

FINANCIAL STATEMENTS

University of South Florida Foundation, Inc.

Years Ended June 30, 2022 and 2021

With Report of Independent Auditor

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## Report of Independent Auditor

To the Board of Directors and Management  
University of South Florida Foundation, Inc.  
Tampa, Florida

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the University of South Florida Foundation, Inc. (the “Foundation”), a direct support organization and component unit of the University of South Florida, as of and for the years ended June 30, 2022 and 2021, and the related notes to financial statements, which collectively comprise the Foundation’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Foundation, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit 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. 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 Foundation 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 opinions.

#### **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 Foundation’s ability to continue as a going concern for twelve 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Foundation'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 Foundation'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 on pages 6 – 14 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedules of functional expenses are presented for purposes of additional analysis and are 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 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, 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 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 Foundation'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 Foundation's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Tampa, Florida  
October 12, 2022

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

Management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of the University of South Florida Foundation, Inc., including its blended component unit, the USF Real Estate Foundation, LLC, (the "Foundation"), as of and for the years ended June 30, 2022 and 2021 and comparative amounts for the year ended June 30, 2020. Since discussion and analysis is designed to focus on current activities, it should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto, are the responsibility of Foundation management.

The Foundation is a direct support organization and component unit of the University of South Florida (a government agency) (the "University" or "USF"). The Foundation solicits, receives, holds, invests, and administers charitable contributions for the University. The Foundation accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board ("GASB").

### **Financial Highlights**

During fiscal year 2022, the Foundation's net position, which represents the excess of total assets over liabilities and deferred inflows of resources, decreased by \$102.7 million. This is compared to an increase in net position during fiscal year 2021 of \$201.2 million.

The decrease in net position is primarily the result of investment losses of the Foundation's investment portfolios offset by increased contributions to both current use and endowed gift funds. The endowment pool net total return was a loss of 11.3% as of June 30, 2022 compared to a gain of 35.1% as of June 30, 2021.

During fiscal year 2021, the Foundation's net position, which represents the excess of total assets over liabilities and deferred inflows of resources, increased by \$201.2 million. This is compared to an increase in net position during fiscal year 2020 of \$51.3 million.

The increase in net position is primarily the result of investment returns of the Foundation's investment portfolios coupled with increased contributions to both current use and endowed gift funds. The endowment pool had a net total return of 35.1% as of June 30, 2021 compared to 5.3% as of June 30, 2020.

While investment returns are a function of the financial markets and asset allocation strategy, the change in contributions for current use and endowed funds was an increase of \$10.2 million and a decrease of \$5.9 million as of June 30, 2022 and 2021, respectively, are attributable to efforts made by the Foundation to facilitate philanthropy for USF by engaging alumni and friends.

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

The Foundation expects fluctuations in contribution revenue, for both current use and endowment funds and investment results from year to year. The Foundation manages the endowment portfolio with a long-term philosophy of capital appreciation. Significant contributions, including bequests, are periodically received from donors as a result of relationships cultivated over many years. The timing of these contributions is not entirely predictable, and often will correlate with a fundraising initiative or campaign.

### **Overview of the Financial Statements**

The 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 GASB. See notes to financial statements for a summary of the Foundation's significant accounting policies.

The Foundation is considered a Business-Type Activity ("BTA") under the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statement - 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; and 3) the use of the direct and indirect methods for the statement of cash flows. Pursuant to GASB Statement No. 35, the Foundation's basic financial statements include: the statement of net position; the statement of revenues, expenses, and changes in net position; the statement of cash flows; and other required supplemental information.

The fiduciary fund financial statements include investments held on behalf of other direct support organizations of the University of South Florida. These funds represent trust responsibilities of the Foundation and are restricted in purpose. Accordingly, they do not represent discretionary assets of the Foundation and are not presented as part of the Foundation's basic financial statements.

### **The Statements of Net Position**

The statements of net position include all assets, liabilities, and deferred inflows of resources. The Foundation's net position (the difference between assets, liabilities, and deferred inflows of resources) is one indicator of the Foundation's financial health, when considered in combination with other nonfinancial information. 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 any portion of net position that does not meet the definition of restricted or net investment in capital assets.



University of South Florida Foundation, Inc.

Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

The following schedule is a condensed summary of the Foundation's statements of net position as of June 30, 2022, 2021, and 2020:

	<u>2022</u>	<u>Restated 2021</u>	<u>Restated 2020</u>
<b>Assets</b>			
Current assets	\$ 139,986,109	\$ 143,383,820	\$ 123,888,172
Noncurrent assets	681,088,493	791,571,368	599,613,528
<b>Total Assets</b>	<u>821,074,602</u>	<u>934,955,188</u>	<u>723,501,700</u>
<b>Liabilities</b>			
Current liabilities	3,722,231	9,435,268	3,090,040
Noncurrent liabilities	4,794,831	5,185,968	5,285,556
<b>Total Liabilities</b>	<u>8,517,062</u>	<u>14,621,236</u>	<u>8,375,596</u>
<b>Deferred Inflows of Resources</b>			
Leases, remainder and beneficial interests	26,063,769	31,103,540	27,071,652
<b>Net Position</b>			
Net investment in capital assets	12,569,363	10,691,311	10,453,799
Restricted by donors-expendable	359,332,623	481,693,174	298,642,594
Permanent endowments-nonexpendable	387,717,949	371,482,143	360,710,543
Unrestricted	26,873,836	25,363,784	18,247,516
<b>Total Net Position</b>	<u>\$ 786,493,771</u>	<u>\$ 889,230,412</u>	<u>\$ 688,054,452</u>

**Assets**

Current assets, comprised of resources available to meet current obligations such as cash and cash equivalents, short-term investments, and the portion of contributions, due from USF, leases and other receivables due within one year, decreased by \$3.4 million during fiscal year 2022. Current assets tend to be fairly level from year to year. However, in fiscal year 2022, larger than usual transfers and expenses were made in the current year as these projects commenced on construction of several academic and athletic facilities that received significant gifts in the prior year.

As of June 30, 2021, current assets increased by \$19.5 million, as restated. Current assets tend to be fairly level from year to year. However, in fiscal year 2021, the Foundation experienced higher current use giving to establish a new academic center and for the construction of several academic and athletic facilities.

As of June 30, 2022, noncurrent assets represent \$681.1 million of total assets and consist of long-term investments (primarily related to the endowment), the portions of contributions, leases, and other receivables due beyond one-year, beneficial interests in irrevocable split-interest agreements, amounts due from the University and capital assets. Noncurrent assets decreased by \$110.5 million during fiscal year 2022 which is mainly attributable to the effect of investment losses.

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

As of June 30, 2021, noncurrent assets represent \$791.6 million, as restated, of total assets and consist of long-term investments (primarily related to the endowment), the portions of contributions, leases, and other receivables due beyond one-year, beneficial interests in irrevocable split-interest agreements, amounts due from the University and capital assets. Noncurrent assets increased by \$192.0 million, as restated, during fiscal year 2021 which is mainly attributable to the net effect of positive investment returns.

### **Liabilities**

Current liabilities of \$3.7 million are comprised of amounts payable to the University and vendors at year-end, and the current portion of liabilities for a mortgage, amounts held for third party beneficiaries and trust and life income beneficiaries. Current liabilities tend to be fairly level from year to year; however, and during fiscal year 2021, amounts due to the University were higher than in fiscal years 2022 and 2020 for pending transfers to fund the construction of an academic facility.

Noncurrent liabilities are primarily comprised of the long-term liability associated with the mortgage, amounts due to third party beneficiaries and amounts due to trust and life income beneficiaries. Noncurrent liabilities tend to be fairly level from year to year and changes to the amounts due to third party beneficiaries will typically correlate with changes in investment performance.

### **Deferred Inflows of Resources**

Deferred inflows of resources represent a future impact on net position. The Foundation classifies changes in leases receivable and irrevocable split-interest agreements as deferred inflows of resources. Changes in deferred inflows of resources are attributable to changes in liabilities due to trust and life income beneficiaries, new split-interest agreements, maturities and payments made on the lease during the year.

### **Net Position**

Net position provides three classifications including net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of mortgages or other borrowings associated with those assets. Restricted net position consists of expendable resources made up of external, donor-restricted funds and appreciation from the endowment while restricted-nonexpendable resources represent permanent endowments to be held in perpetuity.

