Financial Statements

University of South Florida Foundation, Inc.

Years Ended June 30, 2015 and 2014

With Reports of Independent Auditor

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Board of Directors of
University of South Florida Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Florida Foundation, Inc. (the “Foundation”), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2013-06, Services Received from Personnel of an Affiliate, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Restatement and Reclassifications

As discussed in Note 1 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Also, as discussed in Note 1 to the financial statements, management changed the classification of certain liabilities in the 2014 statement of financial position. Management changed the presentation of the statement of functional expenses for 2014 to conform with the new presentation in the 2015 financial statements. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 13, 2015 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tampa, Florida
October 13, 2015

University of South Florida Foundation, Inc.

Statements of Financial Position

June 30, 2015 and 2014

	June 30	
	2015	**2014**
Assets		
Cash and cash equivalents	**$ 866,351**	$ 471,291
Operating investment pool	**69,046,027**	67,160,853
Accrued investment receivable	**357,957**	368,036
Contributions receivable, net	**47,040,171**	38,102,797
Other receivables, net	**529,195**	663,830
Endowment investment pool	**446,608,407**	449,776,559
Remainder interest trusts	**1,836,780**	1,682,855
Funds held in trust by others	**16,999,158**	10,790,395
Books and art objects	**3,292,409**	3,121,509
Real estate held for resale	**600,000**	684,113
Land, buildings, and equipment, net	**6,683,717**	473,230
Total assets	**$ 593,860,172**	$ 573,295,468
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 2,620,599**	$ 3,337,352
Mortgage payable	**6,143,420**	–
Annuities and life income trusts payable	**791,902**	718,187
Amounts due to third-party beneficiaries	**26,739,791**	26,618,252
Due to the University of South Florida, net	**2,327,313**	1,907,119
Total liabilities	**38,623,025**	32,580,910
Net assets:		
Unrestricted net assets	**9,553,317**	9,462,510
Temporarily restricted net assets	**205,341,067**	204,147,100
Permanently restricted net assets	**340,342,763**	327,104,948
Total net assets	**555,237,147**	540,714,558
Total liabilities and net assets	**$ 593,860,172**	$ 573,295,468

See Accompanying Notes.

University of South Florida Foundation, Inc.

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions, gifts, and bequests	$ 698,427	$ 36,372,303	$ 13,317,556	50,388,286
Special events and fund-raising activities	94,742	2,419,707	–	2,514,449
Investment income, net	10,575,778	3,644,765	15,145	14,235,688
Other	12,341,169	296,129	–	12,637,298
Net assets released from restrictions	39,412,301	(39,412,301)	–	–
Total revenues	63,122,417	3,320,603	13,332,701	79,775,721
Expenses:				
Program services	46,922,244	–	–	46,922,244
Fundraising costs	9,569,218	–	–	9,569,218
Operating costs	6,540,148	–	–	6,540,148
Provision for uncollectible pledges	–	2,341,773	(81,908)	2,259,865
Total expenses	63,031,610	2,341,773	(81,908)	65,291,475
Change in net assets before change in value of split-interest agreements	90,807	978,830	13,414,609	14,484,246
Change in value of split-interest agreements	–	215,137	(176,794)	38,343
Change in net assets	90,807	1,193,967	13,237,815	14,522,589
Net assets, beginning of year	9,462,510	204,147,100	327,104,948	540,714,558
Net assets, end of year	$ 9,553,317	$ 205,341,067	$ 340,342,763	$ 555,237,147

University of South Florida Foundation, Inc.

Statements of Activities and Changes in Net Assets (continued)

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions, gifts, and bequests	$ 48,012	$ 22,153,638	$ 5,558,367	$ 27,760,017
Special events and fund-raising activities	63,977	2,353,207	–	2,417,184
Investment income, net	12,377,869	61,722,504	237,227	74,337,600
Other	3,103,596	183,101	–	3,286,697
Net assets released from restrictions	42,243,201	(42,243,201)	–	–
Total revenues	57,836,655	44,169,249	5,795,594	107,801,498
Expenses:				
Program services	52,621,448	–	–	52,621,448
Fundraising costs	4,543,203	–	–	4,543,203
Operating costs	4,897,135	–	–	4,897,135
Provision for uncollectible pledges	6,844	658,365	5,490,707	6,155,916
Total expenses	62,068,630	658,365	5,490,707	68,217,702
Change in net assets before change in value of split-interest agreements	(4,231,975)	43,510,884	304,887	39,583,796
Change in value of split-interest agreements	–	(7,967)	623,860	615,893
Change in net assets	(4,231,975)	43,502,917	928,747	40,199,689
Net assets, beginning of year	13,694,485	160,644,183	326,176,201	500,514,869
Net assets, end of year	$ 9,462,510	$ 204,147,100	$ 327,104,948	$ 540,714,558

University of South Florida Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	June 30 2015	June 30 2014
Operating activities		
Change in net assets	**$ 14,522,589**	$ 40,199,689
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in the provision for losses and discounts on contributions receivable	**1,299,573**	6,225,011
Contributions restricted for long-term investment	**(12,611,275)**	(2,460,060)
Gain on sale of land held for resale	**(37,263)**	–
Gift of real estate	**–**	(84,113)
Depreciation	**21,102**	24,374
Investment (gains) losses, net	**(8,424,000)**	(68,901,173)
Change in value of split-interest agreements	**(38,344)**	(615,893)
Impairment loss on real estate held for resale	**–**	85,345
Changes in assets and liabilities:		
Contributions receivable	**(10,236,947)**	3,455,929
Funds held in trust by others	**(6,124,244)**	13,072
Other receivables, net	**224,790**	15,320
Books and art objects	**(170,900)**	81,575
Accounts payable and accrued expenses	**(716,753)**	(5,733,941)
Annuities and life income trusts payable	**128,665**	310,158
Amounts due to third-party beneficiaries	**(477,598)**	1,693,220
Due to the University of South Florida, net	**297,522**	1,206,159
Net cash used in operating activities	**(22,343,083)**	(24,485,328)
Investing activities		
Disposal of land held for resale	**121,376**	–
Purchase of land	**(31,589)**	–
Interest and dividends reinvested	**(5,811,688)**	(5,436,427)
Purchases of pooled investments	**(122,261,063)**	(155,910,728)
Proceeds from sales and maturities of pooled investments	**138,043,740**	182,161,817
Repayment of loans to the University of South Florida	**122,672**	117,886
Net cash provided by investing activities	**10,183,448**	20,932,548
Financing activities		
Principle payments on mortgage payable	**(56,580)**	–
Proceeds from contributions restricted for long-term investment	**12,611,275**	2,460,060
Net cash provided by financing activities	**12,554,695**	2,460,060
Change in cash and cash equivalents	**395,060**	(1,092,720)
Cash and cash equivalents, beginning of year	**471,291**	1,564,011
Cash and cash equivalents, end of year	**$ 866,351**	$ 471,291
Supplemental disclosures of cash flow information		
Cash payments for interest on mortgage payable	**$ 27,063**	**$ –**
Non-cash investing and financing activities		
Purchase of land through issuance of mortgage payable	**$ 6,200,000**	**$ –**

University of South Florida Foundation, Inc.

