating loss	(99,574)	(218,431)
Nonoperating revenues (losses):		
Investment income (loss)	584,850	(1,443,051)
Total nonoperating revenues (losses)	584,850	(1,443,051)
Income (loss) before endowment contributions	485,276	(1,661,482)
Endowment contributions:		
Contributions to endowments	45,890	52,845
Increase (decrease) in net position	531,166	(1,608,637)
Net position, beginning of year	6,795,302	8,403,939
Net position, end of year	\$ 7,326,468	\$ 6,795,302

See notes to financial statements.

University of South Florida Alumni Association, Inc.
(A Component Unit of the University of South Florida)

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts from contributions	\$ 2,094,269	\$ 1,801,358
Receipts from all other sources	732,504	719,666
Payments to the University for programs	(106,949)	(66,400)
Payments to suppliers for goods and services	(2,563,988)	(2,267,174)
Net cash from operating activities	155,836	187,450
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	360,609	328,024
Purchase of investments	(567,211)	(561,875)
Net cash from investing activities	(206,602)	(233,851)
Cash flows from noncapital financing activities:		
Endowment contributions received	45,890	52,845
Net cash from noncapital financing activities	45,890	52,845
Net change in cash and cash equivalents	(4,876)	6,444
Cash and cash equivalents, beginning of year	8,735	2,291
Cash and cash equivalents, end of year	\$ 3,859	\$ 8,735
Supplement disclosure of noncash related investing activities:		
Unrealized loss (gain) on investments and beneficial interest assets	\$ 620,989	\$ (1,900,631)
Reconciliation of loss to net cash from operating activities:		
Operating loss	\$ (99,574)	\$ (218,431)
Adjustments to reconcile operating loss to new cash from operating activities:		
Lifetime membership	133,960	393,036
Changes in operating assets and liabilities:		
Membership dues receivable	(5,077)	(58,605)
Contribution receivable	(1,054)	13,165
Accounts receivable	54,807	26,679
Prepaid expenses	19,906	(24,020)
Accounts payable and accrued expenses	100,663	(556)
Unearned revenue	(11,981)	48,082
Due to the University	(35,814)	8,100
Net cash from operating activities	\$ 155,836	\$ 187,450

See notes to financial statements.

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

Notes to the Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: The University of South Florida Alumni Association, Inc. (the Alumni Association) operates as a Direct Support Organization (DSO) for the University of South Florida (the University or USF) as provided for in Section 1004.28 of the Florida Statutes and assists in maintaining and enhancing a mutually beneficial relationship between the University and its alumni.

Reporting entity: In defining the Alumni Association for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity, Omnibus*. These statements establish the standards for defining and reporting on the financial reporting entity and whether it is considered a component unit of another entity. The Alumni Association would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and: (1) is able to impose its will on the potential component unit, and/or (2) is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit's board. The Alumni Association is a direct support organization of the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University.

A summary of the Alumni Association's significant accounting policies follows:

Basis of presentation: As a discrete component unit of the University, the Alumni Association prepares its financial statements according to the provisions of the GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

These standards require public institutions to present management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, and require supplementary information other than MD&A.

Basis of accounting: The accompanying financial statements have been prepared using U.S. generally accepted accounting principles (U.S. GAAP), including all effective applicable statements of the GASB. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. To help ensure observance of limitation and restrictions placed on the use of resources, the accounts of the Alumni Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. For reporting purposes, these funds are combined into one column as a business-type activity as defined by GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The net position of the Alumni Association is reported in two categories as follows:

Restricted: Includes funds restricted by donors—expendable and nonexpendable endowments.

Restricted—Expendable: Represents funds that are subject to donor or grantor restrictions to use for the benefit of various programs at the University and includes the expendable portion of endowment funds. These programs include student scholarships.

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

Notes to the Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Restricted—Nonexpendable Endowments: Represents the nonexpendable portion (corpus) of endowment funds that are subject to donor restrictions for the benefit of various programs at the University. These programs include student scholarships. The corpus of the permanent endowments is retained and reported in nonexpendable endowments, while the net earnings or losses on endowment funds are included in expendable funds available for expenditure.