During fiscal year 2022, restricted expendable net position was \$359.3 million, which reflects a decrease of \$122.4 million compared to June 30, 2021, due to a decreased value of investments and the utilization of accumulated gifts for the construction of academics and athletics facilities.

University of South Florida Foundation, Inc.

Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

During fiscal year 2021, restricted expendable net position was \$481.7 million, which reflects an increase of \$183.1 million compared to June 30, 2020, due to an increased value of investments.

During fiscal year 2022, restricted nonexpendable net position was \$387.7 million, which reflects an increase of \$16.2 million compared to June 30, 2021, for contributions made and reinvested earnings to increase the endowment.

During fiscal year 2021, restricted nonexpendable net position was \$371.5 million, which reflects an increase of \$10.8 million compared to June 30, 2020, for contributions made and reinvested earnings to increase the endowment.

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

The statements of revenues, expenses, and changes in net position present the Foundation's operating and nonoperating revenues, expenses, and contributions to permanent endowments for a given fiscal year. GASB Statement No. 35 categorizes revenues and expenses as either operating or nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid, with the exception of revenue associated with permanent endowment gifts, which is recognized when all eligibility criteria are met.

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

The statements of revenues, expenses, and changes in net position present the Foundation's result of operations. A condensed summary of the Foundation's changes in net position for the fiscal years ended June 30, 2022, 2021, and 2020 is as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating Revenues:			
Contributions	\$ 56,956,729	\$ 51,301,532	\$ 54,864,061
Investment income (loss), net	(95,946,418)	192,411,563	31,441,567
Other income	2,422,852	2,364,166	2,370,717
Total operating revenues (losses)	(36,566,837)	246,077,261	88,676,345
Less operating expenses	97,796,184	71,475,890	69,387,525
Operating (Loss) Gain	(134,363,021)	174,601,371	19,288,820
Nonoperating Revenues:			
University Support	13,728,280	13,209,335	16,283,602
Nonoperating Revenues	13,728,280	13,209,335	16,283,602
Income (loss) before endowment contributions	(120,634,741)	187,810,706	35,572,422
Endowment Contributions:			
Contributions to endowments	17,898,100	13,365,254	15,700,782
(Decrease) Increase in net position	(102,736,641)	201,175,960	51,273,204
Net position, beginning of the year	889,230,412	688,054,452	636,781,248
Net position, end of the year	\$ 786,493,771	\$ 889,230,412	\$ 688,054,452

### Operating Revenues

Total net operating losses for fiscal year 2022 of \$36.6 million includes recognizable expendable charitable gifts and contributions, net investment losses, and other income from fundraising activities. Contributions were \$57.0 million, an increase of \$5.7 million from 2021, due primarily to large contributions received for several facility construction projects. Investment losses generated from the Foundation's endowment and operating investment portfolios, was \$95.9 million, a decrease of \$288.4 million. The Foundation uses a balanced and diversified approach to its asset allocation within a stated policy. In any one-year, certain components of the portfolios may perform better than others. During fiscal year 2022, equity and fixed income asset classes contributed negatively to returns, which was consistent with the decline of both markets.

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

Total operating revenues for fiscal year 2021 of \$246.1 million includes recognizable expendable charitable gifts and contributions, investment earnings, and other income from fundraising activities. Contributions were \$51.3 million and represent 20.8% of total operating revenues; this reflects a decrease of \$3.6 million from 2020, due primarily to large contributions received in 2020 for several facility construction projects and a gift to establish a new academic center. Investment income, consisting primarily of returns on the Foundation's endowment and operating investment portfolios, was \$192.4 million representing 78.2% of total operating income. The Foundation uses a balanced and diversified approach to its asset allocation within a stated policy. In any one-year, certain components of the portfolios may perform better than others. During fiscal year 2021, U.S. and non-U.S. equities contributed positively to returns due to substantial market performance. Additionally, market value write-ups and exit activity from alternative investments contributed to positive fiscal year results.

### **Operating Expenses**

Operating expenses consist primarily of program service expenses made to or on behalf of the University of expendable contributions and accumulated endowment dividend distributions. Operating expenses were higher in fiscal year 2022, as compared to fiscal years 2021 and 2020, due to the transfer of funds to the University for facility improvement and construction projects.

### **Nonoperating Revenues**

Nonoperating revenues of \$13.7 million for fiscal year 2022, \$13.2 million for fiscal year 2021, and \$16.2 million for fiscal year 2020, consist primarily of in-kind support for salaries of University employees dedicated to the advancement efforts of the Foundation on behalf of the University. The corresponding expenses are included in the operating expense section of the statements of revenues, expenses, and changes in net position. In-kind salary support was level in fiscal years 2022 and 2021; however, during fiscal year 2020 a transfer from the USF Financing Corporation of \$2.2 million was received to support strategic initiatives of the University.

### **Endowments**

The Foundation places a high priority on increasing the gifts to and the return on the endowment. The timing of these gifts may be unpredictable and may vary significantly from year to year. Endowed gifts received during 2022 were higher than in fiscal years 2021 and 2020, as a result of payments received to established a deanship and an endowed chair.

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

### **Works of Art, Capital Assets and Long-term Debt Activity**

The Foundation has \$16.1 million of capital assets and works of art, included in noncurrent assets on the accompanying statement of net position as of June 30, 2022 as compared to \$14.6 million as of June 30, 2021. Capital asset balances are net of accumulated depreciation of \$1.4 million and \$1.3 million, respectively.

At June 30, 2021, the Foundation had \$14.6 million of capital assets and works of art, included in noncurrent assets on the accompanying statement of net position, as compared to \$14.8 million as of June 30, 2020. Capital asset balances are net of accumulated depreciation of \$1.3 million and \$1.1 million, respectively.

The capital assets and works of art balances at June 30, 2022 is comprised of 41.1% land totaling \$6.6 million, 24.7% buildings and equipment of \$4.0 million and 34.2% works of art totaling \$5.5 million.

The capital assets and works of art balances at June 30, 2021 is comprised of 45% land totaling \$6.6 million, 28% buildings and equipment of \$4.1 million and 27% works of art totaling \$3.9 million. A detailed schedule of capital assets and works of art can be found in Note 6 of the accompanying notes to financial statements.

At June 30, 2022, the Foundation had \$3.5 million in debt outstanding compared to \$3.9 million at June 30, 2021. During fiscal year 2022, the Foundation reduced debt by principal payments on its mortgage.

At June 30, 2021, the Foundation had \$3.9 million in debt outstanding compared to \$4.3 million at June 30, 2020. During fiscal year 2020, the Foundation reduced debt by principal payments on its mortgage. Additional information on the Foundation's long-term debt obligations can be found in Note 10 of the accompanying notes to financial statements.

### **Economic Factors that Will Affect the Future**

Factors that can significantly impact future periods include the state of the overall economy, recent tax law changes and the financial markets, which impact charitable giving and the value of investments. The Foundation monitors the status of the economy, its impact on overall giving, contributions receivable and the investment pools.

# University of South Florida Foundation, Inc.

## Management's Discussion and Analysis (Unaudited) (continued)

June 30, 2022 and 2021

Charitable support is an important resource to the University providing a direct impact on enhancing University programs through annual contributions and endowments. In the future, due to the growth in the endowment from new gifts and investment returns, expenditure of funds from the endowment payout to benefit the University is anticipated to increase. The University also has several significant facility enhancement projects underway in Academic areas, Athletics and USF Health; therefore, a higher rate of incoming expendable gifts to support these initiatives is expected.

Endowment pledges totaling approximately \$16.4 million and \$16.0 million as of June 30, 2022 and 2021, respectively, have not be recorded in the financial statements as these commitments will be recognized when the resources are received and all eligibility requirements have been met.

The Foundation 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 of Florida. As of June 30, 2020, the Foundation submitted matching requests totaling \$25.71 million to the state of Florida. The program may be restarted by the state 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 \$25.71 million has not been recorded in the statement of net position.

Management is not aware of any other factors within management's control that would have a significant impact on future periods.

### **Requests for Information**

Questions concerning information provided in the MD&A or other required supplemental information and financial statements and notes thereto, or requests for additional financial information should be addressed to: Chief Financial Officer, University of South Florida Foundation, Inc., 4202 East Fowler Avenue, ALC100, Tampa, Florida 33620 or by calling (813) 974-1801.

