



Board of Trustees

UNIVERSITY of WEST FLORIDA

Audit and Compliance Committee Meeting Thursday, February 15, 2024 Zoom Webinar

[Zoom Webinar](#) | Passcode: 368116

Agenda

- | | |
|--|-------------------|
| I. Call to Order | Dick Baker, Chair |
| II. Roll Call | Anna Lochas |
| III. Greeting | Dick Baker, Chair |
| IV. Public Comment | Anna Lochas |
| V. Approval of Minutes | Dick Baker, Chair |
| a. November 16, 2023 : Committee Meeting Minutes | |
| VI. New Business | Dick Baker, Chair |
| a. Action Items | |
| i. AUD-1 : Acceptance of Internal Audit Reports | |
| ii. AUD-2 : Acceptance of PCard Quarter 2 Audit Report | |
| iii. AUD-3 : Acceptance of FIHMC Audited Financial Statements | |
| iv. AUD-4 : Acceptance of WUWF-FM Audited Financial Statements | |
| v. AUD-5 : Acceptance of UWF Foundation Audited Financial Statements | |
| b. Information Items | |
| i. INFO-1 : Internal Auditing and Management Consulting Update | |
| ii. INFO-2 : Update on Compliance and Ethics Activities | |
| VII. Announcements | Dick Baker, Chair |
| VIII. Adjournment | Dick Baker, Chair |

**Audit and Compliance Committee
November 16, 2023
Zoom Webinar
DRAFT Minutes**

Table of Contents

Committee Meeting 1

 I. Call to Order 2

 II. Roll Call 2

 III. Greeting..... 2

 IV. Public Comment 2

 V. Approval of Minutes..... 3

 VI. New Business..... 3

 A. Action Item 3

 1. AUD-1: Acceptance of Internal Audit Reports 3

 2. AUD-2: Acceptance of PCard Quarter 1 Audit Report..... 3

 3. AUD-3: Acceptance of the BEI Audited Financial Statements 2023 4

 4. AUD-4: Acceptance of the UWF Historic Trust Audited Financial Statements 2023 .. 4

 B. Information Item 5

 1. INFO-1: IAMC – Annual Self-Assessment 2023..... 5

 2. INFO-2: Internal Auditing and Management Consulting Update..... 5

 3. INFO-3: Office of Compliance & Ethics – Update on Activities..... 5

 VII. Announcements 5

 VIII. Adjournment 5

Committee Meeting

9:06 a.m.

The public was provided with information to join this virtual public meeting on the UWF Board of Trustees website.

I. Call to Order

- A. The meeting of the UWF Board of Trustees Audit and Compliance Committee was called to order at 9:06 a.m. by committee Chair Dick Baker.

II. Roll Call

- A. Chair Baker asked Anna Lochas to conduct roll call. Trustees Dick Baker, Alonzie Scott, and Jill Singer were in attendance.

- B. Other Trustees in attendance included:

1. Suzanne Lewis, Stephanie White, Ariauna Range, Paul Hsu, Bob Sires, and Susan James.

- C. Others in attendance included:

1. Martha Saunders, President; Gary Liguori, Provost & Senior Vice President; Gregory Tomso, Vice President of Academic Engagement & Student Affairs; Howard Reddy, Vice President of University Advancement; Betsy Bowers, Vice President of Finance and Administration; Dave Scott, Associate Vice President for Athletics; Jamie Sprague, Chief Human Resource Officer; Susan Woolf, General Counsel; Anamarie Mixson, Assistant Vice President for the Office of the President; Cindy Talbert, Chief Audit Executive; Matt Packard, Chief Compliance Officer; Michelle Williams, Vice Provost; Dan Lucas, Associate Vice President for Advancement; Jeffrey Djerlek, Associate Vice President of Finance and Controller; Christophe Lizen, Director of Institutional Research; Michael Wyatt, Assistant General Counsel; Aurora Osborn, Interim Director, Campus Culture and Access; Brittany Sherwood, Director of Strategic and Presidential Communication; Dacia Larin Assistant Vice President of Continuing Education; Dallas Snider, Chair, Department of Information Technology; Geissler Golding, Executive Director of ITS and CISO; James Adams, Director, Business and Auxiliary Services; Lauren Alidor, Internal Auditor; Mary Anderson, Dean of Students; Sandra Thomson, Director of IT Operations; Allan Pierce, Lead Help Desk Analyst; and Anna Lochas, BOT Liaison.

III. Greeting

- A. Chair Baker welcomed everyone to the meeting and noted that there were four action items and three information items on the Audit and Compliance Committee agenda.

IV. Public Comment

- A. Chair Baker opened the floor for public comment. There was none.

V. Approval of Minutes

- A. Chair Baker reminded the committee members that they had been given the opportunity ahead of time to review the minutes of the August 17, 2023, Audit and Compliance Committee Meeting. Chair Baker asked for a motion to approve the minutes as presented if there were no changes or corrections.
 1. Motion by: Trustee Singer
 2. Seconded by: Trustee Scott
 3. Motion passed unanimously.

VI. New Business

A. Action Item

1. AUD-1: Acceptance of Internal Audit Reports
 - a. Chair Baker moved to the first action item which was presented by Cindy Talbert, Chief Audit Executive.
 - b. Ms. Talbert reviewed the recently completed internal audit reports including the Nautilus Card Office; Foundation Business Processes; Student Accessibility Resources, Title IX, and Equal Opportunity Departmental Audit; Applied Behavior Analysis Revenue and Expenditures; IT Incident Response Management; and Student Activity and Service Fees.
 - c. Chair Baker asked for motion to motion to accept the Internal Auditing Reports for the Nautilus Card; Foundation Business Processes; Student Accessibility Resources, Title IX, and Equal Opportunity Departmental Audit; Applied Behavior Analysis Revenue and Expenditures; IT Incident Response Management; and Student Activity and Service Fees.
 - i. Motion by: Trustee Singer
 - ii. Seconded by: Trustee Scott
 - iii. Motion passed unanimously.
2. AUD-2: Acceptance of PCard Quarter 1 Audit Report
 - a. Chair Baker asked Ms. Talbert to present the second action item.
 - b. Ms. Talbert explained that the audit activities for the 1st Quarter of 2023-2024 focused on an across-the-board approach rather than individual department audits. The results of audit testing showed generally good results.

- c. Chair Baker asked for a motion to accept the PCard Quarter 1 Audit Report.
 - i. Motion by: Trustee Scott
 - ii. Seconded by: Trustee Signer
 - iii. Motion passed unanimously.
3. AUD-3: Acceptance of the BEI Audited Financial Statements 2023
 - a. Chair Baker moved to the third action item which was presented by Ms. Talbert.
 - b. Ms. Talbert explained that Pursuant to Florida Statute 1004.281 and BOG Regulation 9.011(5)2, organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida Board of Trustees. The financial statements of Business Enterprises, Inc. were audited by independent certified public accountants, James Moore & Company, for the fiscal year ending June 30, 2023. Ms. Talbert identified that the auditors found that the financial statements present fairly, in all material respects, the financial position of BEI as of June 30, 2023, and that the auditors found no instances of noncompliance.
 - c. Chair Baker asked for a motion to accept the Business Enterprises, Inc. financial statements for June 30, 2023, audited by James Moore and Company.
 - i. Motion by: Trustee Scott
 - ii. Seconded by: Trustee Singer
 - iii. Motion passed unanimously.
4. AUD-4: Acceptance of the UWF Historic Trust Audited Financial Statements 2023
 - a. Chair Baker asked Ms. Talbert to present the fourth action item.
 - b. Ms. Talbert explained that pursuant to Florida Statute 1004.281, BOG Regulation 9.011(5)2 and the agreement between UWF and the UWF Historic Trust, affiliated entities (aka Direct Support Organizations) must be certified annually by the University of West Florida. Ms. Talbert identified that the West Florida Historic Preservation, Inc. (dba UWF Historic Trust) is such an entity and has been audited for the fiscal year ending June 30, 2023. The financial statements of West Florida Historic Preservation, Inc. were audited by independent certified public

accountants, Saltmarsh, Cleaveland, & Gund, for the fiscal year ending June 30, 2023. Ms. Talbert explained that the auditors found that the financial statements present fairly, in all material respects, the financial position of UWF Historic Trust as of June 30, 2023, and they found no instances of noncompliance.

- c. Chair Baker asked for a motion to accept the UWF Historic Trust financial statements for June 30, 2023, audited by Saltmarsh, Cleaveland, and Gund.
 - i. Motion by: Trustee Scott
 - ii. Seconded by: Trustee Singer
 - iii. Motion passed unanimously.