Statements of Functional Expenses

Year Ended June 30, 2015

	USF Tampa Campus	USF St. Petersburg Campus	USF Sarasota-Manatee Campus	USF Health	Total Program Services	Fundraising Costs	Operating Costs	Total Expenses
Program services:								
Salaries and other supplements	$ 11,977,439	$ 187,632	$ 249,654	$ 9,594,000	$ 22,008,725	$ 7,114,348	$ 4,963,410	$ 34,086,483
Community relations	636,108	22,078	24,579	105,028	787,793	630,273	14,149	1,432,215
Travel and per diems	1,443,462	88,701	52,756	582,830	2,167,749	335,852	180,373	2,683,974
Supplies	1,148,568	93,173	17,879	735,408	1,995,028	142,028	161,867	2,298,923
Scholarships and awards	4,708,339	560,957	174,383	1,552,329	6,996,008	–	–	6,996,008
Conferences and seminars	516,857	14,155	31,583	330,662	893,257	47,065	61,350	1,001,672
University services	2,838,972	61,600	–	1,085,295	3,985,867	669	85,430	4,071,966
Postage and printing	516,864	6,535	215,221	90,080	828,700	192,877	70,269	1,091,846
Books and journals	37,941	3,101	993	4,930	46,965	–	–	46,965
Building repair and maintenance	461,579	102,190	1,300	218,242	783,311	2,873	284,108	1,070,292
Service and independent contractors	4,282,489	1,299,926	84,369	314,878	5,981,662	385,613	614,757	6,982,032
Insurance, licenses, taxes, and assessments	58,451	1,722	729	20,124	81,026	–	101,398	182,424
Depreciation	21,102	–	–	–	21,102	–	–	21,102
Alumni Association financial support	–	–	–	–	–	714,306	–	714,306
Interest Expense	–	27,063	–	–	27,063	–	–	27,063
Other costs	283,217	2,178	2,511	30,082	317,988	3,314	3,037	324,339
	28,931,388	2,471,011	855,957	14,663,888	46,922,244	9,569,218	6,540,148	63,031,610
Other expenses:								
Provision for uncollectible pledges	1,990,433	6,977	4,003	258,452	2,259,865	–	–	2,259,865
Total	$ 30,921,821	$ 2,477,988	$ 859,960	$ 14,922,340	$ 49,182,109	$ 9,569,218	$ 6,540,148	$ 65,291,475

See Accompanying Notes.

University of South Florida Foundation, Inc.

Statements of Functional Expenses (continued)

Year Ended June 30, 2014

	USF Tampa Campus	USF St. Petersburg Campus	USF Sarasota-Manatee Campus	USF Health	Total Program Services	Fundraising Costs	Operating Costs	Total Expenses
Program services:								
Salaries and other supplements	$ 6,654,925	$ 236,291	$ 278,739	$ 10,733,119	$ 17,903,074	$ 1,858,184	$ 1,601,143	$ 21,362,401
Community relations	327,203	12,123	20,823	122,586	482,735	417,678	22,132	922,545
Travel and per diems	1,318,120	68,680	60,726	669,007	2,116,533	282,441	107,591	2,506,565
Supplies	1,007,603	17,763	60,195	1,029,215	2,114,776	96,384	198,298	2,409,458
Scholarships and awards	6,718,430	4,600	4,090	157,787	6,884,907	–	–	6,884,907
Conferences and seminars	780,383	21,361	11,446	284,673	1,097,863	28,984	45,649	1,172,496
University services	14,573,642	10,465	490,404	358,577	15,433,088	10,763	2,062,526	17,506,377
Transfer to Florida Polytechnic University	988	–	–	–	988	–	–	988
Postage and printing	434,349	20,351	55,537	110,632	620,869	185,677	96,412	902,958
Books and journals	120,037	–	–	19,657	139,694	155	28,899	168,748
Building repair and maintenance	818,587	–	–	569,570	1,388,157	694	123,178	1,512,029
Service and independent contractors	2,752,082	121,091	109,517	559,178	3,541,868	585,667	494,954	4,622,489
Insurance, licenses, taxes, and assessments	52,279	476	8,048	11,885	72,688	–	76,782	149,470
Depreciation	24,280	94	–	–	24,374	–	–	24,374
Loss on sale of fixed assets	–	–	–	85,345	85,345	–	–	85,345
Alumni Association financial support	–	–	–	–	–	713,807	–	713,807
Other program costs	524,827	61,678	28,767	99,217	714,489	362,769	39,571	1,116,829
	36,107,735	574,973	1,128,292	14,810,448	52,621,448	4,543,203	4,897,135	62,061,786
Other expenses:								
Provision for uncollectible pledges	5,378,303	76,724	90,068	610,821	6,155,916	–	–	6,155,916
Total	$ 41,486,038	$ 651,697	$ 1,218,360	$ 15,421,269	$ 58,777,364	$ 4,543,203	$ 4,897,135	$ 68,217,702

1. Summary of Significant Accounting Policies

Organization

The University of South Florida Foundation, Inc. (the Foundation) serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the University of South Florida System (the University or USF), which includes the colleges, campuses, health, athletics, and other appropriate University-related units.

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and are prepared under the guidance of Accounting Standards Codification No. 958-205 (ASC 958-205), *Presentation of Financial Statements*.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Permanently Restricted –** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the investment return on these assets. Such assets primarily include the Foundation's permanent endowment funds.
- **Temporarily Restricted –** Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted –** Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Foundation Board, including quasi-endowments, or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets with the exception of the provision for uncollectible pledges which is captured in the classification of the associated pledge. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are released from restrictions to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

1. Summary of Significant Accounting Policies (continued)

Contributions, Gifts, and Bequests

In accordance with Accounting Standards Codification No. 958 (ASC 958), *Not-for-Profit Entities,* the Foundation accepts financial and nonfinancial assets from donors on behalf of USF to which it is financially interrelated and recognizes the fair value of the assets received as contributions. Contributions are recognized as revenues in the period received and are recorded at their estimated fair value on the date of contribution. The Foundation reports gifts of financial or nonfinancial assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. For the years ended June 30, 2015 and 2014, the Foundation recognized $1,647,789 and $3,189,348, respectively, in in-kind contributions on behalf of USF within contributions, gifts and bequests on the accompanying statements of activities and changes in net assets. These amounts are also reflected as program service expenses on the accompanying statements of activities and changes in net assets for the transfer of the in-kind contributions to the University.

The Foundation reports gifts of land, buildings, and equipment as unrestricted contributions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions as net assets released from restrictions on the statement of activities and changes in net assets when the donated or acquired long-lived assets are placed in service.

In the event a donor makes changes to the nature of a gift that affect its classification among the net asset categories, such amounts are reflected as net assets released from restrictions in the revenues section of the statements of activities and changes in net assets.

Cash and Cash Equivalents

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

1. Summary of Significant Accounting Policies (continued)

Pooled Investments

The Foundation has created two pools for the investment of funds on a consolidated basis. The endowment pool employs a long-term investment strategy ideal for the perpetual nature of endowments. The operating pool was created to provide liquidity and be a source of funds to meet planned or anticipated expenses for current operations. Investments are carried at fair value based on published quotations from the national exchanges or over-the-counter market, except for alternative investments, which are discussed further in Note 4.