University of South Florida Foundation, Inc.

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	As restated <u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,729,525	\$ 550,544
Investments	115,220,740	131,563,857
Contributions receivable, net	15,637,867	10,110,354
Lease and other receivables	1,084,134	946,730
Due from the University of South Florida	6,313,843	212,335
Total Current Assets	<u>139,986,109</u>	<u>143,383,820</u>
Noncurrent Assets:		
Investments	605,177,450	709,049,806
Contributions receivable, net of current portion	35,651,875	33,158,354
Beneficial interest assets	20,034,565	23,944,033
Lease and other receivables, net of current portion	4,115,650	4,794,468
Due from the University of South Florida	-	5,991,975
Land	6,620,414	6,620,414
Buildings, equipment and other, net	3,986,343	4,105,142
Works of art	5,502,196	3,907,176
Total Noncurrent Assets	<u>681,088,493</u>	<u>791,571,368</u>
<b>Total Assets</b>	<u>821,074,602</u>	<u>934,955,188</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,984,621	408,216
Amounts due to third party beneficiaries	-	310,071
Due to the University of South Florida	1,087,916	8,088,424
Mortgage payable	412,506	401,830
Life beneficiaries obligations	237,188	226,727
Total Current Liabilities	<u>3,722,231</u>	<u>9,435,268</u>
Noncurrent Liabilities:		
Mortgage payable, net of current portion	3,127,084	3,539,591
Due to the University of South Florida, net of current portion	334,685	334,685
Life beneficiaries obligations, net of current portion	1,333,062	1,311,692
Total Noncurrent Liabilities	<u>4,794,831</u>	<u>5,185,968</u>
<b>Total Liabilities</b>	<u>8,517,062</u>	<u>14,621,236</u>



University of South Florida Foundation, Inc.

Statements of Net Position (continued)

June 30, 2022 and 2021

	<u>2022</u>	As restated <u>2021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from remainder interest assets	\$ 1,500,530	\$ 2,228,498
Deferred inflows from beneficial interest assets	20,034,565	23,944,033
Deferred inflows from lease	<u>4,528,674</u>	<u>4,931,009</u>
Total Deferred Inflows	<u>26,063,769</u>	<u>31,103,540</u>
<b>NET POSITION</b>		
Net investment in capital assets	12,569,363	10,691,311
Restricted		
Expendable		
Endowment appreciation and accumulated earnings	239,085,362	376,018,566
Donor restricted gift funds	120,247,261	105,674,608
Nonexpendable endowments	387,717,949	371,482,143
Unrestricted	<u>26,873,836</u>	<u>25,363,784</u>
Total Net Position	<u>\$ 786,493,771</u>	<u>\$ 889,230,412</u>

University of South Florida Foundation, Inc.

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

Years Ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Operating Revenues:		
Contributions	\$ 56,956,729	\$ 51,301,532
Fundraising activities and other income	2,422,852	2,364,166
Interest earnings	7,838,836	13,133,448
Net investment loss (gain)	<u>(103,785,254)</u>	<u>179,278,115</u>
Total operating revenues	<u>(36,566,837)</u>	<u>246,077,261</u>
Operating Expenses:		
Program service support	77,222,385	52,816,838
Fundraising support	12,317,542	10,775,142
Operating costs	<u>8,256,257</u>	<u>7,883,910</u>
Total operating expenses	<u>97,796,184</u>	<u>71,475,890</u>
Operating (loss) income	<u>(134,363,021)</u>	<u>174,601,371</u>
Nonoperating Revenues:		
University support	<u>13,728,280</u>	<u>13,209,335</u>
Total nonoperating revenues	<u>13,728,280</u>	<u>13,209,335</u>
(Loss) Income before endowment contributions	<b>(120,634,741)</b>	187,810,706
Endowment Contributions:		
Contributions to permanent endowments	<u>17,898,100</u>	<u>13,365,254</u>
(Decrease) Increase in net position	<b>(102,736,641)</b>	201,175,960
Net position, beginning of year	<u>889,230,412</u>	<u>688,054,452</u>
Net position, end of year	<u><b>\$ 786,493,771</b></u>	<u><b>\$ 889,230,412</b></u>

University of South Florida Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	As Restated 2021
<b>Cash flows from operating activities</b>		
Receipts from contributions	\$ 48,935,694	\$ 50,666,400
Receipts from fundraising activities and other sources	2,564,268	3,177,478
Payments for University program support	(56,943,602)	(25,372,567)
Payments for fundraising support	(1,338,689)	(662,338)
Payments for management and operating activities	(1,838,895)	(1,575,956)
Payments to the University and DSOs for salaries and benefits	(31,087,924)	(24,419,524)
Net cash flows from operating activities	<u>(39,709,148)</u>	<u>1,813,493</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(246,545,705)	(480,936,673)
Proceeds from sales and maturities of investments	262,034,568	448,577,850
Receipts from investment income, net	7,838,836	13,133,448
Receipt of principal payment on loan to DSO	400,000	400,000
Net cash flows from investing activities	<u>23,727,699</u>	<u>(18,825,375)</u>
<b>Cash flows from capital and related financing activities</b>		
Principal paid on mortgage	(401,831)	(391,431)
Interest paid on mortgage	(98,651)	(109,050)
Net cash flows from capital and related financing activities	<u>(500,482)</u>	<u>(500,481)</u>
<b>Cash flows from noncapital financing activities</b>		
Endowment contributions received for other than capital purposes	17,898,100	13,365,254
Beneficiary payments	(237,188)	(226,727)
Net cash flows from noncapital financing activities	<u>17,660,912</u>	<u>13,138,527</u>
Change in cash and cash equivalents	1,178,981	(4,373,836)
Cash and cash equivalents, beginning of year	<u>550,544</u>	<u>4,924,380</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,729,525</u>	<u>\$ 550,544</u>
<b>Supplemental disclosure of noncash related investing activities</b>		
Unrealized (loss) gain on investments	<u>\$ (103,785,254)</u>	<u>\$ 133,456,443</u>

University of South Florida Foundation, Inc.

Statements of Cash Flows (continued)

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>As Restated 2021</u>
<b>Reconciliation of operating (loss) income to net cash flows from operating activities</b>		
Operating (loss) income	\$ (134,363,021)	\$ 174,601,371
Adjustments to reconcile operating income to net cash flows from operating activities:		
Change in the provision for losses and discounts on contributions receivable	(2,609,846)	(1,033,810)
Depreciation	118,799	118,799
Noncash support from University	13,728,280	13,209,335
Net realized and unrealized losses (gains) on investments	103,785,254	(179,278,115)
Investment income, net	(7,838,836)	(13,133,447)
Interest expense	98,651	109,050
Gift of books and art objects	(1,595,020)	35,120
Changes in operating assets and liabilities:		
Contributions receivable	(5,411,188)	398,679
Lease and other receivables, net	141,415	813,312
Due from the University of South Florida	(109,533)	104,310
Accounts payable and accrued expenses	1,576,405	(644,658)
Amounts due to third-party beneficiaries	(230,000)	124,051
Due to the University of South Florida	(7,000,508)	6,389,496
Net cash from operating activities	<u>\$ (39,709,148)</u>	<u>\$ 1,813,493</u>

University of South Florida Foundation, Inc.

Statements of Fiduciary Net Position

Years Ended June 30, 2022 and 2021

	<b>Custodial Funds</b>	
	<b>External Investment Pool Funds</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 8,735	\$ 2,425
Short-term investments	651,139	702,643
Long-term investments	40,428,503	46,802,953
<b>Total Assets</b>	<b>41,088,377</b>	<b>47,508,021</b>
<b>Liabilities</b>		
Life beneficiaries obligations	48,487	34,391
<b>Total Liabilities</b>	<b>48,487</b>	<b>34,391</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from remainder interest assets	18,245	16,213
<b>Total Deferred Inflows</b>	<b>18,245</b>	<b>16,213</b>
<b>Net Position</b>		
Net position restricted for USF Research Foundation	31,680,350	36,913,222
Net position restricted for the USF Alumni Association	9,341,295	10,544,195
<b>Total Net Position</b>	<b>\$ 41,021,645</b>	<b>\$ 47,457,417</b>

University of South Florida Foundation, Inc.