B. Information Item

1. INFO-1: Internal Auditing and Management Consulting – Annual Self-Assessment 2023

- a. Chair Baker moved to the first information item which was presented by Ms. Talbert. Ms. Talbert presented the Internal Auditing and Management Consulting Annual Self-Assessment for 2023.

2. INFO-2: Internal Auditing and Management Consulting Update

- a. Chair Baker asked Ms. Talbert to present the second information item. Ms. Talbert provided an update on Internal Auditing and Management Consulting.

3. INFO-3: Office of Compliance & Ethics – Update on Activities

- a. Chair Baker moved to the third information item which was presented by Mr. Matt Packard, Chief Compliance Officer. Mr. Packard provided an update on the activities of the Office of Compliance and Ethics.

VII. Announcements

- A. Chair Baker identified that all agenda items had been discussed. Chair Baker asked if the committee members had any additional business to discuss. No other business was discussed.

VIII. Adjournment

9:33 a.m.

- A. Chair Baker thanked those in attendance for their participation. With no other business to discuss, Chair Baker adjourned the meeting at 9:33 a.m.

**Board of Trustees
Audit and Compliance Committee
February 15, 2024**

Acceptance of Internal Audit Reports

Recommended Action:

Accept Internal Audits: Performance Based Funding Data Integrity 2023, University of West Florida Historic Trust

Background Information:

Performance Based Funding Data Integrity #23-24_005: This is a Board of Governor's required audit, part of the 2023/24 approved audit work plan. The report was issued on January 29, 2024. The objectives of this audit were to:

- Evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and
- Provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the *Performance Based Funding – Data Integrity Certification*, to be filed with the Board of Governors by March 1, 2024.

There were no recommendations.

University of West Florida Historic Trust #23-24_004: This audit was part of the 2023/24 approved audit work plan. The report was issued on January 23, 2024. The objectives of the audit were to evaluate the adequacy and effectiveness of internal controls over cash handling and management, accounts receivable, expenditures, financial reporting, contractual obligations, inventory, attractive assets, property, training, records retention, information security, grants compliance; and general effectiveness and efficiency.

There were five recommendations related to 1) annual representations to be made as required by Section 267.1732, Florida Statutes, and the Operating Agreement between UWFHT and UWF, 2) procedures that needed to be formalized in writing, 3) registration of volunteer workers with UWF Human Resources, 4) training of staff on Purchasing Card Industry Data Security Standards, and 5) timely filing of sales tax returns. Management has agreed to implement all recommendations by May 1, 2024.

Implementation Plan:

None.

Fiscal Implications:

Fiscal oversight by the UWF Board of Trustee.

Relevant Authority:
BOG Regulation 4.002

Supporting Documents:

1. Internal Audit Report – PBF Data Integrity 2023
2. Internal Audit Report – University of West Florida Historic Trust

Prepared by:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division, x2638, ctalbert@uwf.edu

Presenter:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division



SCOPE AND OBJECTIVES

We audited Performance Based Funding Data Integrity as of September 30, 2023. This audit was included as part of our 2023/24 audit work plan, conducted in accordance with a Board of Governors (BOG) directive to State universities. Our specific objectives were to:

- Evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and
- Provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the *Performance Based Funding – Data Integrity Certification*, to be filed with the Board of Governors by March 1, 2024.

Audit fieldwork began on September 11, 2023, and ended on January 23, 2024. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

BACKGROUND

The BOG has broad governance responsibilities affecting administrative and budgetary matters for Florida’s 12 public universities. Beginning in fiscal year 2013-14, they instituted a performance funding program that is based on 10 metrics. Required data integrity audits have been conducted annually since 2014. The culmination of these audits is the execution of the Data Integrity Certification by the President and the Chairman of the Board of Trustees. The submission of this Certification to BOG confirms our compliance with BOG Regulation 5.001(8).

Currently, the metrics that generally apply to all institutions are:

1. *Percent of Bachelor’s Graduates Employed (Earning \$40,000+) or Continuing their Education;*
2. *Median Wages of Bachelor’s Graduates Employed Full-time;*
3. *Average Cost to the Student (Net Tuition and Fees per 120 Credit Hours for Resident Undergraduates);*
4. *Four Year Graduation Rate (Full-time FTIC);*
5. *Academic Progress Rate (Second Fall Retention Rate with at Least a 2.0 GPA for Full-time FTIC students);*
6. *Bachelor’s Degrees Awarded within Programs of Strategic Emphasis;*
7. *University Access Rate (Percent of Undergraduates with a Pell Grant);*
8. *Graduate Degrees Awarded within Programs of Strategic Emphasis;*
- 9a. *Two-Year Graduation Rate for Florida College System Associate in Arts Transfer Students; and*
- 9b. *Six-Year Graduation Rate for Students Who are Awarded a Pell Grant in Their First Year.*

Metrics 1 – 9 Methodology. Much of the data that is used by the BOG in their calculations of Metrics 1 through 9 is compiled into 6 data files that are



submitted periodically by the each of the universities. These files include:

- Admissions File;
- Degrees Awarded File;
- Hours to Degree File;
- Retention File;
- Student Financial Aid File; and
- Student Instruction File.

Data that is ultimately submitted to the BOG through these electronic submissions is initially entered through the Admissions, Graduate Admissions, Registrar, Financial Aid, and Controller’s departments into the Banner Student system. The Office of Institutional Research (IR) has been delegated responsibility for compiling the data into tables according to BOG specifications, conducting a quality review of the data prior to submission to the BOG, and timely submission of the files.

Metric 10 Methodology. Each university is offered a “Board of Trustees Choice Metric,” which allows the institution to select a metric based on their university’s unique strengths. This has been UWF’s choice metric since 2019/20:

10. Percent of Baccalaureate Graduates Completing 2+ Types of High-Impact Practices.

To articulate the University’s High-Impact Practices (HIP) completion, data is compiled in a distinctly different manner for Metric 10. It is based on the following formula:

Numerator = the number of students in the cohort who engaged in 2 or more High Impact Practice Types during their enrollment at UWF

Denominator = the number students earning undergraduate degrees in a summer, fall, and spring semester (“the cohort”)

UWF has accepted the classification of High-Impact Practices established by the Association of American Colleges and Universities, as follow:

1. First-Year Seminars and Experiences;
2. Common Intellectual Experiences;
3. Learning Communities;
4. Writing-Intensive Courses;
5. Collaborative Assignments and Projects;
6. Undergraduate Research;
7. Diversity/Global Learning;
8. ePortfolios;
9. Service Learning, Community-Based Learning;
10. Internships; and
11. Capstone Courses and Projects.

Classification 5 is not yet in use at UWF.

It was decided that IR would include all academic courses completed beginning with Fall 2014, in Metric 10. University Housing & Residence Life and the Office of Undergraduate Research provide student information to IR for inclusion in the count, however, their data collection did not begin until around 2015. It should be noted that we only include a count for 1 High Impact Practice Type, e.g., a student engaged in 3 Internships would only yield a count of 1 in the Metrics 10 computation.

Appointment of the Data Administrator. In accordance with BOG Regulation 3.007 “State University System (SUS) Management Information Systems,” the President has formally appointed an Institutional Data Administrator, who is the Director of IR. The Director has frequent contact



with the BOG Office of Data and Analytics staff, strengthening his understanding of their complex requirements for the data in the files.

AUDIT METHODOLOGY

We interviewed key personnel involved in the processes that end with submission of data to the BOG that are used in the computations of the metrics. We examined written policies and procedures and other related documents. We evaluated internal controls that were in place and used the results to design audit tests. Risk levels within each related activity were assessed and audit testing focused on the higher risk activities.

Audit testing was conducted on data submitted to the BOG in order to evaluate accuracy and

completeness. We used data based on academic years or semesters, according to the time periods identified as part of the UWF Accountability Plan for 2023; if this information was not yet available, data in the last file submitted was used for testing purposes.

We conducted audit testing focused on Metrics 1, 2, 3, and 4.

OBSERVATIONS

We found that internal controls over the processes used to collect and submit data to the BOG were strong. Data underlying the computations of Metrics 1, 2, 3, and 4 were tested and were determined to be highly accurate. We make no recommendations.

We appreciate the cooperation, professionalism, and responsiveness of the employees who were involved in the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Cynthia Talbert".