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.

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 gift and the most recently determined unit market value for the existing units of participation. Subsequent allocations of annual income of the endowment pool are based upon the number of units of participation. Distributions are based upon the spending policy approved by the Foundation Board and follow the total return concept of utilizing both income and realized and unrealized 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 the accompanying statements of activities and changes in net assets. Purchases and sales of investments are recorded on a trade-date basis. The cost of investments sold is determined using the specific-identification method.

Investment earnings are recorded on the accrual basis. Net earnings (including realized and unrealized gains and losses) from endowment and restricted operating funds are recognized as temporarily restricted or permanently restricted investment income in accordance with donor stipulations. Income from all other operating funds is recognized as unrestricted investment income.

The administrative fee rate on funds invested in the operating pool consists of all earnings generated on those funds. Annually, the Board evaluates historical and projected returns to determine the appropriate administrative fees. See Note 5 for further discussion of the administrative fee assessed on the endowment pool.

1. Summary of Significant Accounting Policies (continued)

Contributions Receivable

In accordance with Accounting Standards Codification No. 820, *Fair Value Measurements*, contributions 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 contributions receivable based upon the Foundation's analysis of past collection experience and other judgmental factors. The allowance captures the risk premium to bring the contributions receivable balance to a risk-adjusted expected cash flow. The discount rate applied to the risk-adjusted cash flow is based on U.S. Treasury yields appropriate for the expected terms of the promise to give. For the year ended June 30, 2015, discount rates ranging from 0.64% to 2.35% were used. For the year ended June 30, 2014, discount rates ranging from 0.47% to 2.13% were used.

Books and Art Objects

The Foundation has capitalized its books and art objects since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised or fair value on the accession date (the date on which the item is accepted by the Foundation). Gains or losses on the deaccession of books and art objects are classified in the accompanying statements of activities and changes in net assets as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, and at estimated fair value upon receipt, if acquired by gift. Upon retirement or disposition, the asset's carrying value and related accumulated depreciation are relieved and the resulting gain or loss is included in the statements of activities and changes in net assets. The Foundation transfers gifts and purchased property to the University for capitalization, asset management, and insurance purposes. These transfers are reflected on the statement of functional expenses as University services and gift-in-kind transfers under program services expenses.

The Foundation depreciates buildings and equipment on a straight-line basis over their estimated useful lives. Useful lives range from 3 to 20 years for equipment and 30 years for buildings.

1. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Foundation evaluates the recoverability of its land, buildings, and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than the carrying value. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. The Foundation recognized an impairment loss on real estate held for resale at June 30, 2014. See Note 9 for details of the impairment loss. No such indicators of impairment existed at June 30, 2015.

Income Taxes

The Foundation has been granted tax-exempt status under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Income earned in furtherance of the Foundation's tax-exempt purposes is exempt from federal and state income taxes.

The Foundation follows the provisions of the Accounting Standards Codification No. 740-10-25 (ASC 740-10-25), *Accounting for Uncertainty in Income Taxes*. ASC 740-10-25 prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

ASC 740-10-25 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Foundation determined that during the years ended June 30, 2015 and 2014, the impact of ASC 740-10-25 did not have a material effect on its financial position, activities, or cash flows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

New Accounting Principles

In April 2013, the FASB issued Accounting Standards Update 2013-06, *Services Received from Personnel of an Affiliate (ASU 2013-06).* This update requires not-for-profit entities to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. These services should be measured at the cost recognized by the affiliate for the personnel providing those services, as long as that cost does not significantly overstate or understate the value of the service received, whereby the recipient entity could then record the contributed services at fair value. The amendments in this update are effective prospectively for fiscal years beginning after June 15, 2014. The Foundation has adopted ASU 2013-06 resulting in $5,712,050 in fundraising costs and $3,446,130 in operating costs reflected in the accompanying statement of activities and changes in net assets for the year ended June 30, 2015.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. The line item due to the University of South Florida includes $1,265,381 that was previously presented in the accounts payable and accrued expenses balance on the statement of financial position as of June 30, 2014. This reclassification had no effect on the change in net assets or net assets previously reported.

The presentation of the statements of functional expenses was changed to disclose expenses associated with the USF System which includes three institutions and campuses: USF Tampa; USF St. Petersburg; and USF Sarasota-Manatee. USF Health, which is part of the main doctoral granting institution of USF Tampa, is a combination of the Colleges of Medicine, Nursing Pharmacy and Public Health and is broken out separately. This presentation change had no effect on prior year expense totals for program, fund-raising or operating costs.

1. Summary of Significant Accounting Policies (continued)

Restatement

During the current year it was noted that conditions previously existed that restricted the use, and therefore the corresponding value, of an in-kind contribution recorded during the year ended June 30, 2014. The effects of this adjustment to the previously issued financial statements are shown below. This restatement had no effect on the change in net assets or net assets previously reported.

	Contributions, Gifts and Bequests	Total Revenues	Program Services	Total Expenses
Balances, as previously reported	**$ 138,817,452**	**$ 218,858,933**	**$163,678,883**	**$ 179,275,137**
Correction of error	**(111,057,435)**	**(111,057,435)**	**(111,057,435)**	**(111,057,435)**
Balances, restated	**$ 27,760,017**	**$ 107,801,498**	**$ 52,621,448**	**$ 68,217,702**

2. Contributions Receivable, Net

Contributions receivable are expected to be realized in the following periods:

	June 30 2015	June 30 2014
In one year or less	**$ 20,424,446**	$ 18,454,135
2017	**5,404,550**	3,169,141
2018	**5,182,039**	1,432,447
2019	**3,093,233**	818,225
2020	**8,101,952**	704,500
Thereafter	**20,454,877**	27,845,702
	62,661,097	52,424,150
Less discount	**(3,235,873)**	(3,605,426)
Less allowance for uncollectible contributions	**(12,385,053)**	(10,715,927)
	$ 47,040,171	$ 38,102,797

2. Contributions Receivable, Net (continued)

Contributions receivable, net, are classified in the following net asset classes:

	June 30	
	2015	**2014**
Permanently restricted	**$ 32,811,479**	$ 24,977,158
Temporarily restricted	**14,228,692**	13,125,639
	$ 47,040,171	$ 38,102,797

The Foundation participates in the State of Florida Major Gifts Challenge Grant Program. State matching funds receivable are accrued as contributions receivable when a donor commitment is fulfilled and the Florida Department of Education acknowledges the contribution to be eligible for state match with an assigned priority number.

The Major Gifts Challenge Grant 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. The program may be restarted by the state after $200 million of the backlog for the state match programs has been funded.

Included in the contribution receivable balance above for the State of Florida Major Gifts Challenge Grant Program is $23,147,773 and $22,604,691, net of discounts of $2,759,429 and $3,302,511 for the years ended June 30, 2015 and 2014, respectively. The discount rate applied to the state match receivable is based on U.S. Treasury yields appropriate for the projected date funding will be received from the State.