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2022 and 2021

	<b>Custodial Funds</b>	
	<b>External Investment Pool Funds</b>	
	<b>2022</b>	<b>2021</b>
<b>Additions</b>		
Interest earnings	\$ 583,332	\$ 566,837
Net change in the fair value of investments	(6,312,170)	11,905,593
USF Alumni Association program revenue	3,577,639	3,968,596
<b>Total (Deletions) Additions</b>	<b>(2,151,199)</b>	<b>16,441,026</b>
<b>Deductions</b>		
Administrative fees	(702,458)	(644,364)
USF Alumni Association program expenses	(3,582,115)	(3,970,182)
<b>Total Deductions</b>	<b>(4,284,573)</b>	<b>(4,614,546)</b>
<b>Net (decrease) increase in fiduciary net position</b>	<b>(6,435,772)</b>	<b>11,826,480</b>
<b>Beginning fiduciary net position</b>	<b>47,457,417</b>	<b>35,630,937</b>
<b>Ending fiduciary net position</b>	<b>\$ 41,021,645</b>	<b>\$ 47,457,417</b>

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### **1. Nature of Organization and Summary of Significant Accounting Policies**

#### **Organization**

The University of South Florida Foundation, Inc. (the “Foundation”) is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is exempt from federal and state income tax pursuant to Section 501(a) of the IRC except for income from activities unrelated to its principal function. Formed in 1969, the Foundation 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 serves as the official legal conduit for the solicitation, acceptance, investment, and administration of charitable contributions in support of the activities and programs of the University, which includes the colleges, campuses, health, athletics, and other appropriate University-related units.

#### **Reporting Entity**

The Foundation is a component unit of the University. Accordingly, its financial statements are included in the financial statements of the University of South Florida as a discretely presented component unit.

#### **Blended Component Unit**

The Foundation formed the USF Real Estate Foundation, L.L.C. (the “LLC”) to hold contributed real estate. The Foundation is the sole member and manager of the LLC. Further, the Foundation is able to impose its will on the LLC by influencing its activities and is legally entitled to or can otherwise access the LLC’s resources. Because the Foundation is financially accountable for the LLC, the LLC is considered a component unit of the Foundation. As the LLC is organized as a not-for-profit for which the Foundation is the sole member, its activities are combined into the total of the Foundation. The LLC is a single member limited liability corporation and is structured as a disregarded entity for U.S. federal, state, and local income tax purposes. Accordingly, no provision for income taxes is made in the financial statements.

#### **Basis of Accounting**

The accompanying financial statements have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP”), as promulgated by Government Accounting Standards Board (“GASB”). The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. To help ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation 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 in the form of an enterprise fund.

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

The Foundation's financial statements are presented in the form of an enterprise fund and fiduciary custodial funds.

Custodial funds are used to account for assets held by or as an agent for the benefit of other organizations outside the reporting entity. Custodial funds are custodial in nature and do not involve measurement of results of operations. The assets and liabilities for custodial funds are presented on the statements of fiduciary net position and additions and deductions on the statements of changes in fiduciary net position.

Custodial funds include the USF Alumni Association and the USF Research Foundation.

The USF Alumni Association is a component unit of the University and a legally separate 501(c)(3) entity organized to support various USF activities primarily for USF alumni. The USF Alumni Association had designated a portion of their total investment to function as an endowment. The Foundation, as the financial fiduciary for these funds, removes the Alumni Association's equity interest in Foundation assets and reports the Alumni Association's cash and investments on the fiduciary fund statements of net position.

The USF Research Foundation is a component unit of the University and a legally separate 501(c)(3) entity organized to promote, encourage and enhance the research activities at the University. The USF Research Foundation Board has designated a portion of their total investment to function as an endowment. The Foundation, as the financial fiduciary for these funds, removes the Research Foundation's equity interest in Foundation assets and reports the Research Foundation's cash and investments on the fiduciary fund statements of net position.

### Basis of Presentation

The net position of the Foundation is reported in three categories as follows:

- Net Investment in Capital Assets – Represents funds that consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to and expended on the acquisition, construction or improvement of those assets net of any related unspent debt proceeds.
- Restricted – Includes *Expendable funds* and *Nonexpendable endowments*.
  - *Expendable*
    - *Endowment appreciation and accumulated earnings* is comprised of net accumulated appreciation on endowments and net accumulated endowment spending allocations.



# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

- *Restricted donor gift fund* represents funds that are subject to external donor or grantor restrictions to benefit various programs at the University and that can be fulfilled by the actions of the Foundation pursuant to the restriction or that expire by the passage of time.
- *Nonexpendable Endowments* – Represents the nonexpendable portion (corpus) of endowment funds that are subject to donor or grantor restrictions for the benefit of various programs at the University. These programs include student scholarships, endowed chairs, professorships, facility improvements, and research funding. The corpus of the permanent endowments are 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 external restrictions and are available for carrying out the Foundation’s objectives.

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

#### 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.

#### Investments

The Foundation has created two pools for the investment of funds. 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, or by utilizing net asset value as a practical expedient, except for alternative investments, which are discussed further in Note 3.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the 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 Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**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 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 of Directors 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 earnings (losses) (including interest and dividends and realized and unrealized gains and losses) is reflected 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.

Charitable gift annuity assets (beneficial interest assets) are invested and recorded at fair value. 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.

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

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.

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Contributions Receivable**

Contributions receivable represent written unconditional promises to give by donors. Contributions receivable, other than endowment contributions receivable, 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 gifts are recognized as contributions to permanent endowment funds at the time payment is received. 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, 2022, discount rates ranging from 2.8% to 3.04% were used.

#### **Beneficial Interest in Non-Trustee Split-Interest Agreements**

Deferred inflows of resources represent an acquisition of net position that applies to a future period. The Foundation 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.

#### **Capital Assets**

Buildings, property, and equipment are stated at cost, if purchased, and at acquisition 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 revenues, expenses, and changes in net position. The Foundation transfers gifts and purchased property to the University for capitalization, asset management, and insurance purposes. These transfers are reflected on the statements of revenues, expenses, and changes in net position as 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, 15 to 20 years for building improvements and 30 to 40 years for buildings.

Other property consists primarily of land and is not subject to depreciation.

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

The Foundation evaluates the recoverability of its land, buildings, equipment, and other 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. No such impairment was recorded for the years ended June 30, 2022 and 2021.

### **Deferred Inflows of Resources from Leases and Split-Interest Agreements**

Deferred inflows of resources represent an acquisition of net position that applies to a future period. The Foundation classifies changes in leases and irrevocable split-interest agreements (remainder interest assets and beneficial interest assets) as deferred inflows of resources. These amounts will be recognized as revenue when lease payments are received and upon the distribution or termination of the split-interest agreements.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets, liabilities, and deferred inflows of resources 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.

### **Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC as an organization described in Section 501(c)(3). However, the Foundation is subject to income tax on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. The Foundation is classified as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv).

### **Classification of Current and Noncurrent Assets and Liabilities**

The Foundation considers assets to be current that can reasonably be expected, as part of normal business operations, to be converted to cash and be available for liquidation within 12 months of the statements of net position date. The Foundation considers liabilities to be current that reasonably can be expected, as part of normal business operations, to be due and payable within 12 months of the statements of net position date. All other assets and liabilities are considered to be noncurrent.

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Operating and Nonoperating Activities**

Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the University's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, hold, invest, and administer charitable contributions for the benefit of the University. Nonoperating revenues include certain revenue sources that provide additional funding not included in operating revenues which include University related support and endowment contributions.

#### **Revenue Recognition**

Contributions of cash, investment securities, or contributions receivable are recognized at fair value when all eligibility requirements have been met and are reported as increases in net position, with the exception of pledges to the endowment which are recognized when funds are received. Land, buildings, and equipment donated to the Foundation are recorded at their acquisition values at the dates of donation. These amounts are also reflected within program service expenses on the accompanying statements of revenues, expenses, and changes in net position for the transfer of the in-kind contributions to the University or maintained on the statements of net position as real estate held for resale when appropriate. Conditional promises to give are not recognized until the condition has been met. Additions to endowments and other trusts are not recognized until the resources are received and all eligibility requirements have been met.