Cynthia Talbert, CFE, CIA, CPA, CRMA
Chief Audit Executive



REPORT PROVIDED TO THE FOLLOWING:

Dr. Martha Saunders, President
Suzanne Lewis, Chair BOT
Dick Baker, Chair Audit & Compliance Committee
Jill Singer, Audit & Compliance Committee
Alonzie Scott, Audit & Compliance Committee
Dr. Jaromy Kuhl, Provost
Dr. Greg Tomso, Vice President of Academic Engagement & Student Affairs
Betsy Bowers, Vice President of Finance and Administration
Christophe Lizen, Director of Institutional Research
Dr. Kuiyuan Li, Graduate School Dean
Jeffrey Djerlek, Associate Vice President/Controller
Shelly Blake, Associate Vice President, Budgets and Financial Planning
Adam Burgess, Registrar
Katie Condon, Assistant Vice President of Enrollment Affairs
Rachel Conway, Director of Financial Aid and Scholarships
Ethan Henley, Director of Admissions
Lindsey Walk, Director of Career Development and Community Engagement
Jaime Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Julie Leftheris, BOG Inspector General
Anna Lochas, BOT Coordinator



SCOPE AND OBJECTIVES

We audited the University of West Florida Historic Trust for the period of July 1, 2022, through June 30, 2023. This audit was included as part of our 2023/24 audit work plan, determined by our annual risk assessment. Our objectives were to evaluate the adequacy and effectiveness of internal controls over:

- Cash handling and management;
- Accounts receivable
- Expenditures;
- Financial reporting;
- Contractual obligations;
- Inventory;
- Attractive assets;
- Property;
- Training;
- Records retention;
- Information security;
- Grants compliance; and
- General effectiveness and efficiency.

Audit fieldwork began on September 11, 2023, and ended on November 30, 2023. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

BACKGROUND

West Florida Historic Preservation, Inc. became a direct support organization of the University of West Florida in 2001. The name of this incorporated entity was changed to the University of West Florida Historic Trust (UWFHT) in 2013, to highlight the organization being a part of the University of West Florida and to emphasize that

the sites, structures, collections, programs, and exhibits of the organization represent a public Trust. Their mission is: *“To collect, preserve, interpret, and share the culture and history of Northwest Florida.”*

The term “direct support organization” describes a not-for-profit entity that is organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to or for the benefit of a State university.¹ Such an organization has added benefits in that some types of business transactions are facilitated and certain records are protected from public disclosure.

A Board of Directors has oversight of the UWFHT. An annual audit of their financial statements by an independent certified public accountant is required by Florida Statute. Many of the UWFHT’s financial activities are subject to oversight by the UWF Board of Trustees.

The Pensacola Museum of Art (PMA) entered into a gift agreement with the University of West Florida in 2016, to transfer the museum to the University. The Museum has its own Advisory Board, with oversight provided by the UWFHT Board of Directors.

The Executive Director of the UWFHT reports to the UWF Vice President for University Advancement. There are 12 full-time staff positions, a faculty position, as well as approximately 20 part-time or temporary positions. They also utilize volunteers to assist with various activities.

The UWFHT receives State funding through UWF that generally covers payroll costs (except for some

¹ Section 1004.28, Florida Statutes.



Internal Auditing & Management Consulting
Audit: University of West Florida Historic Trust
Report # UWF23-24_004
Date: January 23, 2024

PMA staff) and some maintenance costs. Expenditures made out of UWF funding over the past three fiscal years are as follow:

2022/23	2021/22	2020/21	
\$1,702,423	\$1,752,085	\$3,658,198	Expenditures on UWF financial system
(70,000)	(54,500)	(77,000)	Less: contributed by UWFHT
(318,261)	(29,816)	(2,320,466)	Less: insurance recoveries
0	0	(278,690)	Less: Payroll Protection Loan forgiveness
<u>\$1,314,162</u>	<u>\$1,667,769</u>	<u>\$982,042</u>	Expenditures funded by UWF

Self-generated sources of funding include: School tours, other admissions to properties, sales of merchandise, memberships, venue rentals, leased spaces, and parking fees.

Museums and support buildings that are part of the UWFHT include:

- Pensacola Museum of History
- J. Earle Bowden Building
- Museum of Industry
- Museum of Commerce
- Julee Cottage
- Charles Lavalley House
- Lavalley Outdoor Kitchen
- Lear-Rocheblave House
- Manual Barrios Cottage
- Old Christ Church
- John Pfeiffer Cottage
- Clara Barkley Dorr House
- Walsh Stevedoring Building
- Margaret McMillan House/John Appleyard
- Storytelling Cottage
- Arbona Building
- Voices of Pensacola Multi-Cultural Center
- Pensacola Museum of Art
- Romana Street Warehouse
- Arcadia Mill Visitor's Center

Properties that are leased out include:

- George Barkley House
- Tivoli High House
- Old Christ Church Parish School
- L and N Marine Terminal
- Dorothy Walton House
- Moreno Cottage
- McVoy House
- Quina-Singh Shotgun House
- Kate Coulson House
- Romana Street Warehouse
- Seale Building
- McCullough Building

In addition, the UWFHT owns two archaeological sites and seven properties used for parking.

Notable Strength

The UWFHT employs a relatively small number of employees, many of whom are temporary, part-time, or volunteers. They work together to manage dozens of properties that often have special maintenance needs to preserve them and make them suitable for their assigned uses. Numerous revenue-generating activities must be coordinated and refined on an ongoing basis, including fund-raising activities that form a vital part of the financial structure of UWFHT. The staff should be commended for their successes in such a complex environment.

AUDIT METHODOLOGY

We reviewed written policies and procedures, departmental website information, job descriptions, financial records, bylaws, and Board of Directors meeting minutes. We interviewed key personnel in the organization. We reviewed relevant State, Board of Governors, and UWF policies and regulations. Audit testing was performed related to cash handling duties,



background screenings, required training, insurance coverage, transfers to/from UWF, attractive assets, capital assets, merchandise inventory, loans into and out of the historic and art collections, refunds, sales taxes, vehicle maintenance, grant compliance, delegation of authority, financial disclosures, and compliance with the bylaws, the Florida Statutes, and the Operating Agreement with UWF.

KEY OBSERVATIONS

We found that internal controls over the activities reviewed were generally adequate and effective. We make the following observations:

1. Section 267.1732, Florida Statutes, and the Operating Agreement between UWF and UWFHT have established requirements to which the parties must adhere. Some of these requirements are described below.

UWF must state annually that the organization (UWFHT) is complying with the terms of the contract and in a manner consistent with the historic preservation goals and purposes of the University and in the best interest of the State (Section 267.1732, Florida Statutes).

UWF must state annually that the Corporation is complying with the terms of the agreement and in a manner consistent with the goals and purposes of UWF and in the best interests of the State (Section 13 of the 2001 Operating Agreement).

UWFHT must include in the Annual Budget approval submitted to UWF additional information identified in Section 4Aiii of the 2001 Operating Agreement (a schedule of the names of officers of the Corporation, their dates of service, and committee membership lists. The

schedule of names must include a statement signed by the executive director of the Corporation certifying that the composition of the governing board is in accordance with its Bylaws. If the President of the UWF does not serve as a member of the governing board of the Corporation, the individual serving on the governing board as the President's designee shall be clearly identified).

From Section 8B of the 2001 Operating Agreement, UWFHT must state annually that the Corporation has complied during the year with the provisions of the 2001 Operating Agreement.

In reviewing representations made by UWFHT and UWF for fiscal year 2022/23, we found that these specific representations were not made by letter or Agenda Item at a Board of Trustees meeting.

2. Written procedures for core functions play a very important role in the continuing success of an entity. They provide consistency during staff turnover, are useful for training purposes, and ensure that employees and supervisors are in agreement about the nature of assigned responsibilities.

We obtained copies of procedures that had been formalized in writing by the department and, generally speaking, they seemed thorough and well-written; however, we noted two specific important functions for which no written procedures had been developed, as described below.

The UWFHT Business Coordinator fills a critical role in the department. A significant number of financial duties are assigned to her. In order to provide for sufficient separation of financial duties, the department employs an external



consultant, for example, to perform bank reconciliations. There is no on-staff employee who could quickly step into the Business Coordinator's role if she were unavailable. The lack of written procedures for this area creates the risk that important financial duties may not be accomplished if staff turn-over were to occur.

We also noted that no written procedures had been prepared for the annual verification of capital assets. This process is complicated by the fact that some assets have been purchased by UWF funding and have UWF property tags affixed to them, and other assets have been purchased with funding from UWFHT, during various time periods over which tagging requirements varied. Having written procedures might serve to minimize the risk that missing assets are overlooked during the inventory-taking process.

3. The UWF Office of Human Resources requires that volunteers register with them and obtain approval prior to beginning work. This ensures that they will be covered with the same insurance that employees have with the State Division of Risk Management, and provides the opportunity for background screenings to be performed for jobs that include sensitive responsibilities such as working with minors.