3. Pooled Investments

Operating and endowment pooled investments are carried at fair value and consist of the following at June 30:

	2015	2014
Operating investment pool:		
Money market funds	**$ 7,787,745**	$ 9,033,270
Fixed income securities	**61,258,282**	58,127,583
Total operating investment pool	**69,046,027**	67,160,853
Endowment investment pool:		
Money market funds	**5,751,080**	7,070,670
Fixed income securities	**64,214,414**	64,851,688
Stock investments	**298,744,046**	300,558,191
Partnership investments	**77,898,867**	77,296,010
Total endowment investment pool	**446,608,407**	449,776,559
Total pooled investments	**$ 515,654,434**	$ 516,937,412

Investment income consists of the following at June 30:

	2015	2014
Interest and dividends, net	**$ 4,848,278**	$ 4,224,847
Interest and dividends of limited partnerships, net	**963,410**	1,211,585
Net realized gains and net changes in limited partnerships	**2,606,783**	10,706,051
Net realized gains and net changes in fair value of investments	**5,817,217**	58,195,117
Total pooled investments	**$ 14,235,688**	$ 74,337,600

3. Pooled Investments (continued)

Investment expenses of approximately $2,940,000 and $2,993,000 have been netted against interest and dividends for the years ended June 30, 2015 and 2014, respectively.

Cost and fair value information for the Foundation's various investment pools at June 30 is summarized as follows:

	2015		2014	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Operating investment pool	**$ 67,306,907**	**$ 69,046,027**	$ 65,050,878	$ 67,160,853
Endowment investment pool	**337,492,085**	**446,608,407**	328,735,721	449,776,559
	$ 404,798,992	**$ 515,654,434**	$ 393,786,599	$ 516,937,412

4. Fair Value

Accounting Standards Codification No. 820 (ASC 820), *Fair Value Measurement*, 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 prioritizes the inputs into three broad levels:

> Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that the Foundation 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.

4. Fair Value (continued)

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 financial position. There have been no changes to these techniques and inputs during the years ended June 30, 2015 and 2014.

Money market funds: The fair value of these short-term investments is classified as Level 1 based on quoted prices in an active market.

Fixed income: Included in both the Level 1 and 2 categories are fixed income investments. Level 1 fixed income investments consist of mutual funds invested in corporate and government bonds valued on quoted prices in an active market. Level 2 fixed income investments consist of corporate, government, and mortgage bonds structured as a commingled fund. The fair value has been estimated using the net asset value per share of the fund at year-end based on the current market value of each investment and reinvested investment income.

Stock investments: Included in both the Level 1 and 2 categories are domestic and international equities. Level 1 stock investments are valued at quoted prices in an active market. Level 2 stock investments are structured as commingled funds, and fair value has been estimated using the net asset value per share of the fund at year-end. Their fair value is based on observable inputs, which include market prices for similar assets in the active market.

Partnership investments: Included in the Level 2 and 3 categories are investments without readily determinable values. Investments reported in the Level 2 category consist of a high yield bond fund partnership. Investments reported in the Level 3 category consist of funds of funds, investments in private equity companies, and partnerships. These investments are included with pooled investments in the accompanying statements of financial position. The fair value of the Foundation's interest in these limited partnerships is based on capital account balances reported by the underlying partnerships, which is subject to management review and adjustment. These capital account balances reflect the fair value of the Foundation's investments. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

4. Fair Value (continued)

Remainder interest trusts: Remainder interest trusts consist of several irrevocable charitable trusts and charitable gift annuities externally managed and held in the name of the Foundation. These trusts are included in the Level 2 category. The trust assets are invested in mutual funds, equity, and fixed income securities. Their fair value is based on observable inputs, which include market prices for similar assets in the active market.

Funds held in trust by others: Funds held in trust by others are included in the Level 3 category and are made up of beneficial interests in perpetual trusts and charitable remainder trusts. The unit of account, in accordance with Accounting Standards Codification No. 958-605 (ASC 958-605), *Transfers of Assets to a NPO or Charitable Trust That Raises or Holds Contributions for Others*, is the beneficial interest in the cash flows generated by the trust. The Foundation determines this value 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 IRS discount rate. The Foundation has assessed the interest rate used and no additional risk premium is added to this rate. This fair valuation is performed on an annual basis. See Note 7 for additional disclosures regarding the rates used to determine the fair value of these assets.

Contributions receivable: Contributions receivable consist of unconditional multi-year promises to give and are included in the Level 3 category. As permitted by ASC 825, the Foundation has elected to measure contributions receivable at fair value. Management has elected the fair value option for these items because it more accurately reflects their financial position. The Foundation measures the fair value of the unconditional promises to give under the expected present value technique. This approach uses the present value of the risk-adjusted expected future cash flows, discounted using U.S. Treasury yields appropriate for the expected terms of the promise to give. This fair valuation is performed on an annual basis.

4. Fair Value (continued)

The following tables present the assets measured at fair value on a recurring basis on the statements of financial position for the years ended June 30, 2015 and 2014, by the ASC 820 valuation hierarchy (as described above). Except for contributions receivable, the following levels are assigned based on the accounting unit the Foundation is invested in, not the makeup of the underlying instruments:

Description	Fair Value	Fair Value Measurement at June 30, 2015 Level 1	Level 2	Level 3
Operating investment pool:				
Money market funds	$ 7,787,745	$ 7,787,745	$ –	$ –
Fixed income	61,258,282	31,949,944	29,308,338	–
Total operating pool	$ 69,046,027	$ 39,737,689	$ 29,308,338	$ –
Endowment investment pool:				
Money market funds	$ 5,751,080	$ 5,751,080	$ –	$ –
Fixed income	64,214,414	19,153,594	45,060,820	–
Stock investments:				
Domestic equities	165,739,869	68,437,074	97,302,795	–
International equities	111,577,807	–	111,577,807	–
Real asset equities	21,426,370	21,426,370	–	–
Partnership investments:				
Private equity	42,395,716	–	–	42,395,716
Fixed income	23,781,482	–	18,896,467	4,885,015
Real asset	11,721,669	–	–	11,721,669
Total endowment pool	$ 446,608,407	$ 114,768,118	$ 272,837,889	$ 59,002,400
Remainder interest trusts:				
Money market funds	$ 42,562	$ –	$ 42,562	$ –
Fixed income	439,560	–	439,560	–
Stock investments	1,354,658	–	1,354,658	–
Total remainder interest trusts	$ 1,836,780	$ –	$ 1,836,780	$ –
Funds held in trust by others:				
Money market funds	$ 409,109	$ –	$ –	$ 409,109
Fixed income	4,037,330	–	–	4,037,330
Stock investments	12,552,719	–	–	12,552,719
Total funds held in trust by others	$ 16,999,158	$ –	$ –	$ 16,999,158
Contributions receivable, net	$ 47,040,171	$ –	$ –	$ 47,040,171

4. Fair Value (continued)

The Foundation measures amounts due to third-party beneficiaries at fair value on a recurring basis. This liability is recorded based on the third parties' interest in invested assets managed by the Foundation. The fair value of these underlying assets are held in the operating and endowment investment pools presented above. See Note 12 for additional information.