Unrestricted: Represents funds that are not subject to donor-imposed restrictions and are available for carrying out the Alumni Association's objectives.

As a general practice, the Alumni Association applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating and nonoperating activities: The Alumni Association's operating income includes all revenues and expenses associated with the Alumni Association's daily activities. Investment earnings on restricted endowments are excluded from operating income and classified as nonoperating revenues. Contributions received for endowments are also excluded from operating and nonoperating activities and are classified as endowment contributions. Non-operating activities arise from transactions not associated with the Alumni Association's principal activities such as investment gains and losses.

Income taxes: The Alumni Association has been granted tax-exempt status under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Income earned in the furtherance of the Alumni Association's tax-exempt purposes is exempt from federal and state income taxes. However, the Alumni Association is subject to income tax on unrelated business income. The Alumni Association is classified as a supporting organization operated in connection with, and functionally integrated with its supported organization as described in Section 509(a)(3). The Alumni Association has no unrelated business income tax expense for the years ended June 30, 2023 and 2021, respectively.

Cash and cash equivalents: The Alumni Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents except for balances included in the pooled investments.

Equity in the University of South Florida Foundation, Inc: The Alumni Association's investments are held in various pooled investment funds that are maintained by the University of South Florida Foundation, Inc. (the Foundation). Investments are carried at fair value based on published quotations from the national exchanges or over-the-counter market, except for alternative investments.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at date of gift. Except for investments that are not readily marketable or are held separately for specific reasons, all gifts of investments are liquidated and invested in accordance with the donor's intent.

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Gifts that are invested in the endowment pool are assigned units of participation in the pool based upon their market value on the date of receipt and the most recently determined unit market value for the existing units of participation. Subsequent allocations of annual income of the independent pool are based upon the number of units of participation. Distributions are based upon the spending policy approved by the Foundation Board of Directors and follow the total return concept of utilizing both income and realized gains. The market value of the units of participation is calculated monthly.

Investment income (including interest and dividends and realized and unrealized gains and losses) is reflected in investment income in the accompanying statements of revenues, expenses and changes in net position. Purchases and sales of investments are recorded on a trade-date basis. The cost of investments sold is determined using the specific identification method.

Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and investments not expected to be used during the Alumni Association's next fiscal year.

Fair value measurements: The Alumni Association categorizes its fair value measurements within the fair value hierarchy established by GASB 72, *Fair Value Measurement and Application*. Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial asset.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that the Alumni Association has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be developed based on the best information available in the circumstances.

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 years ended June 30, 2023 and 2022.

Equity in the University of South Florida Foundation, Inc.: The Alumni Association invested all assets held for investment in the Pools managed by the Foundation. This investment is valued using the net asset value (NAV) provided by the administrator of the fund, as a practical expedient. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. NAV is excluded from the valuation hierarchy.

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

Notes to the Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Beneficial interests in irrevocable split-interest agreements: Beneficial interests are included in the Level 3 category and are made up of beneficial interests in perpetual trusts and charitable remainder trusts. The Alumni Association determines the value of these assets as measured by the fair value of the assets contributed to the trusts. For charitable remainder trusts, the income approach is utilized, and the trust assets are discounted to present value using the Internal Revenue Service discount rate. The Alumni Association has assessed the interest rate used and no additional risk premium is added to this rate. This fair value determination is performed on an annual basis.

Custodial credit risk for investments: Is the risk that, in the event of the failure of the counterparty, the Alumni Association will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Alumni Association's investments are held by the Foundation. To mitigate custodial credit risk, the Foundation requires that all securities in separately managed accounts be held by a well-capitalized and financially secure third-party custodian bank. The Foundation monitors the financial viability of its custodian bank on a regular basis.

Concentration of credit risk: Is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Financial instruments that potentially subject the Alumni Association to concentrations of credit risk consist principally of pooled investments; however, the Alumni Association's investments are held by the Foundation. The Foundation limits the amount of credit exposure to any one particular investment.