Consultation with staff members indicated that UWFHT had not been requiring volunteer workers to register with the Office of Human Resources, because they were unaware of the policy.

4. All staff who process credit card transactions are required to take Payment Card Industry Data Security Standards (PCI-DSS) training. Processors who do not comply with this training

requirement risk losing services provided by the credit card industry.

Three UWFHT staff members with credit card related duties were found to have completed the training, but 37 had not.

UWFHT administration was unaware that every staff member who processed credit card transactions was required to take the training.

5. Sales taxes collected and owed to Escambia County and the Florida Department of Revenue are required to be remitted by the 20th day of the subsequent month. We noted that 6 of the 12 monthly sales tax returns for fiscal year 2022/23 were remitted after the due date, ranging from 10 to 71 days late. The Business Coordinator stated that she and the Office Assistant were out on leave on one occasion when the returns were due, and a problem with the Point-of-Sale software caused the late returns in other months. Late filing causes UWFHT to be assessed for penalties and interest. Furthermore, late filing and payment increases the likelihood of a Department of Revenue audit, an activity which requires additional commitment of staff time.

Recommended Management Actions

1. We recommend that UWF and UWFHT comply with the requirements as detailed in Section 267.1732, Florida Statutes, and in Sections 4, 8, and 13 of the 2001 Operating Agreement.
2. We recommend that detailed written procedures be prepared for the duties assigned to the Business Coordinator, to be reviewed and updated on at least an annual basis; and that the procedures related to the annual verification



of capital assets also be formalized in writing.

3. We recommend that all UWFHT volunteers be registered with the UWF Office of Human Resources prior to commencing work.
4. We recommend that UWFHT administration ensure that all staff with PCI-DSS related duties stay current with the training.
5. To ensure that sales tax returns are filed with the Florida Department of Revenue on a timely basis, we recommend that an additional employee be cross-trained to submit the monthly sales tax returns.

We appreciate the cooperation, professionalism, and responsiveness of the employees who were involved in the audit.

Respectfully submitted,

A handwritten signature in black ink that reads 'Cynthia Talbert'.

Cynthia Talbert, CFE, CIA, CRMA, CPA
Chief Audit Executive



REPORT PROVIDED TO THE FOLLOWING:

Dr. Martha Saunders, President
Suzanne Lewis, Chair BOT
Dick Baker, Chair Audit & Compliance Committee
Jill Singer, Audit & Compliance Committee
Alonzie Scott, Audit & Compliance Committee
Howard Reddy, Vice President of University Advancement
Betsy Bowers, Vice President of Finance & Administration
Dan Lucas, Associate Vice President Advancement
Robert Overton, Executive Director of University of West Florida Historic Trust
Susan Woolf, General Counsel
Jamie Sprague, Associate Vice President Human Resources
Matthew Packard, Compliance & Ethics Officer
Jaime Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Julie Leftheris, BOG Inspector General
Anna Lochas, BOT Liaison



MANAGEMENT RESPONSES TO RECOMMENDATIONS

Recommendation #1

Management Response: Although some statements were formally made and other information was published on the UWFHT website, we agree that the specific requirements of Section 267.1732, Florida Statutes, and Sections 4, 8, and 13 of the Operating Agreement were not met. UWF and UWFHT staff will collaborate on ensuring compliance in the future, consulting with General Counsel as necessary to determine the proper format.

Responsible Parties: UWFHT Executive Director Robert Overton, Associate Vice President/University Controller Jeffrey Djerlek

Targeted Implementation Date: May 1, 2024

Recommendation #2

Management Response: We will ensure that information related to the Business Coordinator's duties and the annual verification of capital assets are formalized in writing. These documents will be reviewed and updated on at least an annual basis.

Responsible Party: UWFHT Executive Director Robert Overton

Targeted Implementation Date: May 1, 2024

Recommendation #3

Management Response: We will work with the UWF Office of Human Resources to ensure that all volunteers are registered prior to commencing work at UWFHT.

Responsible Party: UWFHT Executive Director Robert Overton

Targeted Implementation Date: February 1, 2024

Recommendation #4

Management Response: Some staff members with credit card related duties were not provided with a link to the PCI-DSS training due to management's misunderstanding about who was required to take the training. All staff members with such duties have now been trained. UWFHT will document this



requirement in writing to ensure future compliance.

Responsible Party: UWFHT Executive Director Robert Overton

Targeted Implementation Date: February 1, 2024

Recommendation #5

Management Response: Soon after the late submissions of sales tax returns, UWFHT changed its Point-of-Sale software provider and updated related practices to help ensure that deadlines could be met. The Executive Director will continue to monitor deadlines and ensure that there is consistent and timely submission.

Responsible Party: UWFHT Executive Director Robert Overton

Targeted Implementation Date: May 1, 2024

**Board of Trustees
Audit and Compliance Committee
February 15, 2024**

Acceptance of PCard Second Quarter 23/24 Audit Report

Recommended Action:

Accept PCard Second Quarter 2023-2024 Audit Report.

Background Information:

We audited PCard activities for the period of October 1, 2023, through December 31, 2023. This audit was part of our 2023/24 approved audit work plan. Our objectives were to determine the extent of compliance with UWF PCard requirements for Cardholders and Approvers. The audit report was issued on January 25, 2024.

Results

We found that 17 Cardholders across 9 areas did not submit their charges to their Approvers on a timely basis. In another test of 40 transactions from the Second Quarter, we found that 2 had erroneously paid sales tax, while for 12 of them it could not be demonstrated that the receipt was reviewed by the Approver. One charge represented a prohibited purchase. All issues resulted in communication with the employees involved in an effort to ensure compliance going forward.

Implementation Plan:

N/A

Fiscal Implications:

Fiscal oversight by the Board of Trustees

Relevant Authority:

BOG Regulation 4.002

Supporting Documents:

1. PCard Second Quarter 2023/24 Audit Report

Prepared by:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division, x2638, ctalbert@uwf.edu

Presenter:

Cindy Talbert



SCOPE AND OBJECTIVES

We audited PCard activities for the period of October 1, 2023, through December 31, 2023. This audit was included as part of our 2023/24 audit work plan. Our objectives were to determine the extent of compliance with UWF PCard requirements by Cardholders and Approvers.

Audit fieldwork began on October 24, 2023, and ended on January 24, 2024. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

BACKGROUND

The UWF Office of Procurement and Contracts has 352 purchasing cards (PCards) currently issued to employees. Employees are required to be trained on PCard regulations before receiving a card or being assigned with other PCard responsibilities. Between October 1, 2023, and December 31, 2023, \$3.2 million in charges were transacted.

UWF utilizes a software application entitled “Concur” to manage PCard activities. IAMC generates Concur reports that highlight certain PCard activities, including the timeliness of actions to be taken by the Cardholder and the employee who approves their charges. Charge data is transmitted from J. P. Morgan Bank to Concur within a few days of the transaction. At this time, the Cardholder receives an automated notification from Concur to submit an electronic copy of their receipt/invoice to Concur. At some point during the accounting period, the Cardholder should create a Concur Report and assign a group of receipts/invoices to it. After this group of receipts/invoices is assigned, the Cardholder must electronically submit the Report to the designated

Approver. The Approver is notified by Concur that a Report is available to review and approve. In general, the approval of a charge should take place by the 21st day of the month after the end of the J. P. Morgan Bank accounting period, which is the 4th day of each month.

AUDIT METHODOLOGY

We extracted charge transaction information from Concur and from the J. P. Morgan Bank database. General ledger account numbers and vendor names were examined in an attempt to identify unusual transactions. We searched for duplicate transactions, those with invalid sales taxes added, and charges that might be split into smaller amounts in order to circumvent spending limits for individual cardholders.

Based on data from a Concur report for charges posted during the second quarter, we searched for Cardholders and Approvers who had not taken timely action as required by PCard regulations. It should be noted that the Controller’s Office has given Intercollegiate Athletics 30 additional days past the normal deadline to submit Concur reports. This extension is in place until April 30, 2024.

KEY OBSERVATIONS

1. We noted that, as of December 23, 2023, 17 Cardholders had not submitted their charges to the Approver for the November accounting period. This represented 69 charges, distributed as follows:



	# of Cardholders	# of Charges
Alumni Relations	1	1
Athletics	5	17
Facilities	4	5
Business Services	1	1
Student Engagement	1	3
International Affairs	2	20
Physics	1	1
Elect. & Comp. Engineering	1	12
Center for Cybersecurity	1	9

An email was sent to each Cardholder from IAMC, reminding them to take the necessary actions.