Description	Fair Value	Fair Value Measurement at June 30, 2014		
		Level 1	Level 2	Level 3
Operating investment pool:				
Money market funds	$ 9,033,270	$ 9,033,270	$ –	$ –
Fixed income	58,127,583	29,466,143	28,661,440	–
Total operating pool	$ 67,160,853	$ 38,499,413	$ 28,661,440	$ –
Endowment investment pool:				
Money market funds	$ 7,070,670	$ 7,070,670	$ –	$ –
Fixed income	64,851,688	20,785,547	44,066,141	–
Stock investments:				
Domestic equities	164,462,136	66,264,545	98,197,591	–
International equities	113,649,324	–	113,649,324	–
Real asset equities	22,446,731	22,446,731	–	–
Partnership investments:				
Private equity	44,562,450	–	–	44,562,450
Fixed income	20,109,529	–	20,109,529	–
Real asset	12,624,031	–	–	12,624,031
Total endowment pool	$ 449,776,559	$ 116,567,493	$ 276,022,585	$ 57,186,481
Remainder interest trusts:				
Money market funds	$ 49,365	$ –	$ 49,365	$ –
Fixed income	507,340	–	507,340	–
Stock investments	1,126,150	–	1,126,150	–
Total remainder interest trusts	$ 1,682,855	$ –	$ 1,682,855	$ –
Funds held in trust by others:				
Money market funds	$ 513,762	$ –	$ –	$ 513,762
Fixed income	2,555,111	–	–	2,555,111
Stock investments	7,721,522	–	–	7,721,522
Total funds held in trust by others	$ 10,790,395	$ –	$ –	$ 10,790,395
Contributions receivable, net	$ 38,102,797	$ –	$ –	$ 38,102,797

4. Fair Value (continued)

The Foundation measures amounts due to third-party beneficiaries at fair value on a recurring basis. This liability is recorded based on the third parties' interest in invested assets managed by the Foundation. The fair value of these underlying assets are held in the operating and endowment investment pools presented above. See Note 12 for additional information.

The following table provides additional disclosures for financial instruments designated as Level 3, including a reconciliation of beginning and ending balances, separately for each major category of assets and liabilities at June 30:

	Partnership Investments				
2015	**Private Equity**	**Fixed Income**	**Real Assets**	**Funds Held in Trust by Others**	**Contributions Receivable**
Beginning assets, at fair value	**$ 44,562,450**	**$ –**	**$ 12,624,031**	**$ 10,790,395**	**$ 38,102,797**
Purchases of investments	**4,499,480**	**5,089,922**	**2,775,000**	**7,127,729**	**–**
Proceeds of investments	**(10,444,003)**	**(269,593)**	**(3,642,668)**	**(1,059,164)**	**–**
Net investment (loss) income	**(322,908)**	**59,217**	**(205,415)**	**14,859**	**–**
Net unrealized/realized gain on investments	**4,100,697**	**5,469**	**170,721**	**233,937**	**–**
Net change in contribution receivable	**–**	**–**	**–**	**–**	**9,306,927**
Change in fair value included in contributions revenue	**–**	**–**	**–**	**(108,598)**	**(369,553)**
Ending assets, at fair value	**$ 42,395,716**	**$ 4,885,015**	**$ 11,721,669**	**$ 16,999,158**	**$ 47,040,171**

	Partnership Investments			
2014	**Private Equity**	**Real Assets**	**Funds Held in Trust by Others**	**Contributions Receivable**
Beginning assets, at fair value	$ 39,132,913	$ 11,883,351	$ 10,046,200	$ 47,783,737
Purchases of investments	4,813,281	1,890,000	391,838	–
Proceeds of investments	(8,122,653)	(2,532,319)	(456,516)	–
Net investment (loss) income	(381,151)	(79,704)	16,004	–
Net unrealized/realized gain on investments	9,120,060	1,462,703	960,607	–
Net change in contribution receivable	–	–	–	(9,368,110)
Change in fair value included in contributions revenue	–	–	(167,738)	(312,830)
Ending assets, at fair value	$ 44,562,450	$ 12,624,031	$ 10,790,395	$ 38,102,797

4. Fair Value (continued)

All net unrealized/realized gains/losses on investments and net investment income/loss in the table above are included in the investment income (loss), net line item in the accompanying statements of activities and changes in net assets. The change in fair value related to the contributions receivable in the table above is included in the contributions line item in the accompanying statements of activities and changes in net assets. There have been no transfers into or out of the Level 3 category and there have been no significant transfers between the Level 1 and 2 categories.

The following table discloses the nature and risks of investments that do not have a readily determinable fair value at June 30:

2015	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed income[(a)]	**$ 74,369,158**	**$ –**	Daily/Weekly	0-7 days
Stock investments[(b)]:				
Domestic equities	**97,302,795**	**–**	Daily/Monthly	2-30 days
International equities	**111,577,807**	**–**	Daily/Monthly	5-30 days
Partnership investments				
Private equity[(c)]	**42,395,716**	**12,557,380**	NA	
Fixed income[(d)]	**23,781,482**	**7,555,000**	Monthly	3-5 days
Real asset[(c)]	**11,721,669**	**4,920,000**	NA	
Total	**$ 361,148,627**	**$ 25,032,380**		

2014	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed income[(a)]	$ 72,727,581	$ –	Daily/Weekly	0-7 days
Stock investments[(b)]:				
Domestic equities	98,197,591	–	Daily/Monthly	2-30 days
International equities	113,649,324	–	Daily/Monthly	5-30 days
Partnership investments				
Private equity[(c)]	44,562,450	17,309,416	NA	
Fixed income[(d)]	20,109,529	–	Monthly	3-5 days
Real asset[(c)]	12,624,031	10,330,000	NA	
Total	$ 361,870,506	$ 27,639,416		

4. Fair Value (continued)

[a] This category includes investments in fixed income securities through a commingled fund structure. The investment manager's emphasis is on spread sectors, in particular putable corporate bonds and commercial mortgage-backed securities. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

[b] This category included investments in domestic and international equities through a commingled fund structure. The investment objective of these funds is to provide long-term total return in excess of their respective benchmarks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

[c] This category consists of private capital partnerships in fund of fund underlying managers. Investments include private equity, real estate, and real assets that are not subject to redemption. The Foundation instead receives distributions through the liquidation of the underlying assets of the investees. The estimated remaining life on these funds range from 1 to 11 years.

[d] This category consists of a high-yield bond portfolio in a commingled fund in which the manager holds publicly traded corporate bonds with some rated below investment grade. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

5. Endowment Investment Pool

Accounting Standards Codification No. 958-205-45 (ASC 958-205-45), *Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. During 2011, the State of Florida adopted UPMIFA. The effective date of the legislation enacting Florida UPMIFA was July 1, 2012. There were no changes to the Foundation's financial position as a result of the legislation. The following disclosures are made as required by ASC 958-205-45.

The Foundation endowment consists of approximately 1,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds held on behalf of the University's Direct Support Organizations (DSO) to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UPMIFA requires the Board 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 UPMIFA, 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.

5. Endowment Investment Pool (continued)

In accordance with UPMIFA, the Foundation 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 Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation and the University
7. The investment policies of the Foundation

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Under this policy, as approved by the Foundation Board, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, that is greater than the rate of inflation, measured by the Consumer Price Index, plus 5% over the long-term. Actual returns in any given year may vary from this amount.