#### **Change in Accounting Principles**

During the year ended June 30, 2022, the Foundation adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which establishes criteria for a lessor to recognize a lease receivable and a deferred inflows of resources, and for a lessee to recognize a lease obligation and an intangible right-to-use asset. As a lessor, the implementation of this statement has resulted in a restatement of the previously reported June 30, 2021 that impacted total assets of \$4,931,009 and deferred inflows of resources of \$4,931,009 with no net impact on net position. The Foundation currently has no lease obligations requiring recognition under this standard as a lessee.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**2. Cash and Cash Equivalents**

The amount recorded for cash and cash equivalents of the Foundation's deposits held in operating bank accounts was \$1,729,525 and \$550,544 at June 30, 2022 and 2021, respectively.

*Custodial credit risk for deposits* is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation mitigates custodial credit risk by holding non-invested cash in a financial institution covered by the Federal Deposit Insurance Corporation.

**3. Investments**

The Foundation's investment policy allows for investments in domestic equities, international equities, fixed income, real assets, and alternatives. For equity investments, the investment policy requires that the investments be diversified by sector and industry and proportionally allocated to small- and large-capitalization stocks. International equity investments are to be diversified by country exposure, covering both developed and emerging markets. For fixed income instruments, the Foundation's investment policy allows for investments to be broadly diversified by issuer, sector, quality, and maturity. For alternatives instruments, the Foundation's investment policy allows for private equity, absolute return (hedge funds), real assets, and commodities.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

Investments are carried at fair value and consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Short-term investments:		
Money market funds	\$ 18,911,331	\$ 41,040,831
Fixed income securities	95,885,572	90,094,145
Domestic securities	<u>1,074,976</u>	<u>1,131,524</u>
Total current investments for the reporting entity	<u>115,871,879</u>	<u>132,266,500</u>
Less: Fiduciary Fund equity interest in pooled current investments	<u>651,139</u>	<u>702,643</u>
Total current pooled investments of the Foundation	<u>115,220,740</u>	<u>131,563,857</u>
Long-term investments:		
Money market funds	3,226,228	3,306,319
Fixed income	116,769,568	125,217,119
Domestic securities	195,560,169	274,633,111
International equities	157,440,287	196,549,761
Real asset equities	29,050,892	28,750,428
Private equity	63,192,055	61,893,548
Fixed income partnership	29,899,313	23,825,033
Real asset partnership	<u>50,467,441</u>	<u>41,677,440</u>
Total noncurrent investments for the reporting entity	<u>645,605,953</u>	<u>755,852,759</u>
Less: Fiduciary Fund equity interest in pooled long term investments	<u>40,428,503</u>	<u>46,802,953</u>
Total pooled investments of the Foundation	<u>605,177,450</u>	<u>709,049,806</u>
Total investments	<u>\$ 761,477,832</u>	<u>\$ 888,119,259</u>
Less: Fiduciary Fund equity interest in total pooled investments	<u>41,079,642</u>	<u>47,505,596</u>
Total long term pooled investments of the Foundation	<u>\$ 720,398,190</u>	<u>\$ 840,613,663</u>

The Foundation's pooled investments reported on the statements of financial position are reduced by the equity interest of fiduciary funds managed by the Foundation. The Foundation measures amounts held on behalf of fiduciary funds at fair value on a recurring basis. The fair value of these underlying assets are held in short and long-term investments presented in the above tables for the years ended June 30, 2022 and 2021. See fiduciary fund statements of net position for additional information.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

The following schedule provides the components of the realized and unrealized gains and losses on investments, net are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Net realized gains on investments	\$ 39,693,371	\$ 48,794,759
Net unrealized gains (losses) investments	<u>(149,790,795)</u>	<u>142,388,949</u>
Total realized and unrealized gains (losses) on investments, net for the reporting entity	<b>(110,097,424)</b>	191,183,708
Less: realized gains on investments for fiduciary funds	<b>(\$2,474,612)</b>	(\$2,973,087)
Less: unrealized loss (gains) on investments for fiduciary fund	<u>\$8,786,782</u>	<u>(\$8,932,506)</u>
Total realized and unrealized gains (losses) on investments, net for the Foundation	<u>\$ (103,785,254)</u>	<u>\$ 179,278,115</u>

*Investment Risk Factors*

There are many factors that can affect the value of investments. In addition to market risk, credit risk, custodial credit risk, concentration of credit risk, and interest rate risk may affect both equity and fixed-income securities. Equity securities are affected by such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed-income securities are particularly sensitive to credit risk, inflation, and changes in interest rates.

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. 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.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy mitigates credit risk by limiting single issuer concentration (excluding U.S. government and agencies) to no more than 5% of the value of the fixed income composite.



University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

The following schedule represents the ratings of the Foundation's debt-type investments as of June 30, 2022, using nationally recognized statistical ratings quality organizations:

Credit Rating	Domestic Fixed Income	International Fixed Income	Total Debt Securities
Government Agency	\$46,710,630	\$ -	\$ 46,710,630
AAA	15,917,553	-	15,917,553
AA	33,701,219	-	33,701,219
A	12,147,956	83,941	12,231,897
BBB	22,570,220	6,386,694	28,956,914
BB	23,150,412	7,649,326	30,799,738
B	15,298,955	4,127,479	19,426,434
Less than B rated	7,534,200	711,225	8,245,425
Not rated	44,118,762	2,445,881	46,564,643
<b>Total Fixed Income Investments</b>			<b>\$ 242,554,453</b>

The following schedule represents the ratings of the Foundation's debt-type investments as of June 30, 2021, using nationally recognized statistical ratings quality organizations:

Credit Rating	Domestic Fixed Income	International Fixed Income	Total Debt Securities
Government Agency	\$ 54,995,662	\$ -	\$ 54,995,662
AAA	17,791,373	-	17,791,373
AA	20,039,439	-	20,039,439
A	12,016,401	72,497	12,088,898
BBB	28,054,488	7,014,893	35,069,381
BB	23,897,838	7,870,374	31,768,212
B	15,338,268	4,499,366	19,837,634
Less than B rated	3,341,674	836,865	4,178,539
Not rated	41,038,840	2,328,319	43,367,159
<b>Total Fixed Income Investments</b>			<b>\$ 239,136,297</b>

*Concentration of credit risk* is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification in its asset allocation sufficient to reduce the potential a single security, single sector of securities, or single investment manager having a disproportionate or significant impact on the portfolio.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

*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 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.

The effective duration (in years) of the Foundation's fixed-income securities at June 30, 2022 is as follows:

Average Duration	Domestic Fixed Income	International Fixed Income	2022 Fair Value
Less than one year	\$62,876,159	\$ -	\$ 62,876,159
One to five years	158,273,748	21,404,546	179,678,294
			\$ 242,554,453

The effective duration (in years) of the Foundation's fixed-income securities at June 30, 2021 is as follows:

Average Duration	Domestic Fixed Income	International Fixed Income	2021 Fair Value
Less than one year	\$ 40,399,853	\$ -	\$ 40,399,853
One to five years	176,114,129	22,622,315	198,736,444
			\$ 239,136,297

*Foreign currency risk* is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2022 and 2021, the Foundation did not have any direct investments in equity or fixed income investments subject to this risk. As of June 30, 2022 and 2021, the Foundation's assets were held in U.S. currency, the currency risk on international and global assets is reflected in investment performance.

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### 3. Investments (continued)

Alternative investments consist of marketable alternatives (hedge funds, including absolute return and long/short equity strategies), limited partnerships, private equity, venture capital, and private real estate funds. Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or offshore. The underlying investments may be leveraged to enhance the total investment return and may include financial assets such as marketable securities, nonmarketable securities, derivatives, and other synthetic and structured instruments as well as tangible and intangible assets. Generally, these alternative investments do not have a ready market and ownership interests in these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risk generally associated with equities and fixed-income instruments, with additional risks to leverage and the lack of a ready market for acquisition or disposition of ownership interests. 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 carrying value of alternative investments was \$143,558,809 and \$127,396,021 as of June 30, 2022 and 2021, respectively, which is reflected in investments in the accompanying statements of net position.

#### Fair Value Measurements

The Foundation categories its fair value measurements within the fair value hierarchy established by GAAP. 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 the 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 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.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

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, 2022 and 2021.