We performed the same review for the December accounting period. We found that **only one Cardholder** had not submitted their charges to the Approver for the December accounting period (International Affairs). This decrease is likely related to the holiday break and is also related to the 30 day extension provided to Athletics PCardholders and Approvers; however, it still appears that progress is generally being made toward improved compliance.

2. We sorted PCard charges posted to UWF's financial system during second quarter, by vendor, merchant category code, Cardholder total, and individual dollar amount. This was done in order to facilitate the judgmental selection of transactions on which to conduct audit tests. We selected 40 charges to test, with the following results:

Test Criteria	Exceptions
Was a valid receipt submitted?	0
Was the business purpose clarified?	0
Were appropriate account and budget codes applied to the charge?	0
Was the charge "split" to avoid spending limits?	0
Was the item prohibited from purchase?	1
Was sales tax inadvertently paid?	2
Was the receipt reviewed?	12
Was the designated Approver an appropriate person (such as the Cardholder's supervisor)?	0

For each of the exceptions noted in the table, we contacted the Cardholder or Approver to resolve the issues. For sales tax exceptions, one was of minimal amount, and the other represented \$6,449.89 that the vendor erroneously charged. Information Technology Services has been attempting to collect this amount since October 2023. We recommended that they engage the Office of Procurement and Contracts to assist them in this effort and they agreed to do so.

The prohibited purchase was payment of a restaurant bill for a departmental holiday party, out of a Concession budget. The department head was notified that the budget will need reimbursement.

We did not find a pattern of non-compliance for any employee or department.



Internal Auditing & Management Consulting
Audit: PCard Audit Report – Second Quarter 2023/24
Report #P23-24_002
Date: January 25, 2024

We appreciate the cooperation, professionalism, and responsiveness of the employees who were involved in the audit.

Respectfully submitted,

A handwritten signature in black ink that reads 'Cynthia Talbert'.

Cynthia Talbert, CFE, CIA, CRMA, CPA
Chief Audit Executive

REPORT PROVIDED TO THE FOLLOWING:

Dr. Martha Saunders, President
Suzanne Lewis, Chair BOT
Dick Baker, Chair Audit & Compliance Committee
Jill Singer, Audit & Compliance Committee
Alonzie Scott, Audit & Compliance Committee
Dr. Jaromy Kuhl, Provost and Senior Vice President
Dr. Greg Tomso, Vice President Academic Engagement and Student Affairs
Betsy Bowers, Vice President of Finance and Administration
Howard Reddy, Vice President of Advancement
Christine Miller, Director Procurement
Jaime Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Julie Leftheris, BOG Inspector General
Anna Lochas, BOT Coordinator

Board of Trustees
Audit and Compliance Committee
February 15, 2024

Florida IHMC Audited Financial Statements 6/30/23

Recommended Action:

Accept the Florida Institute of Human and Machine Cognition Financial Statements for June 30, 2023, audited by Saltmarsh, Cleaveland, & Gund.

Background Information:

A financial audit of the Florida Institute for Human and Machine Cognition (FIHMC) has been completed for the fiscal year ending June 30, 2023. In reference to the FIHMC, section 1004.447(9), Florida Statutes states: "The Board of Trustees of the University of West Florida shall annually certify to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Board of Governors that the corporation and its authorized subsidiaries are complying with the requirements of this section and are acting in the best interests of the state."

Per the Affiliation Agreement between UWF Board of Trustees and the FIHMC, dated April 30, 2004, Item 9 states:

"9. Financial Audit. The IHMC, at its sole expense, shall have an independent certified public accountant prepare an annual post audit of the corporation's financial accounts and the financial accounts of any authorized and approved subsidiary. Copies of the annual audit report shall include management letters and the IHMC shall submit to the University of West Florida Board of Trustees, the Auditor General, and the Board of Governors for review."

Results: To ensure compliance with the agreement, we performed a cursory review and determined that compliance regarding the annual financial audit exists. The independent auditor's report expressed an unmodified opinion. The audit report did not identify any material weaknesses in the internal control system and no instances of non-compliance were noted.

Financial Highlights:

- Net property and equipment as of June 30, 2023, was \$30,735,218, an increase of \$11,120,611 over the prior year. This was primarily due to new robots and a building.
- Long term debt as of June 30, 2023, was \$11,844,250, an increase of \$5,189,846 over the prior year. This was primarily related to the issuance of Research and Development Bonds.

Implementation Plan:

None

Fiscal Implications:

Fiscal oversight by the UWF Board of Trustees.

Relevant Authority:

Section 1004.447(9), Florida Statutes

Supporting Documents:

1. FIHMC Audited Financial Statements 6-30-23

Prepared by:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division, x2638, ctalbert@uwf.edu

Presenter:

Cindy Talbert

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

CONTENTS

	PAGE
Audited Financial Statements:	
Independent Auditor's Report	1
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information:	
Schedule of Contract Revenue	21
Schedule of Expenditures of Federal Awards	23
Schedule of Expenditures of State Financial Assistance	24
Other Reports and Schedule:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General	27
Schedule of Findings and Questioned Costs	29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

Opinion

We have audited the accompanying financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IHMC as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 IHMC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

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

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 IHMC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 IHMC'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 IHMC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of contract revenue is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, Rules of the Auditor General are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 December 13, 2023, on our consideration of IHMC’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 IHMC’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 IHMC’s internal control over financial reporting and compliance.



Pensacola, Florida
December 13, 2023

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current Assets:		
Cash	\$ 3,339,616	\$ 2,725,325
Restricted cash held by trustee	683,146	667,083
Grants and contracts receivables	4,561,989	4,980,341
Prepaid expenses	131,945	101,750
Total current assets	8,716,696	8,474,499
Property and Equipment, net	30,735,218	19,614,607
Right-of-Use Asset, Operating	346,086	-
Other Assets:		
Deposits	40,693	11,522
Total Assets	\$ 39,838,693	\$ 28,100,628
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturities of long-term debt	\$ 891,289	\$ 757,358
Current maturities of operating lease liabilities	97,908	-
Accounts payable	4,828,997	1,569,920
Accrued payroll and related liabilities	275,994	986,256
Accrued interest	62,313	71,250
Refundable advances	566,396	357,384
Total current liabilities	6,722,897	3,742,168
Long-Term Liabilities:		
Long-term debt, less current maturities	11,844,250	6,654,404
Operating lease liabilities, less current maturities	249,668	-
Total long-term liabilities	12,093,918	6,654,404
 Total liabilities	 18,816,815	 10,396,572
Net Assets:		
Without donor restrictions	20,940,278	17,608,003
With donor restrictions	81,600	96,053
Total net assets	21,021,878	17,704,056
Total Liabilities and Net Assets	\$ 39,838,693	\$ 28,100,628

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Change in Net Assets Without Donor Restrictions:		
Support, Revenue and Reclassifications:		
Research and development grants and contracts -		
Federal grants	\$ 3,753,531	\$ 3,040,897
State grants	2,000,000	-
Contracts	19,648,101	20,765,572
Legislative appropriation	4,039,184	4,039,184
Contributions	143,685	75,625
Other revenue	215,668	331,838
Net assets released from restrictions	15,773	79,446
 Total support, revenue and reclassifications	 29,815,942	 28,332,562
 Expenses:		
Program services -		
Research and development grants and contracts	21,969,192	22,942,762
Other program services	97,237	77,787
Total program services	22,066,429	23,020,549
Supporting services -		
Fundraising services -		
Salaries and employee benefits	322,517	31,096
Other fundraising expenses	7,435	-
General and administrative	4,087,286	3,482,382
Total supporting services	4,417,238	3,513,478
 Total expenses	 26,483,667	 26,534,027
 Change in net assets without donor restrictions from operating activities	 3,332,275	 1,798,535

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022
(Continued)

	<u>2023</u>	<u>2022</u>
Change in Net Assets With Donor Restrictions:		
Contributions	1,320	45,397
Net assets released from restrictions	<u>(15,773)</u>	<u>(79,446)</u>
Change in net assets with donor restrictions	<u>(14,453)</u>	<u>(34,049)</u>
Change in Net Assets	3,317,822	1,764,486
Net Assets, Beginning of Year	<u>17,704,056</u>	<u>15,939,570</u>
Net Assets, End of Year	<u><u>\$ 21,021,878</u></u>	<u><u>\$ 17,704,056</u></u>