5. Endowment Investment Pool (continued)

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

The Foundation has a spending policy with two components governing the distributions from the endowment: the administrative fee and the dividend payout. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The dividend payout rate on endowment invested amounts for years ended June 30, 2015 and 2014 was 4%. Annually, the Foundation Board evaluates historical performance, projected returns, and the needs of the University to determine the appropriate dividend payout rate. Dividends are calculated monthly and distributed quarterly to all funds invested in the endowment pool based on the five-year average market value of the endowment pool as of December 31 of the preceding fiscal year in which distribution is planned. During the years ended June 30, 2015 and 2014, the Foundation distributed $15,825,336 and $14,629,220, respectively, in endowment dividends. The dividends are made available to support the activities and programs of the University, its DSOs, and component units, and are expended in accordance with donor-imposed restrictions.

The Foundation charged a 2% administrative fee on endowment invested amounts for the years ended June 30, 2015 and 2014. Annually, the Foundation Board evaluates historical performance, projected returns, and operating needs to determine the appropriate administrative fee. During the years ended June 30, 2015 and 2014, the Foundation collected $7,412,615 and $6,793,640, respectively, in administrative fees. These fees cover the cost of business office operating expenses that include: accounting, auditing, taxes, and other related business expenses; support for fund-raising operations; and management of the endowment.

5. Endowment Investment Pool (continued)

At June 30, 2015, the endowment net asset composition by type of fund consisted of the following which includes amounts due to third-party beneficiaries:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (950,161)	$ 116,158,128	$ 305,245,975	$ 420,453,942
Amounts due to third- party beneficiaries	26,154,465	–	–	26,154,465
Total funds	$ 25,204,304	$ 116,158,128	$ 305,245,975	$ 446,608,407

Changes in endowment net assets, which include amounts due to third-party beneficiaries, for the year ended June 30, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 25,354,265	$ 124,810,232	$ 299,612,062	$ 449,776,559
Investment return:				
Investment income	(136,938)	5,622,407	–	5,485,469
Net (depreciation) appreciation (realized and unrealized)	(821,813)	8,963,440	–	8,141,627
Total investment (loss) gain	(958,751)	14,585,847	–	13,627,096
Contributions and other additions	1,673,905	–	5,633,913	7,307,818
Administrative fee/dividends distributed for expenditure	–	(23,237,951)	–	(23,237,951)
Beneficiary distribution	(865,115)	–	–	(865,115)
Endowment net assets, end of year	$ 25,204,304	$ 116,158,128	$ 305,245,975	$ 446,608,407

5. Endowment Investment Pool (continued)

The endowment fund components disclosed above as the unrestricted net asset classification of $25,204,304 as of June 30, 2015 include amounts due to third-party beneficiaries and the deficiencies associated with donor-restricted endowment funds. The amounts due to third-party beneficiaries of $26,154,465 as of June 30, 2015 is also recorded as a liability on the statement of financial position as the Foundation has an obligation to pay these amounts to other organizations (see Note 12). Therefore, these amounts offset in the Foundation's unrestricted net assets. The deficiencies associated with donor-restricted endowment funds are the result of individual situations where the fair value has fallen below the amount of the original gift. Accumulated losses of this nature were $950,161 as of June 30, 2015. These accumulated losses resulted from unfavorable market fluctuations and continued distribution of dividends in accordance with the Foundation's spending policy as deemed prudent by the Foundation Board.

At June 30, 2014, the endowment net asset composition by type of fund consisted of the following, which include amounts due to third-party beneficiaries:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (630,038)	$ 124,810,232	$ 299,612,062	$ 423,792,256
Amounts due to third-party beneficiaries	25,984,303	–	–	25,984,303
Total funds	$ 25,354,265	$ 124,810,232	$ 299,612,062	$ 449,776,559

5. Endowment Investment Pool (continued)

Changes in endowment net assets, which include amounts due to third-party beneficiaries, for the year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 16,426,797	$ 76,573,859	$ 298,671,994	$ 391,672,650
Investment return:				
Investment income	24,333	4,947,705	–	4,972,038
Net (depreciation) appreciation (realized and unrealized)	6,037,822	64,711,528	–	70,749,350
Total investment (loss) gain	6,062,155	69,659,233	–	75,721,388
Contributions and other additions	3,520,710	–	945,119	4,465,829
Administrative fee/dividends distributed for expenditure	–	(21,422,860)	–	(21,422,860)
Beneficiary distribution	(655,397)	–	(5,051)	(660,448)
Endowment net assets, end of year	$ 25,354,265	$ 124,810,232	$ 299,612,062	$ 449,776,559

The endowment fund components disclosed above as the unrestricted net asset classification of $25,354,265 as of June 30, 2014 include amounts due to third-party beneficiaries and the deficiencies associated with donor-restricted endowment funds. The amounts due to third-party beneficiaries of $25,984,303 as of June 30, 2014 is also recorded as a liability on the statement of financial position as the Foundation has an obligation to pay these amounts to other organizations (see Note 12). Therefore, these amounts offset in the Foundation's unrestricted net assets. The deficiencies associated with donor-restricted endowment funds are the result of individual situations where the fair value has fallen below the amount of the original gift. Accumulated losses of this nature were $630,038 as of June 30, 2014. These accumulated losses resulted from unfavorable market fluctuations and continued distribution of dividends in accordance with the Foundation's spending policy as deemed prudent by the Foundation Board.

6. Remainder Interest Trusts

The Foundation is the beneficiary of several irrevocable, charitable trusts, and charitable gift annuities. These assets have been donated to the Foundation for investment, in return for annuity payments to the donor(s) or their designees. In accordance with Section 627.481 of the Florida Statutes, the charitable gift annuity reserve fund must maintain assets at least equal to the liability on its outstanding annuity agreements, plus 10%. Investment of the gift annuity reserve fund is limited to no more than 50% equities and no more than 10% may be invested in any one stock or fund. The following table represents fair value and cost of invested assets at June 30:

	2015		**2014**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Life income trusts	**$ 481,830**	**$ 517,182**	$ 458,205	$ 524,914
Gift annuity reserve fund	**1,288,143**	**1,319,598**	1,108,100	1,157,941
Remainder interest trusts	**$ 1,769,973**	**$ 1,836,780**	$ 1,566,305	$ 1,682,855

The Foundation is obligated under 24 charitable gift annuity agreements to pay annuities with rates ranging from 4.1% to 9.4% to third-party beneficiaries. These annuity obligations are calculated based on actuarial assumptions, using IRS tables, at their present value each year. Upon satisfaction of the terms of each trust, the trust assets shall be transferred to the Foundation per the donor's direction. The Foundation has recorded annuities and life income trusts payable on the accompanying statements of financial position equal to the present value of the total anticipated future payments to the beneficiaries of these trusts and annuities of $791,902 and $718,187 as of June 30, 2015 and 2014, respectively.