The Foundation has invested in certain investments without readily determinable values. These investments contain underlying funds, which may include limited partnerships. These investments entail liquidity risks to the extent that they are difficult to sell or convert to cash quickly at favorable prices. The investment risk of these investments without readily determinable values with respect to each underlying investment will be limited to the capital committed to it by the Foundation.

Interest rate risk: Is the risk that changes in interest rates will adversely affect the value of an investment and is measured by duration. The Alumni Association's investments are held by the Foundation. The Foundation mitigates interest rate risk by allocating to shorter duration strategies in its operating pool, as stipulated by the investment policy. The endowment investment policy requires that duration remain within 1.5 years relative to the asset class benchmark.

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. The Alumni Association's investments are held by the Foundation. As of June 30, 2023 and 2022, the Foundation did not have any direct investments in equity or fixed income investments subject to this risk. As of June 30, 2023 and 2022, 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.

Membership dues receivable: Membership dues receivable, less an allowance for uncollectible accounts, is reported at net realizable value using a historical default percentage on installment life memberships averaged over a period of five years.

**University of South Florida Alumni Association, Inc.
(A Component Unit of University of South Florida)**

Notes to the Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contribution receivable: Contribution receivable represent written promises to give by donors. Contribution receivable, other than endowment contributions, are recognized as contribution revenue in the period pledged as long as they are verifiable, measurable, probable of collection, and they meet all the eligibility requirements specified by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Endowment contributions are recognized as contributions to permanent endowment funds at the time payment is received. Contribution receivable, less an allowance for uncollectible accounts, are reported at fair value determined using the discounted present value of expected cash flows. The allowance is made for uncollectible contribution receivable based upon the Alumni Association's analysis of past collection experience and other judgmental factors. The allowance captures the risk premium to bring the contribution receivable balance to a risk-adjusted expected cash flow. Intentions to give are not included in these financial statements. Management believes contributions receivable are fully collectible as of June 30, 2023 and 2022.

Accounts receivable: Accounts receivable are carried at their estimated collectible amounts. Management believes accounts receivable are fully collectible as of June 30, 2023 and 2022.

Due from and to University: Due from and to University represents amounts owed from or due to the University. Amounts due from the University are fully collectible and, as such, no allowance is recorded. See Note 7 for more details on related party transactions.

Lifetime memberships: Income for lifetime membership dues is recognized ratably over the estimated life of the membership, which is determined to be 20 years for the years ended June 30, 2023 and 2022, and is included in liabilities in the accompanying statements of net position and as membership dues in the statement of revenues, expenses and changes in net position.

Beneficial interest in non-trustee split-interest agreements: The Alumni Association receives financial interests in irrevocable split-interest agreements where the assets are invested and administered by outside trustees. The Foundation records the value of this interest as the net of the fair value of the underlying investments offset by the present value of the estimated future beneficiary payments over the expected life of the life beneficiaries, in accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.

Deferred inflow of resources from split-interest agreements: Deferred inflows of resources represent an acquisition of net position that applies to a future period. The Alumni Association classifies changes in irrevocable split-interest agreements (beneficial interest assets) as deferred inflows of resources. These amounts will be recognized as revenue upon the distribution or termination of the split-interest agreements.

Unearned revenue: Unearned revenue consists of cash received before eligibility requirements are met, excluding time requirements.

Revenue recognition: Cash contributions are recognized as increases in net position when received provided all eligibility requirements have been met, with the exception of contributions to the endowment which are recognized when received.

Unearned revenue on the accompanying statements of net position primarily represents life memberships. Membership revenue is recognized as services are provided or ratably over 20 years for life memberships.

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Gifts in kind: The Association is provided donations to be auctioned off during the Green and Gold Gala. Contributions with reasonably determinable fair values have been included in revenues as in-kind contributions with the associated expense recorded to event expenses.

Special event revenue: The Association produces various events throughout the year in which ticket sales and sponsorships are earned. The portions of these items that are considered a gift are recorded in contributions on the Schedule of Revenue, Expenses and Changes in Net Position. The remaining amount is recognized in special events and other income.