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program					2023 Total
	Research and development grants and contract	Other program services	Total program services	General and Administrative	Fundraising	
Salaries	\$ 9,005,366	\$ -	\$ 9,005,366	\$ 4,703,047	\$ 262,003	\$ 13,970,416
Payroll taxes	610,728	-	610,728	286,140	20,493	917,361
Employee benefit programs	1,742,969	-	1,742,969	843,547	40,021	2,626,537
Subcontract	3,395,250	-	3,395,250	-	-	3,395,250
Travel	376,021	5,576	381,597	116,801	-	498,398
Meals and entertainment	23,191	14,753	37,944	34,138	433	72,515
Insurance	-	-	-	478,242	-	478,242
Legal and professional	218,418	61,208	279,626	427,521	6,488	713,635
Occupancy, including in-kind	-	-	-	681,858	-	681,858
Interest and amortization expense	-	-	-	361,585	-	361,585
Repairs and maintenance	-	-	-	32,611	-	32,611
Office expenses	542,046	-	542,046	320,903	514	863,463
Bad debt	-	-	-	44,920	-	44,920
Telephone	-	-	-	92,524	-	92,524
Lobbying costs	-	-	-	196,057	-	196,057
Licenses and fees	127,120	-	127,120	122,984	-	250,104
Memberships and continuing education	2,471	-	2,471	66,221	-	68,692
Employee morale and welfare	833	-	833	46,044	-	46,877
Other	12,591	15,700	28,291	110,426	-	138,717
Depreciation	-	-	-	1,033,905	-	1,033,905
Indirect applied overhead, payroll taxes and employee benefits	5,912,188	-	5,912,188	(5,912,188)	-	-
Total	\$ 21,969,192	\$ 97,237	\$ 22,066,429	\$ 4,087,286	\$ 329,952	\$ 26,483,667

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(Continued)

	Program					2022 Total
	Research and development grants and contract	Other program services	Total program services	General and Administrative	Fundraising	
Salaries	\$ 8,315,868	\$ -	\$ 8,315,868	\$ 4,384,871	\$ 25,096	\$ 12,725,835
Payroll taxes	554,898	-	554,898	269,804	1,963	826,665
Employee benefit programs	1,591,665	-	1,591,665	792,459	4,037	2,388,161
Subcontract	5,790,717	-	5,790,717	-	-	5,790,717
Travel	242,719	1,292	244,011	52,827	-	296,838
Meals and entertainment	11,279	4,495	15,774	20,034	-	35,808
Insurance	-	-	-	307,860	-	307,860
Legal and professional	439,185	60,600	499,785	430,007	-	929,792
Occupancy, including in-kind	-	-	-	510,514	-	510,514
Interest and amortization expense	-	-	-	379,101	-	379,101
Repairs and maintenance	-	-	-	24,014	-	24,014
Office expenses	436,235	-	436,235	289,786	-	726,021
Bad debt	-	-	-	144	-	144
Telephone	-	-	-	78,678	-	78,678
Lobbying costs	-	-	-	199,126	-	199,126
Licenses and fees	152,269	-	152,269	103,230	-	255,499
Memberships and continuing education	5	-	5	45,591	-	45,596
Employee morale and welfare	-	-	-	32,442	-	32,442
Other	9,588	11,400	20,988	47,570	-	68,558
Depreciation	-	-	-	912,658	-	912,658
Indirect applied overhead, payroll taxes and employee benefits	5,398,334	-	5,398,334	(5,398,334)	-	-
Total	\$ 22,942,762	\$ 77,787	\$ 23,020,549	\$ 3,482,382	\$ 31,096	\$ 26,534,027

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 3,317,822	\$ 1,764,486
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	1,033,905	912,658
Amortization of debt issuance costs	35,876	13,288
Bad debt expense	44,920	144
Loss on disposition of property and equipment	11,528	218
Changes in operating assets and liabilities -		
Grants and contracts receivables	373,432	(285,326)
Prepaid expenses	(30,195)	102,811
Right-of-use assets, operating	59,544	-
Other assets	(29,171)	3,000
Accounts payable	3,259,077	(959,654)
Accrued payroll and related liabilities	(710,262)	204,569
Accrued interest	(8,937)	(8,625)
Refundable advances	209,012	(159,042)
Operating lease liabilities	(58,054)	-
Net cash provided by operating activities	7,508,497	1,588,527
Cash Flows From Investing Activities:		
Purchases of property and equipment	(12,166,044)	(2,536,933)
Cash Flows From Financing Activities:		
Principal payments of long-term debt	(864,193)	(765,264)
Proceeds from mortgage refinance	-	11,619
Proceeds from bond issuance	6,152,094	-
Net cash provided by (used in) financing activities	5,287,901	(753,645)
Net Increase (Decrease) in Cash	630,354	(1,702,051)
Cash at Beginning of Year	3,392,408	5,094,459
Cash at End of Year	\$ 4,022,762	\$ 3,392,408
Displayed As:		
Cash	\$ 3,339,616	\$ 2,725,325
Restricted cash held by trustee	683,146	667,083
	\$ 4,022,762	\$ 3,392,408
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 410,821	\$ 374,438
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Financing costs paid from long-term debt proceeds	\$ -	\$ 399,329
Refinancing costs paid from long-term debt proceeds	\$ -	\$ 1,760,934
Recognition of right-of-use assets, operating, upon adoption of ASC 842	\$ 405,630	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Florida Institute for Human and Machine Cognition, Inc. (“IHMC”) was organized as a Florida not-for-profit corporation on February 25, 2004, pursuant to Section 1004.447, Florida Statutes, exclusively as an information-technology related organization for research, education, scientific advancement, and economic development.

Basis of Accounting:

IHMC follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

Basis of Presentation:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of IHMC and changes therein are classified as follows:

Net assets with donor restrictions are subject to donor-imposed stipulations that can be fulfilled by actions of IHMC pursuant to those stipulations, that expire by the passage of time, or the assets be maintained permanently, but permit IHMC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Net assets without donor restrictions are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates:

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

Measure of Operations:

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to IHMC’s ongoing activities. Non-operating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legislative Appropriation:

Support from legislative appropriation represents amounts received from the Florida state budget, general revenue fund.

Contributions:

Contributions are reported as revenues with donor restrictions if the donor limits the use of the donated assets. When the restrictions expire, these net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as *net assets released from restrictions*. Donor-restricted contributions are classified as revenues without donor restrictions if the restrictions are met in the same reporting period in which the contributions are received.

Unconditional promises to give are reported when the pledges are received at the present value of their net realizable value. Conditional promises to give are not recorded in the financial statements.

Noncash contributions are recorded at fair market value at the time of donation.

Grants and Contracts:

Revenue from grants and contracts, awarded to and accepted by IHMC, is recognized as earned, that is, as the related allowable costs are incurred or the performance of milestones is achieved under the grant or contract agreements. Management considers all grants and contracts receivables at June 30, 2023 and 2022 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

Facilities and administrative costs recovered on grants and contracts are recorded at rates established by IHMC with its Federal cognizant agency, or predetermined by the non-Federal sponsor. Facilities and administrative cost rates for government grants and contracts are subject to audit, and subsequent final settlements, if any, are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the financial statements.

Restricted Cash:

Restricted cash represents funds held by the note trustee for debt service.

Debt Issuance Costs:

Debt issuance costs are amortized over the term of the debt using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Amortization of debt issuance costs is reported as interest expense in the statements of functional expenses and totaled \$34,208 and \$13,288 for the years ended June 30, 2023 and 2022, respectively.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment:

Property and equipment are recorded at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building	15-39 years
Computers and software	3-5 years
Machinery and equipment	5-30 years
Robotics	3-5 years
Furniture and fixtures	5 years
Vehicle	5 years

Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Costs of equipment that are acquired or constructed for research and development activities are generally expensed; however, equipment acquired or constructed which have alternative future uses in research and development projects or otherwise are also capitalized. Depreciation of idle equipment is discontinued until such assets are placed back into service. IHMC did not incur any impairment losses related to idle equipment.

Refundable Advances:

Refundable advances represent funds received by IHMC from grantor agencies that have not been spent at the end of the year. Advances must be returned to the grantor agency if not spent for their intended purpose within the grant period unless re-appropriated or extended by the grantor.

Advertising Costs:

Advertising costs are expensed when incurred.

Income Taxes:

IHMC is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a public charity. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncement:

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. The guidance in this topic supersedes the requirements in Accounting Standards Codification (“ASC”) Topic 840, *Leases*. With the exception of short-term leases, the updated guidance requires lessees to recognize a lease liability representing the lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use (“ROU”) asset representing the lessee’s right to use, or control the use of, a specified asset for the lease term upon adoption. Lessor accounting was largely unchanged under the new guidance, except for clarification of initial direct cost which provided additional guidance on the timing of recognition of those costs. Subsequent to the issuance of this update, the FASB issued three additional ASU’s that provide codification improvements and certain transition elections. IHMC adopted the standard effective July 1, 2022, using the modified retrospective transition method permitted by ASU 2018-11.