7. Funds Held in Trust by Others

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. Trusts are recognized at the estimated fair value of the assets or the present value of the future cash flows, discounted using the IRS discount rate, when the irrevocable trust is established or the Foundation is notified of its existence. For the years ended June 30, 2015 and 2014, rates of 2.0% and 2.2%, respectively, were applied. The fair value of these funds at June 30 is as follows:

	2015		**2014**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Permanent trusts	**$ 6,777,803**	**$ 7,585,934**	$ 6,674,248	$ 7,758,313
Charitable trusts, net	**9,079,095**	**9,413,224**	2,835,807	3,032,082
Funds held in trust by others	**$ 15,856,898**	**$ 16,999,158**	$ 9,510,055	$ 10,790,395

8. Books and Art Objects

Books and art objects consist of the following at June 30:

	2015	**2014**
Contemporary Art Museum permanent donated art collection	**$ 2,662,686**	$ 2,491,787
Other books and art objects	**629,723**	629,722
	$ 3,292,409	$ 3,121,509

9. Real Estate Held for Resale

The Foundation received real estate gifts, which are subsequently marketed and sold, with proceeds going to support the University of South Florida. The carrying value for real estate held for resale was $600,000 and $684,113 at June 30, 2015 and 2014, respectively. The properties held for resale are located in the Tampa Bay area of Florida.

9. Real Estate Held for Resale (continued)

During 2014, the Foundation entered into a contract to sell land located in Lakeland, Florida. Accordingly, the Foundation evaluated the carrying value of the property and determined that the carrying value of $685,000 was no longer recoverable and wrote the asset down to the estimated fair value of $600,000. Due to fluctuating market conditions, it is reasonably possible that the estimate of expected future cash flows may change resulting in the need to adjust our determination of fair value. The impairment loss is recorded in program services expenses in the accompanying statement of activities and changes in net assets.

10. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at June 30:

	2015	2014
Land	**$ 6,620,414**	$ 388,825
Buildings	**633,036**	633,036
Equipment	**12,035**	12,035
Other	**139,818**	139,818
	7,405,303	1,173,714
Less accumulated depreciation	**(721,586)**	(700,484)
	$ 6,683,717	$ 473,230

On March 31, 2015, the Foundation acquired a parcel of land located in St. Petersburg, Florida, adjacent to the USF St. Petersburg campus. The Foundation has entered into an operating lease agreement with the University for the use of the property by USF St. Petersburg. See Note 16 for information on the operating lease. The Foundation financed this property with a mortgage obligation. See Note 13 for information regarding the associated mortgage payable.

11. Due to the University of South Florida, Net

Due to (from) the University of South Florida consists of the following at June 30:

	2015	2014
Public broadcasting radio station loan	**$ (730,483)**	$ (853,155)
Convenience accounts and pending transfers	**2,081,513**	1,004,964
Courtelis Facilities Matching Gift Program	**976,283**	1,755,310
	$ 2,327,313	$ 1,907,119

During fiscal year 2011, the Foundation entered into a Memorandum of Understanding (MOU) with the University in which the Foundation granted WUSF-FM Public Broadcasting, a division of the University, a loan in an amount not to exceed $1,275,000. The loan proceeds were used for the acquisition of a radio station. Under the terms of the MOU, principal and interest payments shall be paid quarterly over a 10-year period. Interest shall be calculated from the date of the first draw of the loan at a fixed rate equal to 4.00%. Interest collected was $32,312 and $37,099 for the years ended June 30, 2015 and 2014, respectively, and is included under investment gains on the accompanying statement of activities and changes in net assets.

The Foundation has convenience accounts held at the University in which money is transferred to pay salaries and reimburse other expenses incurred by the University. The balances of these accounts reflect the difference between actual costs incurred and amounts transferred during the year netted with transfers pending at June 30th. See Note 1 regarding the reclassification of these pending transfers from the accounts payable and accrued expenses balance in the prior year.

The Courtelis Facilities Matching Gift Program liability represents private money raised to support the construction of the USF Health Major Renovation/Remodeling/Addition, USF Health North Clinic, USF Joint Military Science Leadership Center, USF Byrd Alzheimer's Institute, USF Health Nursing Expansion, and the College of The Arts Music Building.

11. Due to the University of South Florida, Net (continued)

The Foundation certifies to the University and the State on December 31 of each year the amount of private money that has been raised and that is eligible to be matched under the program. During each annual legislative session, the legislature may appropriate funding or veto a project for matching. Once the appropriation has been made by the legislature, the Foundation is obligated to transfer the funds to the University to receive the match. During fiscal years 2015 and 2014, no appropriation was made by the legislature for the University projects eligible to receive matching funds from the program. The Courtelis Facilities Matching Gift 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. The program may be restarted after $200 million of the backlog for the state match programs have been funded.

12. Amounts Due to Third-Party Beneficiaries

The Foundation provides investment management of funds to the University, its DSOs, and Component Units to provide benefits from economies of scale, active professional oversight, and broad diversification over many asset classes. Organizations participating in this program may be invested in the Foundation's operating and/or endowment investment pools.

The Foundation is holding investments on behalf of the following organizations at June 30:

	2015	**2014**
USF Research Foundation, Inc.	**$ 20,185,224**	$ 19,696,161
USF Alumni Association, Inc.	**5,851,240**	5,604,095
USF deferred compensation arrangements	**703,327**	1,317,996
	$ 26,739,791	$ 26,618,252

13. Mortgage Payable

On March 31, 2015, the Foundation financed property adjacent to the USF St. Pete campus with a fully amortizing nonrecourse mortgage of $6,200,000. The mortgage is collateralized by an asset with a carrying value of $6,200,000 (see Note 10) and future improvements made to the property. Payments of $41,707 are due monthly over a 15-year period at a fixed rate of 2.625%.

13. Mortgage Payable (continued)

Aggregate future maturities of the mortgage payable are as follows:

2016	**$ 343,562**
2017	**352,455**
2018	**361,819**
2019	**371,432**
2020	**381,300**
Thereafter	**4,332,852**
	$ 6,143,420

Interest expense of $27,063 is included in program services expenses in the accompanying statement of activities and changes in net assets for the year ended June 30, 2015.

14. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of its cash and cash equivalents, contributions receivable, and pooled investments. The Foundation maintains its cash and cash equivalents with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular investment.

Contributions receivable includes the state matching receivable from the State of Florida for the University Major Gifts Challenge Grant Program. This program has not been funded by the state during 2015 and 2014. The state matching receivable related to this program represents approximately 49.2% of the contributions receivable balances at June 30, 2015 and 59.0% at June 30, 2014, respectively.

14. Concentrations of Credit Risk (continued)

The Foundation has invested in investments without readily determinable values that comprise 9.9% of total assets at June 30, 2015. These investments contain underlying funds that 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.

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Foundation from time to time may have amounts in excess of the insured limits. The Foundation had cash and cash equivalent balances of $653,597 and $1,040,062 in excess of these insured limits at June 30, 2015 and 2014, respectively.

15. Commitments

Research Foundation

During the year ended June 30, 2013, the Foundation's Board entered into an agreement for the Foundation to act as loan guarantor on the balance of a note issued from a bank to the USF Research Foundation in the amount of $6,200,000. Proceeds of this note were used to refund the outstanding amount of the Series 1999 bond whose proceeds were used for the acquisition of the land and development rights for a research park. Proceeds from leasing of the research park buildings are committed to satisfy the debt service obligations. In the event of nonpayment by the USF Research Foundation over the 6-year life of the note, the Foundation would be obligated to pay the annual note payment or the entire amount outstanding on the note if the issuer chooses to accelerate payment. The balance of the note at June 30, 2015 is $4,600,000. There has been no default on the note or on any note covenants related to the note as of June 30, 2015.