*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 the Level 1 category 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. Other 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 (“NAV”) per share of the fund at year-end based on the current market value of each investment and reinvested investment income as a practical expedient. NAV is excluded from the valuation hierarchy.

*Stock investments:* Included in both the Level 1 category are domestic and international equities. Level 1 stock investments are valued at quoted prices in an active market. Other stock investments are structured as commingled funds, and fair value has been estimated using NAV per share of the fund at year-end as a practical expedient. NAV is excluded from the valuation hierarchy. Their fair value is based on observable inputs, which include market prices for similar assets in the active market.

*Partnership investments:* Included within endowment pooled investments in the accompanying statements of net position are a high yield bond fund, funds of funds, investments in private equity companies, and partnerships that do not have readily determinable values. 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. This fair value is determined using NAV per percentage of ownership. NAV is excluded from the valuation hierarchy. 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.

*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 Foundation 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 (“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.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

The following table presents the assets measured at fair value on a recurring basis on the statements of net position for the years ended June 30, 2022 and 2021, by the valuation hierarchy (as described above). Investments calculated using a NAV per share are listed separately for reconciliation to the balances on the statements of net position.

Description	Total	Fair Value Measurement at June 30, 2022			NAV
		Level 1	Level 2	Level 3	
Short-term investments:					
Money market funds	\$ 18,911,331	\$ 18,911,331	\$ -	\$ -	\$ -
Fixed income	95,885,572	53,979,259	-	-	41,906,313
Domestic equities	1,074,976	1,074,976	-	-	-
Total current investments	<u>\$ 115,871,879</u>	<u>\$ 73,965,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,906,313</u>
Long-term investments:					
Money market funds	\$ 3,226,228	\$ 3,226,228	\$ -	\$ -	\$ -
Fixed income	116,769,568	62,484,303	-	-	54,285,265
Stock investments:					
Domestic equities	195,560,169	107,558,931	-	-	88,001,238
International equities	157,440,287	31,767,520	-	-	125,672,767
Real asset equities	29,050,892	29,050,892	-	-	-
Partnership investments:					
Private equity	63,192,055	-	-	-	63,192,055
Fixed income	29,899,313	-	-	-	29,899,313
Real asset	50,467,441	-	-	-	50,467,441
Total noncurrent investments	<u>\$ 645,605,953</u>	<u>\$ 234,087,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,518,079</u>
Total investments	<u>\$ 761,477,832</u>	<u>\$ 308,053,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,424,392</u>
Fiduciary equity interest in total pooled investments	\$ (41,079,642)	\$ -	\$ -	\$ -	\$ -
Total pooled investments for the reporting entity	<u>\$ 720,398,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total beneficial interest assets	<u>\$ 20,034,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,034,565</u>	<u>\$ -</u>

  

Description	Total	Fair Value Measurement at June 30, 2021			NAV
		Level 1	Level 2	Level 3	
Short-term investments:					
Money market funds	\$ 41,040,831	\$ 41,040,831	\$ -	\$ -	\$ -
Fixed income	90,094,145	41,674,482	-	-	48,419,663
Domestic equities	1,131,524	1,131,524	-	-	-
Total current investments	<u>\$ 132,266,500</u>	<u>\$ 83,846,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,419,663</u>
Long-term investments:					
Money market funds	\$ 3,306,319	\$ 3,306,319	\$ -	\$ -	\$ -
Fixed income	125,217,119	59,300,687	-	-	65,916,432
Stock investments:					
Domestic equities	274,633,111	152,490,885	-	-	122,142,226
International equities	196,549,761	36,105,090	-	-	160,444,671
Real asset equities	28,750,428	28,750,428	-	-	-
Partnership investments:					
Private equity	61,893,548	-	-	-	61,893,548
Fixed income	23,825,033	-	-	-	23,825,033
Real asset	41,677,440	-	-	-	41,677,440
Total noncurrent investments	<u>\$ 755,852,759</u>	<u>\$ 279,953,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,899,350</u>
Total investments	<u>\$ 888,119,259</u>	<u>\$ 363,800,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,319,013</u>
Fiduciary equity interest in total pooled investments	\$ (47,505,596)	\$ -	\$ -	\$ -	\$ -
Total pooled investments for the reporting entity	<u>\$ 840,613,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total beneficial interest assets	<u>\$ 23,944,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,944,033</u>	<u>\$ -</u>

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**3. Investments (continued)**

The following table discloses the nature and risks of investments that have a fair value based on the net asset value per share as reported by investment institutions where the funds are held at June 30:

- (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 puttable corporate bonds and commercial mortgage-backed securities. The fair value of the investments in this category has been estimated using NAV 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 NAV 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 NAV per share of the investments.

<b>2022</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Fixed income <sup>(a)</sup>	\$ 96,191,578	\$ -	Weekly	0-7 days
Stock investments <sup>(b)</sup> :				
Domestic equities	88,001,238	-	Daily/Monthly	2-30 days
International equities	125,672,767	-	Daily/Monthly	5-30 days
Partnership investments				
Private equity <sup>(c)</sup>	63,192,055	23,507,636	NA	NA
Fixed income <sup>(d)</sup>	29,899,313	17,566,110	Monthly	3-5 days
Real asset <sup>(e)</sup>	50,467,441	20,462,606	NA	NA
Total	<u>\$ 453,424,392</u>	<u>\$ 61,536,352</u>		

<b>2021</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Fixed income <sup>(a)</sup>	\$ 114,336,095	\$ -	Weekly	0-7 days
Stock investments <sup>(b)</sup> :				
Domestic equities	122,142,226	-	Daily/Monthly	2-30 days
International equities	160,444,671	-	Daily/Monthly	5-30 days
Partnership investments				
Private equity <sup>(c)</sup>	61,893,548	23,306,235	NA	NA
Fixed income <sup>(d)</sup>	23,825,033	2,623,107	Monthly	3-5 days
Real asset <sup>(e)</sup>	41,677,440	11,625,568	NA	NA
Total	<u>\$ 524,319,013</u>	<u>\$ 37,554,910</u>		

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**4. 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 Foundation authorizes expenditures for the uses and purposes for which endowment funds were established.

FUMIFA requires the Foundation Board of Directors (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 FUMIFA, the Foundation’s Board may expend so much of an endowment fund as the Foundation’s 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.

In accordance with FUMIFA, 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 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 organization in a manner consistent with the standard of prudence prescribed by FUMIFA.

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’s 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 will grow the endowment over the long term while supporting the spending policy. Actual returns in any given year may vary from this amount.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**4. Endowments (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, 2022 and 2021 was 4%. Annually, the Foundation's 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, 2022 and 2021, the Foundation distributed \$23,420,738 and \$24,576,375, 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% and 1.95% administrative fee on endowment invested amounts for the years ended June 30, 2022 and 2021, respectively. Annually, the Foundation's Board evaluates historical performance, projected returns, and operating needs to determine the appropriate administrative fee. During the years ended June 30, 2022 and 2021, the Foundation collected \$10,668,930 and \$9,457,599, 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 fundraising operations; and management of the endowment.