IHMC’s lessee arrangements include operating leases for office space and equipment leases. Under these arrangements, IHMC records ROU assets and corresponding operating lease liabilities, each of which is based on the present value of the remaining lease payments discounted using the risk-free rate practical expedient allowable under ASC 842. ROU assets are reported as noncurrent assets and the related operating lease liabilities are reported in current and long-term liabilities on the statement of financial position. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which IHMC elected the short-term lease recognition under ASC 842. Lease terms may contain renewal and extension options and early termination features. Lease expense is recognized on a straight-line basis over the lease term. IHMC has included new lease disclosures in Note 5.

Subsequent Events:

Management has evaluated subsequent events through December 13, 2023, the date on which the financial statements were available for issue.

NOTE 2 - RESTRICTED CASH HELD BY TRUSTEE

Restricted cash is comprised of the following:

	2023	2022
Debt service -		
Note principal	\$ 620,833	\$ 595,833
Note interest	62,313	71,250
	\$ 683,146	\$ 667,083

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,316,994	\$ 3,316,994
Buildings	17,668,532	17,651,097
Computers and software	1,210,785	1,182,327
Machinery and equipment	3,585,412	2,125,393
Robotics	1,014,362	1,014,362
Furniture and fixtures	908,293	895,169
Vehicle	54,197	54,197
	<u>27,758,575</u>	<u>26,239,539</u>
Less accumulated depreciation and amortization	<u>9,523,868</u>	<u>8,495,037</u>
	18,234,707	17,744,502
Art collection	5,950	5,950
Idle equipment, net	164,091	153,057
Construction in progress	<u>12,330,470</u>	<u>1,711,098</u>
	<u>\$ 30,735,218</u>	<u>\$ 19,614,607</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$1,033,905 and \$912,658, respectively.

Construction in progress at June 30, 2023, represents costs for new robots and a building.

IHMC capitalizes interest costs on borrowings incurred during the construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Certain fixed assets of IHMC were purchased with federal, state and local grants and contracts. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. Also, at the end of the project for which the asset was purchased, the granting agency has the right to reclaim such equipment. IHMC accounts for these items separately until final release of the item has been received by IHMC.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

In September 2008, IHMC received a grant for \$958,300 from the U.S. Department of Commerce’s Economic Development Administration (“EDA”) for the renovation of the Ocala, Florida facility. The grant restricts the use of the building to research and development, unless an alternate purpose is approved by the grantor agency administrators. The EDA has determined the useful life of the project for purposes of this restriction to be 20 years.

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	2023	2022
\$7,700,000 Capital Improvement Refunding Revenue Bonds, Series 2018, due in monthly installments of \$47,638 to \$76,667, from January 1, 2019 through September 1, 2028, with an interest rate of 5%, secured by mortgage and security agreement	\$ 4,985,000	\$ 5,700,000
\$25,000,000 Research and Development Revenue Bonds, Series 2022, due in monthly installments of \$51,061 to \$81,615, from April 1, 2024 through April 1, 2037, with an interest rate of 3.47%, secured by mortgage and security agreement	6,526,519	374,425
\$1,800,000 Note, due in monthly installments of \$9,814, from April 28, 2022 through February 28, 2037, balloon payment due March 28, 2037, with an interest rate of 4.25%, secured by mortgage and security agreement	1,614,488	1,763,681
	13,126,007	7,838,106
Less unamortized debt issuance costs	390,468	426,344
	12,735,539	7,411,762
Less current maturities	891,289	757,358
	\$ 11,844,250	\$ 6,654,404

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - LONG-TERM DEBT (Continued)

Scheduled maturities on long-term debt are as follows:

2024	\$ 891,289
2025	1,453,081
2026	1,508,445
2027	1,569,765
2028	1,636,892
Thereafter	<u>6,066,535</u>
	<u>\$ 13,126,007</u>

In November 2013, Escambia County, Florida (“the County”), issued a \$12,000,000 industrial development revenue note to provide financial assistance to IHMC for the refunding of the Commission’s 2008 \$4,292,500 industrial revenue bonds, and for the financing of the construction of a new research facility. The note is payable solely from the payments received from the underlying financing agreement. Pursuant to the financing and construction agreements, IHMC agreed to make monthly installments to the County sufficient to pay all principal and interest amounts. IHMC executed and delivered a promissory note to the County, who is assigned all rights to receive payments from IHMC related to these agreements. The County has no obligation in any manner for repayment of the note. During 2014 and 2015, the County disbursed \$6,460,476 to IHMC to refund the Commission’s bonds payable, pay for new debt issuance costs, pay for architect costs and construction costs of the new research facility. During 2016, the County disbursed \$5,316,173 to IHMC to pay for construction costs of the new research facility. The remaining \$223,351 was disbursed by the County during 2018 as IHMC received the certificate of occupancy for the new research building. During 2019, the County refunded the \$12,000,000 industrial development revenue note and issued \$7,700,000 Capital Improvement Refunding Revenue Bonds, Series 2018.

During 2022, Florida Development Finance Corporation (“FDFC”) issued a not-to-exceed \$25,000,000 Revenue Bond to provide financial assistance to IHMC to finance the construction of a new building. The note is payable to Smartbank Corporation (“Smartbank”) as lender, solely from the payments received from the underlying financing agreement. IHMC executed and delivered a promissory note to Smartbank, who is assigned all rights to receive payments from IHMC related to these agreements. FDFC has no obligation in any manner for repayment of the note. As of June 30, 2023, proceeds disbursed totaled \$6,526,519. IHMC will make interest-only payments through April 2024, at which point in time the total outstanding principal and interest payments begin.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - LEASES

IHMC leases office space and equipment under operating leases expiring through September 2026. As of June 30, 2023, the ROU assets related to operating leases totaled \$346,086 and the related lease liabilities totaled \$347,576. Rent expense, including operating leases, totaled \$130,944 and \$40,187 for the years ended June 30, 2023 and 2022 and is included in occupancy expenses in the accompanying statements of functional expenses. The following table presents supplemental information pertaining to the operating leases as of and for the year ended June 30, 2023:

Operating cash flows from operating leases	\$ 67,159
ROU asset obtained in exchange for operating lease liabilities	\$ 405,630
Weighted-average remaining lease term for operating leases	4.33 years
Weighted-average discount rate for operating leases	3.47%

The following table presents the maturities of IHMC's operating lease liabilities and the present value discount as of June 30, 2023:

2024	\$ 108,137
2025	110,104
2026	113,113
2027	<u>36,410</u>
Total undiscounted cash flows	367,764
Less: present value discount	<u>(20,188)</u>
Total lease liabilities	<u>\$ 347,576</u>

NOTE 6 - NET ASSETS

Net assets with donor restrictions include contributions for specific purposes that have not yet been accomplished and unconditional promises to give with payments due in future periods to be used for the activities of IHMC. Net assets with donor restrictions at June 30, 2023 and 2022 are presented as follows:

	<u>2023</u>	<u>2022</u>
Educational Outreach Youth Programs	\$ 77,069	\$ 79,917
Other	<u>4,531</u>	<u>16,136</u>
	<u>\$ 81,600</u>	<u>\$ 96,053</u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 - RETIREMENT PLANS

IHMC established a defined contribution retirement plan that operates under Section 403(b) of the Internal Revenue Code on March 1, 2005. The purpose of the plan is to provide retirement benefits for participating employees. Benefits are provided through Teachers Insurance and Annuity Association (“TIAA”), College Retirement Equities Fund (“CREF”). The plan year begins on July 1 and ends on June 30. All benefits under the Plan are fully funded and provided through the funding vehicle(s) selected by the participant. Benefits are not subject to, nor covered by, federal plan termination insurance.

The plan covers substantially all employees except part-time and leased. IHMC contributes 11% of eligible employee’s compensation on a bi-weekly basis. Contributions to the plan amounted to \$1,328,731 in 2023 and \$1,218,839 in 2022.

In addition to the defined contribution plan, IHMC also established an elective deferral plan with TIAA CREF. To participate, an eligible employee must enter into a written salary reduction agreement with IHMC. Under the salary reduction agreement, the employee’s salary (paid after the agreement is signed) is reduced and the amount of the reduction is applied as premiums to the funding vehicles available under this plan.