Endowment: An endowment was established to provide support for general operations and financial stability of the Association. The investment pool pays a quarterly dividend based on the results of the fund. Such dividends can either be withdrawn or reinvested. The endowment is administered and invested by the Foundation with the intent that it will be held in perpetuity, however, with a 60-day notice, the Alumni Association may withdraw either a portion of or its entire investment in the Pool. The Alumni Association is limited to one withdrawal, other than any quarterly dividend, per calendar year.

Functional expenses: Expenses that can be identified with a specific program, fundraising or administrative service are charged directly to the function. Certain other costs have been allocated among program, fundraising and administrative services benefited. Such allocations are determined by management on an equitable basis that is consistently applied. The expenses that are allocated based on time and effort include personnel costs.

Recently adopted accounting pronouncements: In May 2022, the GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements* (SBITAs). The objective of this Statement is to provide guidance on the accounting and financial reporting for SBITAs for government end users (governments). This statement was adopted by the Alumni Association as of July 1, 2021, and did not have a material effect within these financial statements.

Note 2. Membership Dues Receivable, Net and Contribution Receivable

Membership dues receivable are expected to be realized in the following periods at June 30, 2023 and 2022:

	2023	2022
In one year or less	\$ 160,343	\$ 173,810
Year two	21,853	3,500
	182,196	177,310
Less allowance for uncollectible memberships	(26,536)	(26,727)
	<u>\$ 155,660</u>	<u>\$ 150,583</u>

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 2. Membership Dues Receivable, Net and Contribution Receivable (Continued)

Contribution receivable are expected to be realized in the following periods at June 30, 2023 and 2022:

	2023	2022
In one year or less	\$ 3,568	\$ 3,585
Year two	2,075	1,504
Year three	1,500	1,500
Year four	1,250	500
Year five	-	250
	<u>\$ 8,393</u>	<u>\$ 7,339</u>

Contribution receivable are classified in the following net position classes at June 30, 2023 and 2022:

	2023	2022
Restricted, expendable	\$ 6,504	\$ 6,278
Unrestricted	1,889	1,061
	<u>\$ 8,393</u>	<u>\$ 7,339</u>

Endowment contributions totaling approximately \$7,112 and \$21,556, respectively, have not been recorded in the financial statements, as these commitments will be recognized when the resources are received and all eligibility requirements have been met.

Note 3. Equity in the University of South Florida Foundation, Inc.

Investments are carried at fair value, except for certain investments in limited partnerships that are recorded using the fund's net asset value, which approximates fair value. The equity in the Foundation's Investment Pools (the Pools) are allocated amongst the various types of investments at June 30, 2023 and 2022, as follows:

	2023	2022
Money market funds	0.50%	0.50%
Fixed income	9.54%	18.09%
Domestic equities	39.62%	30.29%
International equities	26.68%	24.39%
Real asset equities	4.03%	4.50%
Private equity	8.46%	9.79%
Fixed income partnership	4.89%	4.63%
Real asset partnership	6.28%	7.81%
	<u>100%</u>	<u>100%</u>

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 3. Equity in the University of South Florida Foundation, Inc. (Continued)

Investment gains (losses) consist of the following as of June 30, 2023 and 2022:

	2023	2022
Interest and dividends, net	\$ (38,252)	\$ (74,489)
Net realized gains (losses) and net changes in fair value fair value of investments	623,102	(1,368,562)
Total investment gains (losses)	<u>\$ 584,850</u>	<u>\$ (1,443,051)</u>

Cost and fair value information of the Alumni Association's Pools at June 30, 2023 and 2022, is summarized as follows:

	2023	2022
Cost	\$ 7,434,400	\$ 7,669,250
Fair value	10,124,021	9,332,569

Note 4. Fair Value Measurements

The Alumni Association's proportional share of the Foundation's assets measured at fair value on a recurring basis as of June 30, 2023 and 2022, are summarized as follows:

	Fair Value Measurement at June 30, 2023				
	Total	Level 1	Level 2	Level 3	NAV
Operating pool	\$ 787,485	\$ -	\$ -	\$ -	\$ 787,485
Endowment pool	9,336,536	-	-	-	9,336,536
Total investments	<u>\$ 10,124,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,124,021</u>
Total beneficial interest assets	<u>\$ 66,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,619</u>	<u>\$ -</u>
	Fair Value Measurement at June 30, 2022				
	Total	Level 1	Level 2	Level 3	NAV
Operating pool	\$ 554,995	\$ -	\$ -	\$ -	\$ 554,995
Endowment pool	8,777,574	-	-	-	8,777,574
Total investments	<u>\$ 9,332,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,332,569</u>
Total beneficial interest assets	<u>\$ 66,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,732</u>	<u>\$ -</u>

The primary long-term investment objective of the fund is to preserve the intergenerational equity of endowed gifts while providing a consistent source of funding for the University. This is accomplished by implementing an investment strategy to earn a total rate of return that exceeds the spending rate, plus long-term inflation, plus the costs of managing the investment fund. This results in a target return of about 8%. There were no unfunded commitments related to the Program as of June 30, 2023 and 2022.

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 5. Endowments

The state of Florida adopted Florida Statute 1010.10, *Florida Uniform Management of Institutional Act* (FUMIFA), which provides policy for administration related to investment of endowment funds and the ability to spend net appreciation. The Alumni Association authorizes expenditures for the uses and purposes for which endowment funds were established.

FUMIFA requires the Alumni Association Board of Directors to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUMIFA, the Alumni Association Board of Directors may expend so much of an endowment fund as the Alumni Association Board of Directors 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.

In accordance with FUMIFA, the Alumni Association considers the following factors in making a determination to distribute or accumulate donor-restricted funds:

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

As a result of this interpretation, the Alumni Association classifies as nonexpendable net position: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUMIFA.

The Alumni Association investment policy is to invest all assets available for investment in the Pools managed by the Foundation.

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 5. Endowments (Continued)

The Alumni Association endowment consists of approximately 40 at June 30, 2023 and 2022, individual funds established for a variety of purposes. The following displays the total ending endowment balances for nonexpendable endowments or donor-restricted endowments:

	2023	2022
Total endowment balance	\$ 1,511,454	\$ 1,193,606
Less appreciated portion of restricted expendable	(346,316)	(74,358)
Restricted nonexpendable net position balance	<u>\$ 1,165,138</u>	<u>\$ 1,119,248</u>

Note 6. Credit Card Licensing Agreement

The Alumni Association has an agreement with a financial institution, whereby the Alumni Association will receive royalties from the issuance of credit cards and debit cards with the University's insignia. During the years ended June 30, 2023 and 2022, the Alumni Association received approximately \$150,000 and \$170,000, respectively, under this agreement. The Alumni Association's Board of Directors has allocated the entire amount of royalties relating to this agreement to support University alumni relations and student programs.

Note 7. Related Party Transactions

During the years ended June 30, 2023 and 2022, the Alumni Association received financial support from the University for approximately \$900,000 and \$500,000, respectively. This amount is included in contributions in the accompanying statements of revenues, expenses and changes in net position. The Alumni Association has a convenience account held at the University in which money is transferred to pay the Alumni Association's payroll and other expenses incurred and due to the University. During the years ended June 30, 2023 and 2022, the Alumni Association transferred approximately \$765,000 and \$1,024,000, respectively, to the University to cover these expenses. At the end of fiscal years 2023 and 2022, the Alumni Association had a balance due from/to the University of \$8,021 and \$27,793, respectively. This amount is included in the accompanying statements of net position.

During the years ended June 30, 2023 and 2022, the Alumni Association received financial support from the Foundation for approximately \$57,000 and \$54,000, respectively. This amount is included in contributions in the accompanying statements of revenues, expenses and changes in net position. This funding was used to fund development salaries.

Board member contributions were \$8,600 for the year ended June 30, 2023.

Note 8. Retirement Plan

The Association personnel are employees of the University and are eligible to enroll as members of the State administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 605, Florida Administrative Code; wherein plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the FRS Investment Plan (Investment Plan).