University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**4. Endowments (continued)**

The Foundation endowment consists of approximately 1,463 individual funds established for a variety of purposes. The following displays the total ending endowment balances for nonexpendable endowments or donor-restricted endowments:

	<u>2022</u>	<u>2021</u>
Total Foundation endowment balance	\$ 556,640,669	\$ 654,716,588
Less appreciated portion of restricted expendable	<u>(168,922,720)</u>	<u>(283,234,445)</u>
<b>Permanently restricted nonexpendable balance</b>	<u><b>\$ 387,717,949</b></u>	<u><b>\$ 371,482,143</b></u>

**5. Contributions Receivable, Net**

Contributions receivable is expected to be realized in the following periods June 30:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 5,008,712	\$ 5,538,959
2023	11,789,528	5,436,143
2024	10,511,750	6,337,409
2025	18,834,846	4,771,013
2026	5,173,899	13,662,974
Thereafter	<u>4,156,665</u>	<u>9,098,023</u>
	55,475,400	44,844,521
Less present value discount 2.8% - 3.04%	(2,878,082)	(626,763)
Less allowance for uncollectible contributions	<u>(1,307,576)</u>	<u>(949,050)</u>
	<u><b>\$ 51,289,742</b></u>	<u><b>\$ 43,268,708</b></u>

Contributions receivable, net, is classified as follows:

	<u>2022</u>	<u>2021</u>
Current contributions receivable, net	\$ 15,637,867	\$ 10,110,354
Noncurrent contributions receivable, net	<u>35,651,875</u>	<u>33,158,354</u>
	<u><b>\$ 51,289,742</b></u>	<u><b>\$ 43,268,708</b></u>

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**6. Works of Art and Capital Assets, Net**

Capital assets consist of the following at June 30:

	<u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>
Land (non-depreciable)	\$ 6,620,414	\$ -	\$ -	\$ 6,620,414
Buildings, improvements, equipment, and other:				
Property and equipment	<u>5,361,206</u>	<u>-</u>	<u>-</u>	<u>5,361,206</u>
	11,981,620	-	-	11,981,620
Less accumulated depreciation	<u>(1,256,064)</u>	<u>(118,799)</u>	<u>-</u>	<u>(1,374,863)</u>
Total net capital assets	<u>\$ 10,725,556</u>	<u>\$ (118,799)</u>	<u>\$ -</u>	<u>\$ 10,606,757</u>
Works of art	<u>\$ 3,907,176</u>	<u>\$ 1,595,020</u>	<u>\$ -</u>	<u>\$ 5,502,196</u>
	<u>June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>
Land (non-depreciable)	\$ 6,620,414	\$ -	\$ -	\$ 6,620,414
Buildings, improvements, equipment and other:				
Property and equipment	<u>5,361,206</u>	<u>-</u>	<u>-</u>	<u>5,361,206</u>
	11,981,620	-	-	11,981,620
Less accumulated depreciation	<u>(1,137,265)</u>	<u>(118,799)</u>	<u>-</u>	<u>(1,256,064)</u>
Total net capital assets	<u>\$ 10,844,355</u>	<u>\$ (118,799)</u>	<u>\$ -</u>	<u>\$ 10,725,556</u>
Works of art	<u>\$ 3,942,296</u>	<u>\$ 1,000</u>	<u>\$ (36,120)</u>	<u>\$ 3,907,176</u>

The Foundation acquired a parcel of land located in St. Petersburg, Florida, adjacent to the USF St. Petersburg campus. The Foundation has entered into a lease agreement with the University for the use of the property by USF St. Petersburg. See Note 11 for information on the lease. The Foundation financed this property with a mortgage obligation. See Note 10 for information regarding the associated mortgage payable. Certain costs associated with the development and improvement of this property are incurred directly by the University. These amounts are transferred to the Foundation for capitalization. No such improvement costs were transferred or recorded for the years ended June 30, 2022 and 2021.

Depreciation expense of \$118,799 was included in operating expenses for program services for the years ended June 30, 2022 and 2021. Works of art are measured at acquisition value when gifted were \$5,502,196 and \$3,907,176 as of June 30, 2022 and 2021, respectively, and are included in the statements of net position.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**7. Due to/from the University of South Florida, Net**

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

	<u>2022</u>	<u>2021</u>
USF Health Morsani College and Heart Institute loan	\$ 5,991,975	\$ 5,991,975
Supplemental and deferred compensation contracts	(231,000)	-
Convenience accounts and pending transfers	(535,048)	(7,876,089)
Courtelis Facilities Matching Gift Program	(334,685)	(334,685)
	<u>\$ 4,891,242</u>	<u>\$ (2,218,799)</u>

Due to (from) the University of South Florida, net, are classified as follows at June 30:

	<u>2022</u>	<u>2021</u>
Current assets due from USF, net	\$ 6,313,843	\$ 212,335
Noncurrent assets due from USF, net	-	5,991,975
Current liabilities due to USF, net	(1,087,916)	(8,088,424)
Noncurrent liabilities due to USF, net	(334,685)	(334,685)
	<u>\$ 4,891,242</u>	<u>\$ (2,218,799)</u>

During fiscal year 2018, the Foundation entered into a Memorandum of Understanding (“MOU”) with the University in which the Foundation granted USF Health Morsani College of Medicine, a division of the University, a loan in an amount not to exceed \$18,000,000. The loan proceeds are to be used to finance the construction of the USF Health Morsani College of Medicine Heart Institute. Under the terms of the MOU, payments of principal shall be made as collateralized commitments are received by the Foundation and interest payments shall be paid quarterly. All loan principal and interest accrued shall be repaid no later than September 30, 2022. Interest shall be calculated from the date of the first draw of the loan at a rate equal to the Prime rate, reset at the beginning of each calendar quarter. No interest was collected due to the timing of the draw just prior to June 30th. During the years ended June 30, 2022 and 2021, collateralized commitments of \$-0- and \$108,025, respectively, were received by the Foundation.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**7. Due to/from the University of South Florida, Net (continued)**

The Foundation has entered into supplemental compensation agreements with certain University employees on behalf of the University. These agreements provide for amounts that would be paid in the event of involuntary termination without cause. The potential maximum amounts under these contracts range from \$184,000 to \$9,399,000 and may be reduced or eliminated based on a predetermined schedule or compensation earned during employment in addition to reductions for severance paid by USF and compensation from new employment. Based on conditions required in the agreements, the likelihood of these payments occurring is considered remote and will be recognized when due to the University. In addition, some of these agreements provide for deferred compensation amounts that will be earned at a future date or in the event of death, disability, or termination without cause. In some cases, the deferred compensation is earned on a pro rated basis in the event of resignation or termination for cause. The amounts recorded within due to University of South Florida on the statements of net position to recognize the deferred compensation was \$231,000 and \$-0- as of June 30, 2022 and 2021, respectively. The amounts recorded as program services on the statements of revenues, expenses, and changes in net position to reflect the expense associated with the liability for deferred compensation was \$ 231,000 and \$-0- for the years ended June 30, 2022 and 2021, respectively. The University has committed to support the funding of these agreements if there are not sufficient funds available to them in the Foundation at the time of payment. Any payments due under these agreements will be made by the Foundation to the University for them to process for their employees.

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.

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.

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 2021 and 2020, 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.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**8. Liabilities to Life Beneficiaries**

The Foundation is obligated under 25 charitable gift annuity agreements to pay annuities with rates ranging from 0.6% to 7.6% to life beneficiaries. These annuity obligations are calculated based on actuarial assumptions, using IRS tables, at their present value each year. During the year ended June 30, 2022, there were payments of \$237,188 made on annuities. 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 liabilities to life beneficiaries on the accompanying statements of net position equal to the present value of the total anticipated future payments to the beneficiaries of these trusts and annuities of \$1,570,250 as of June 30, 2022.

	<u>June 30, 2021</u>	<u>New Obligations</u>	<u>Adjustments to Liability</u>	<u>Beneficiary Payments</u>	<u>June 30, 2022</u>	<u>Amount Due Within One Year</u>
Liabilities to Life Beneficiaries	<u>\$ 1,538,419</u>	<u>\$ 131,597</u>	<u>\$ 137,422</u>	<u>\$ (237,188)</u>	<u>\$ 1,570,250</u>	<u>\$ 237,188</u>
	<u>June 30, 2020</u>	<u>New Obligations</u>	<u>Adjustments to Liability</u>	<u>Beneficiary Payments</u>	<u>June 30, 2021</u>	<u>Amount Due Within One Year</u>
Liabilities to Life Beneficiaries	<u>\$ 1,041,524</u>	<u>\$ 582,737</u>	<u>\$ 140,885</u>	<u>\$ (226,727)</u>	<u>\$ 1,538,419</u>	<u>\$ 226,727</u>

**9. Amounts Due to Third Party Beneficiaries**

Amounts due to third-party beneficiaries, net, related to deferred compensation arrangements are classified as follows:

	<u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>	<u>Amount Due Within One Year</u>
Amounts due to third party beneficiaries	<u>\$ 310,071</u>	<u>\$ -</u>	<u>\$ (310,071)</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>	<u>Amount Due Within One Year</u>
Amounts due to third party beneficiaries	<u>\$ 123,353</u>	<u>\$ 186,718</u>	<u>\$ -</u>	<u>\$ 310,071</u>	<u>\$ 310,071</u>

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**10. Mortgage Payable**

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 the property with a carrying value of \$6,200,000 (see Note 6) 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%.