15. Commitments (continued)

Financing Corporation

During fiscal year 2011, the Foundation entered into an agreement to act as guarantor on a portion of the Series 2010A and Series 2010B Certificates (collectively, the Series 2010 Certificates) issued by the USF Financing Corporation to finance the cost of the acquisition, construction, and installation of a multi-use facility, a portion of which includes student housing, and a student center on the USF St. Pete campus. In accordance with the Support Agreement dated December 1, 2010, the Foundation will transfer to the Financing Corporation the deficiency between the Principal and Interest requirement on the 2010 Certificates allocable to the Student Center portion and the funds available to cover the Student Center debt service. The maximum amount of the deficiency the Foundation is obligated to pay is limited to $546,994 per year as long as the Certificates are outstanding. The Certificates have a term of 30 years. In consideration for this guarantee, the University established a reserve funded from surplus revenues in an amount equal to the maximum amount of the deficiency over a 5-year period. If the reserve is ever drawn upon to reimburse the Foundation for payment made due to a deficiency in pledged revenues, the amount withdrawn will be replenished with the next available surplus funds. There have been no deficiencies funded by the Foundation, and there have been no defaults on the loan or any loan covenants as of June 30, 2015.

16. Related-Party Transactions

The Foundation considers the University, its DSOs, and members of the Foundation Board to be related parties for purposes of the financial statements. The DSOs include the USF Alumni Association, Inc., University Medical Services Association (UMSA), USF Medical Services Support Corporation, USF Health Professions Conferencing Corporation (HPCC), USF Research Foundation, Inc., USF Financing Corporation, Inc., USF Property Corporation, Inc., and Sun Dome, Inc. (Sun Dome).

Program services expenses on the accompanying statements of activities and changes in net assets include amounts transferred to related parties or amounts disbursed directly to third parties to benefit the University or its DSOs. These expenses include salaries, scholarships, and other program-related expenses. Also, included in these expenses was property donated to or purchased by the Foundation, and transferred to the University for asset management and recordkeeping purposes.

16. Related-Party Transactions (continued)

Employees of the University perform operating functions for the Foundation. The University tracks, administers, and reports all payroll and fringe benefit costs. The University directly funded salaries of University employees that perform functions for the benefit of both the University and the Foundation. This amount is disclosed in Note 1. The Foundation transferred additional payroll and fringe benefit costs to the University of approximately $3,040,000 and $3,459,000 for the years ended June 30, 2015 and 2014, respectively. These amounts are shown on the statements of functional expenses as salaries and other supplements for fundraising and operating costs.

The University recognized and reported a compensated absence liability of approximately $935,000 and $1,129,000 for University employees performing functions for the Foundation for the years ended June 30, 2015 and 2014, respectively. These amounts are not included in the Foundation's statements of activities and changes in net assets.

Portions of the Foundation's contributions receivable balance ($8,428,047 and $3,996,022 at June 30, 2015 and 2014, respectively) are commitments made to the Foundation by several members of the Foundation's Board. In addition, the Foundation received $252,864 and $2,014,399 during the years ended June 30, 2015 and 2014, respectively, in cash and in-kind contributions from various members of the Foundation's Board.

The Foundation has interfund loans to University colleges, units, and regional campuses that are collateralized by assets within the Foundation. Foundation interfund loans totaled approximately $7,382,000 and $8,794,000 at June 30, 2015 and 2014, respectively, and net to zero on the accompanying statements of financial position.

The Foundation executed a noncancelable operating lease with the University as the tenant related to property described in Note 10. The lease agreement requires the university to make monthly lease payments of $43,913 to the Foundation through March 30, 2032. During the year, the Foundation received $131,739 in lease payments from the University, which is included in university support and other revenue in the accompanying statements of activities and changes in net assets.

16. Related-Party Transactions (continued)

Aggregate future minimum lease payments expected to be received are as follows:

2016	**$ 526,956**
2017	**526,956**
2018	**526,956**
2019	**526,956**
2020	**526,956**
Thereafter	**6,191,733**
	$ 8,826,513

The Foundation paid approximately $714,000 in financial support for the benefit of the USF Alumni Association for the years ended June 30, 2015 and 2014. This amount is included in fund-raising costs in the accompanying statements of activities and changes in net assets.

The University transferred $3,183,269 in financial support to the Foundation to support the USF comprehensive fund-raising campaign for the years ended June 30, 2015 and 2014. This amount is included in university support and other revenue on the accompanying statements of activities and changes in net assets. The University has committed up to an additional $3,683,269 in financial support to the Foundation to support the USF comprehensive fund-raising campaign, which will be received during fiscal year 2016.

DSOs have made gifts to the Foundation of approximately $11,700 and $30,000 for the years ended June 30, 2015 and 2014, respectively. These amounts are included in contributions on the accompanying statements of activities and changes in net assets.

17. Restricted Net Assets

Temporarily and permanently restricted net assets at June 30, 2015 and 2014 were classified by donor restrictions as shown below:

Year Ended June 30, 2015	Temporarily Restricted	Permanently Restricted
College program support	**$ 71,814,476**	**$ 90,021,665**
Scholarships and fellowships	**36,107,022**	**98,085,647**
Endowed chairs and professorships	**65,042,272**	**119,942,734**
Research	**10,360,890**	**24,348,528**
Trusts	**8,041,462**	**726,158**
Facility improvement and equipment	**13,974,945**	**7,218,031**
Total	**$ 205,341,067**	**$ 340,342,763**

Year Ended June 30, 2014	Temporarily Restricted	Permanently Restricted
College program support	$ 68,218,030	$ 80,643,200
Scholarships and fellowships	37,264,772	94,912,305
Endowed chairs and professorships	69,102,041	119,218,127
Research	11,240,801	24,349,759
Trusts	3,456,714	226,085
Facility improvement and equipment	14,864,742	7,755,472
Total	$ 204,147,100	$ 327,104,948

17. Restricted Net Assets (continued)

Net assets released from restrictions were classified by donor restrictions by the following at June 30:

	2015	2014
College program support	**$ 24,168,592**	$ 26,434,757
Scholarships and fellowships	**5,803,170**	6,256,178
Endowed chairs and professorships	**6,644,475**	6,839,382
Research	**1,588,057**	1,710,690
Facility improvement and equipment	**1,208,007**	1,002,194
Total	**$ 39,412,301**	$ 42,243,201

18. Subsequent Events

Accounting Standards Codification No. 855 (ASC 855), *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. ASC 855 defines two types of subsequent events: the effects of events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing financial statements, are recognized in the financial statement; and the effects of events that provide evidence about conditions that did not exist at the balance sheet but arose after that date are not recognized in the financial statements. The Foundation reviewed subsequent events through the date of financial statement issuance of October 13, 2015.

Government Auditing Standards Report

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

The Board of Directors of
University of South Florida Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Florida Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tampa, Florida
October 13, 2015