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 8. Retirement Plan (Continued)

Benefits of the Plan vest as of six years of service or eight years for new employees enrolled after July 1, 2011. All members are eligible for normal retirement benefits based on the plan definition of normal retirement date which is determined on the date they enrolled in the plan. The Plan also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

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

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, require supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement's Web site (www.frs.myflorida.com).

It has been determined that the Alumni Association is not a payor fund for the purposes of liquidating the pension liability. An actuarial valuation has been performed for the plan. The Alumni Association's employees were included in the actuarial analysis and are part of the total pension liability and net pension liability disclosed in the footnotes and required supplementary information of the University's Annual Report. The University does not determine a separate liability for the Association employees and as a result, there is no net pension liability recorded in these financial statements.

The cost of the defined benefit pension plan for the Association's current employees is paid by the University and recorded by the Association as an operating transfer from related organizations and an operating expense. Retirement contributions were approximately \$117,000 and \$103,000 for the years ended June 30, 2023 and 2022, respectively.

**University of South Florida Alumni Association, Inc.
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Notes to the Financial Statements

Note 9. Other Postemployment Benefits

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. 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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. The University provided required contributions toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums.

It has been determined that the Alumni Association is not a payor fund for the purpose of liquidating the net OPEB liability. An actuarial valuation has been performed for the plan. The Alumni Association's employees were included in the actuarial analysis of the valuation of the OPEB Plan and are part of the OPEB disclosed in the footnotes and required supplementary information of the University's Annual Report. The University does not determine a separate liability for the Association employees and as a result, there is no OPEB cost, percentage of annual OPEB cost contributed to the Plan, or the net OPEB liability recorded in these financial statements.

Note 10. Contingencies

The Alumni Association 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 of the Alumni Association. Liabilities, if any, from such audits, if any, are recorded when the amounts of such liabilities become reasonably determinable.

Note 11. Subsequent Events

The Alumni Association has evaluated subsequent events from the net position date through October 23, 2023, the date which the financial statements were available to be issued and determined there are no items to disclose.

Supplementary Schedule

University of South Florida Alumni Association, Inc.
(A Component Unit of the University of South Florida)

Schedules of Functional Expenses
Years Ended June 30, 2023 and 2022

	2023	2022
Program service support:		
Salaries and other supplements	\$ 1,394,328	\$ 1,291,371
Community relations	31,230	16,486
Travel and per diems	56,887	22,630
Supplies and equipment	2,580	4,108
Scholarships and awards	71,135	76,255
Conferences and seminars	6,498	4,488
Postage and printing	235,308	185,639
Repairs and maintenance	4,979	5,688
Service and independent contractors	49,220	71,701
Event services	314,220	225,296
Advertising	34,572	24,962
Bank fees	24,064	30,318
Insurance	-	39,182
Recovery for uncollectible pledges	(191)	(2,873)
Other	16,912	20,833
Total program service support	2,241,742	2,016,084
Fundraising support:		
Salaries and other supplements	94,699	88,198
Community relations	5,369	3,130
Travel and per diems	1,743	486
Supplies and equipment	-	12
Conferences and seminars	140	110
Postage and printing	2,176	806
Service and independent contractors	4,892	565
Event services	95,275	65,558
Other	-	2,144
Total fundraising support	204,294	161,009
Management expenses:		
Salaries and other supplements	168,108	162,335
Travel and per diems	1,329	521
Supplies and equipment	177	235
Conferences and seminars	3,310	2,145
Postage and printing	2,500	363
Service and independent contractors	67,963	44,548
Event services	1,303	1,020
Insurance	33,080	940
Total management expenses	277,770	212,107
Total operating expenses	\$ 2,723,806	\$ 2,389,200



RSM US LLP

**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

Board of Directors and Management
University of South Florida Alumni Association, 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 (*Government Auditing Standards*), the financial statements of the University of South Florida Alumni Association, Inc. (Alumni Association), a component unit of the University of South Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Alumni Association's basic financial statements, and have issued our report thereon dated October 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alumni Association's internal control over financial reporting (internal control) as a basis for designing 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 Alumni Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alumni Association'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alumni Association'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RSM US LLP

Tampa, Florida
October 23, 2023