	<u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>	<u>Amount Due Within One Year</u>
Mortgage payable	\$ 3,941,421	\$ -	\$ (401,831)	\$ 3,539,590	\$ 412,506

	<u>June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>	<u>Amount Due Within One Year</u>
Mortgage payable	\$ 4,332,852	\$ -	\$ (391,431)	\$ 3,941,421	\$ 401,830

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 412,506	\$ 87,975	\$ 500,481
2024	423,466	77,015	500,481
2025	434,716	65,765	500,481
2026	446,266	54,215	500,481
2027	458,123	42,359	500,482
Thereafter	1,364,513	52,838	1,417,351
	<u>\$ 3,539,590</u>	<u>\$ 380,167</u>	<u>\$ 3,919,757</u>

Interest expense of \$98,651 and \$109,050 is included in program services expenses in the accompanying statements of revenue, expenses, and changes in net position for the years ended June 30, 2022 and 2021, respectively.

The Foundation's mortgage of \$3,539,590 and \$3,941,421 as of June 30, 2022 and 2021, respectively contains a provision that in the event of default any amounts advanced will be immediately due if the Foundation is unable to make payment in full when due. In addition, the Foundation may be liable to the lender for any and all insurance benefits or refunds that may be available on default.

University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**11. Leases**

On March 31, 2015, The Foundation, as a lessor, entered into an agreement with the University, the lessee, as the tenant related to property described in Note 6. The noncancelable lease agreement requires the University to make monthly lease payments of \$43,913 to the Foundation through March 30, 2032. A lease receivable and deferred inflows of resources of \$4,528,674 has been recorded as of June 30, 2022. In accordance with the provisions of GASB Statement No. 87, the lease was retroactively recorded as of June 30, 2021, with a lease receivable balance of \$4,931,009 and an equal deferred inflows of resources has been recorded. The lease was measured with an interest rate of 2.625%, the Foundation's incremental borrowing rate of the leased property as described in Note 10. During the year ended June 30, 2022, the Foundation received \$526,956 from the University, which includes \$402,334 in lease revenue and \$124,621 in lease interest income, which is included in other income and interest earnings, respectively, in the accompanying statements of revenues, expenses, and change in net position. During the year ended June 30, 2021, the Foundation received \$526,956 from the University which includes \$391,922 in lease income and \$135,034 in interest income, which is included accompanying statements of revenues, expenses, and change in net position.

Future payment due to the Foundation under this agreement are as follows for years ending June 30<sup>th</sup>:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 413,024	\$ 113,932	\$ 526,956
2024	423,997	102,959	526,956
2025	435,262	91,694	526,956
2026	446,826	80,130	526,956
2027	458,698	68,258	526,956
Thereafter	2,350,867	152,174	2,503,041
	<u>\$ 4,528,674</u>	<u>\$ 609,147</u>	<u>\$ 5,137,821</u>

**12. Related Party Transactions**

The Foundation considers the University, its DSOs, and members of the Foundation's 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).

# University of South Florida Foundation, Inc.

## Notes to Financial Statements (continued)

June 30, 2022 and 2021

### **12. Related Party Transactions (continued)**

Program services expenses on the accompanying statements of revenues, expenses, and changes in net position 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.

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 \$13,728,280 and \$13,209,335 for University employees that perform functions for the benefit of both the University and the Foundation for the years ended June 30, 2022 and 2021, respectively. This amount is included in University support on the statements of revenues, expenses, and changes in net position. The Foundation transferred additional payroll and fringe benefit costs to the University of \$3,240,263 and \$2,415,837 for the years ended June 30, 2022 and 2021, respectively. These amounts are shown on the statements of revenue, expenses, and changes in net position in fundraising and operating costs.

The University recognized and reported a compensated absence liability of approximately \$2,048,846 and \$1,590,000 for University employees performing functions for the Foundation for the years ended June 30, 2022 and 2021, respectively. This amount is not included in the Foundation's statements of revenues, expenses, and changes in net position.

Portions of the Foundation's contributions receivable balance (\$193,005 and \$1,013,176 at June 30, 2022 and 2021, respectively) are commitments made to the Foundation by several members of the Foundation's Board. In addition, the Foundation received \$287,900 and \$380,780 during the years ended June 30, 2022 and 2021, respectively, in cash and in-kind contributions from various members of the Foundation's Board. DSOs have made gifts to the Foundation of \$100 and \$6,000 for the years ended June 30, 2022 and 2021, respectively. These amounts are included in contributions on the accompanying statements of revenues, expenses, and changes in net position.

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 \$13,664,008 and \$4,542,479 at June 30, 2022 and 2021, respectively, and net of \$-0- on the accompanying statements of net position.



University of South Florida Foundation, Inc.

Notes to Financial Statements (continued)

June 30, 2022 and 2021

**13. Contingencies**

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

**14. Subsequent Events**

The Foundation has evaluated subsequent events from the net position date through October 12, 2022, the date which the financial statements were available to be issued and determined there are no items to disclose.

*Supplemental Schedule*

University of South Florida Foundation, Inc.

Schedule of Functional Expenses

June 30, 2022

	<b>Program Service Support</b>	<b>Fundraising Support</b>	<b>Operating Costs</b>	<b>Total Expenses</b>
Salaries and other supplements	\$ 22,513,270	\$ 10,942,948	\$ 6,166,019	\$ 39,622,237
Community relations	663,600	288,635	-	952,235
Travel and per diems	422,932	104,008	41,293	568,233
Meals and entertainment	1,032,860	231,061	90,781	1,354,702
Supplies and equipment	956,247	49,905	72,513	1,078,665
Scholarships and awards	11,451,110	-	-	11,451,110
Conferences and seminars	554,854	19,103	55,973	629,930
University services	32,212,498	-	88,600	32,301,098
Postage, printing, and publication	480,733	206,611	44,088	731,432
Books and journals	128,711	9,885	2,043	140,639
Building repair and maintenance	441,838	-	97,565	539,403
Service and independent contractors	4,699,911	464,754	1,204,438	6,369,103
Insurance, licenses, taxes, and assessments	16,342	-	285,703	302,045
Depreciation	118,799	-	-	118,799
Interest expense	98,651	-	-	98,651
Other costs	572,927	632	107,241	680,800
Subtotal	76,365,283	12,317,542	\$8,256,257	96,939,082
Other expenses:				
Provision for uncollectible pledges	857,102	-	-	857,102
Total	<u>\$ 77,222,385</u>	<u>\$ 12,317,542</u>	<u>\$ 8,256,257</u>	<u>\$ 97,796,184</u>

University of South Florida Foundation, Inc.

Schedule of Functional Expenses

June 30, 2021

	<b>Program Service Support</b>	<b>Fundraising Support</b>	<b>Operating Costs</b>	<b>Total Expenses</b>
Salaries and other supplements	\$ 20,720,580	\$ 10,076,580	\$ 6,112,471	\$ 36,909,631
Community relations	432,231	241,956	-	674,187
Travel and per diems	30,279	7,824	7,904	46,007
Meals and entertainment	512,748	64,143	8,404	585,295
Supplies and equipment	883,939	38,044	73,145	995,128
Scholarships and awards	10,802,084	-	-	10,802,084
Conferences and seminars	303,550	13,561	27,386	344,497
University services	12,198,991	1,306	95,945	12,296,242
Postage, printing, and publication	299,940	176,778	27,069	503,787
Books and journals	261,274	3,100	8,940	273,314
Building repair and maintenance	1,826,728	-	26,836	1,853,564
Service and independent contractors	1,618,392	117,883	923,561	2,659,836
Insurance, licenses, taxes, and assessments	19,692	-	296,669	316,361
Depreciation	118,799	-	-	118,799
Interest expense	109,050	-	-	109,050
Other costs	830,273	33,967	275,580	1,139,820
Subtotal	<u>50,968,550</u>	<u>10,775,142</u>	<u>7,883,910</u>	<u>69,627,602</u>
Other expenses:				
Provision for uncollectible pledges	1,848,288	-	-	1,848,288
Total	<u>\$ 52,816,838</u>	<u>\$ 10,775,142</u>	<u>\$ 7,883,910</u>	<u>\$ 71,475,890</u>