IHMC has established an elective deferral plan that operates under Section 457(b) of the Internal Revenue Code. To participate, an eligible employee must enter into a written salary reduction agreement with IHMC. Under the salary reduction agreement, the employee’s salary (paid after the agreement is signed) is reduced and the amount of the reduction is applied as premiums to the funding vehicles available under this plan’s provider, Edward Jones.

NOTE 8 - RELATED PARTY TRANSACTIONS

Prior to the creation of IHMC as a separate nonprofit entity, the University of West Florida Institute for Human and Machine Cognition (“UWF IHMC”) performed information-technology research as a research division of the University. To assist in the transition of UWF IHMC activities to IHMC, the University of West Florida (“the University”) and IHMC have entered into an affiliation agreement (“the agreement”) that addresses IHMC’s use of or participation in University programs and services, including monies, personnel or services, and the use of facilities. One member of IHMC’s Board of Directors serves on the Board of Trustees for the University. This individual is asked to abstain from voting on items before the Board of Directors that will be funded by the University.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk - Uninsured Cash Balances:

IHMC maintains cash balances with two banks. In addition to the FDIC coverage provided by the two banks, the demand deposit accounts held at one bank are also protected under Chapter 280, Florida Statutes, Public Deposits Trust Fund. At June 30, 2023, IHMC had cash balances in excess of insured limits of approximately \$790,000.

Lines of Credit:

IHMC has two revolving, unsecured, lines of credit, each totaling \$2,000,000 with two financial institutions. Both lines of credit carry interest of 2.5% over the one-month LIBOR rate and expire on February 22, 2024, and April 10, 2025. IHMC had no amounts outstanding as of June 30, 2023 and 2022 under the lines of credit.

Contingencies:

The Defense Contract Audit Agency (“DCAA”) is the federal agency tasked with auditing grant compliance on behalf of the Office of Naval Research (“ONR”), which is IHMC’s cognizant agency. As noted in their audit reports for the fiscal years ended June 30, 2008 through 2013, and again in their audit report for the fiscal year ended June 30, 2020, DCAA had questioned a portion of indirect costs included in the indirect cost pool. As of June 30, 2021, ONR had issued final indirect cost rates for the fiscal years ended June 30, 2008 through 2019. Subsequent to June 30, 2021, IHMC received final indirect cost rates for fiscal years ended June 30, 2020 and 2021. Some of the finalized rates were lower than those rates applied by IHMC during the time under audit. The overall effects of the lower rates cannot accurately be determined and as such, no provision for any possible payback has been recorded in the financial statements.

Grants and contracts require the fulfillment of certain conditions as set forth in the applicable agreements. Failure to fulfill the conditions could result in the return of funds to the grantors or contracting agencies. Although that is a possibility, IHMC deems the contingency remote, since by acceptance of the grants and contracts and their terms, it has structured the objectives of IHMC to meet the provisions of the agreements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 - LIQUIDITY

IHMC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 3,339,616
Grants and contracts receivable	<u>4,561,989</u>
	<u>\$ 7,901,605</u>

As part of IHMC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, IHMC has two lines of credit, each in the amount of \$2,000,000, which it could draw upon.

SUPPLEMENTARY INFORMATION

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF CONTRACT REVENUE
YEAR ENDED JUNE 30, 2023

Contract Description	CFDA Number	Revenue
VISTa: Virtual Integrated Social Task (2023-003-01)	12.430	\$ 373,770
ARL Intelligent Systems (2019-035-01)	12.431	1,329,181
ARL Intelligent Systems (2019-035-03)	12.431	19,759
Robust Humanoid Walking and Recovery on Rough Terrain (2021-022-01)	12.431	216,083
Spatial Orientation Modeling Expert Workgroup (SOMEW) (2022-024-03)	12.431	9,991
Breaching and Accessing Urban Structures with Humanoid Robots (2023-004-01)	12.431	112,569
Real-Time Assessment & Augmentation of Cognitive Performance in Extreme Environments (2022-022-01)	12.800	2,534,619
Mobility and Planning Algorithms for NASA JSC Valkyrie Robot (2020-017-01)	43.009	338,285
CCRI: Planning-C: Developing a Minecraft-based Testbed for Evaluating Human-AI Teaming Research (2022-025-01)	47.070	10,000
PhD Mentorship of Daniel Pfister Summer 2023 (2023-013-01)	N/A	7,607
MetaData (2015-040-01)	N/A	9,534
CAPSTONE 2017 (2017-048-01)	N/A	22,498
SquadBot: High Performance Humanoid Robot for Urban Operations (2018-040-01)	N/A	922,346
Butler Hine IPA (2019-006-01)	N/A	174,943
Human Performance Optimization: Ketone Esters for Optimization of Operator Performance in Hypoxia (2019-010-01)	N/A	407,098
Closed-Loop Feedback Control for Transcranial Direct Current Stimulation, Phase II, STTR Topic AF17B-T002 (2019-011-01)	N/A	14,512
UWF (2019-023-01)	N/A	486,756
ASIST Predicting Effective Performance in Teams (PEPT) TA 2 (2019-039-01)	N/A	727,114
LEAP-Learning through Electrical Augmentation of Plasticity (2020-008-01)	N/A	22,680
Research and Development of Wearable Robotics to Enhance Worker Safety (2020-022-01)	N/A	1,139,747
Suri IPA - 2020-2022 (2020-023-01)	N/A	46,857
Evaluation of the U.S Air Force Performance Assessment Tool to Detect the Cognitive Performance Effects of Operator Dehydration (2020-029-01)	N/A	2,527
OTA Advance Visualization Techniques (2021-005-01)	N/A	820,734
A Low-cost IoT-based Virtual Fencing, Perimeter Monitoring, Threat Detection, and Notification System (IoT-Fence) (2021-006-01)	N/A	442,499
Improving Human Performance Through Sleep Restoration Phase II (2021-009-01)	N/A	61,866
Virtual Reality (VR) Design Workbench (2021-011-02)	N/A	742,978
Virtual Reality (VR) Design Workbench (2021-011-03)	N/A	107,054
QUASAR SBIR Individualized, Noninvasive Speech Indicators for Tracking Elevations in Phase II (2021-016-01)	N/A	6,977
Understanding Private States: Attitudes in Argumentation (2021-019-01)	N/A	54,723
RADII: Reticular Analysis of Discourse for Influence Indicators (INCAS) (2021-020-01)	N/A	407,451
Central Florida Pharmacy (2021-023-01)	N/A	6,500
Syracuse University Consulting Agreement (2021-026-01)	N/A	1,278
Dialogue Assistant for Engaging in Social-Cybermediation (2021-028-01)	N/A	659,575
FW-HTF-T/Collaborative Research: Occupational Exoskeletons and the Human-Technology Partnership: Achieving Scale and Integration into the Future of Work (2022-001-01)	N/A	114,089
Air Force Research Lab (AFRL) Headquarters (HQ): Designing for the Future (2022-002-01)	N/A	9,567
Enhancement of Pathway-Level Information Extractor for Omics Data Interpretation (EPLIER) (2022-004-01)	N/A	186,469

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF CONTRACT REVENUE
YEAR ENDED JUNE 30, 2023
(Continued)

Contract Description	CFDA Number	Revenue
Strategies To Augment Ketosis (STAK) Mild Traumatic Brain Injury (mTBI) (2022-007-01)	N/A	1,335,518
Community Foundation for Ocala/Marion County (2022-008-01)	N/A	2,020
Optimus V2 Robot (2022-009-01)	N/A	204,234
Cockpit Electromagnetic Radiation Testing And Interpretation (CERTAIN) (2022-010-01)	N/A	49,076
COEUS: A Co-Training Methodology for Improved Performance in Human-Machine Teams (2022-011-01)	N/A	235,016
Gulf Coast State College Automation Training Program - Consulting (2022-012-01)	N/A	7,724
Halodi Agreement (2022-013-01)	N/A	52,138
PROtotype Testing Environment for User Situation awareness (PROTEUS) (2022-014-01)	N/A	928,851
Collaboration and Secure Tasking for Multi-Agent Swarms (2022-015-01)	N/A	114,920
Combat Marksmanship in Extremely Cold Environments: Assessing Impacts on Cognitive Function and Developing Data-Driven Countermeasures (2022-018-01)	N/A	172,672
JAG Consulting Agreement - Dave Morris (2022-019-01)	N/A	37,092
INCiST: Information Competition with Stance and Topics (2022-020-01)	N/A	23,472
Optimus V3 Robot (2022-021-01)	N/A	361,580
Tactile Gloves for Cold Weather (2022-023-01)	N/A	111,574
Spatial Orientation Modeling Expert Workgroup (SOMEW) (2022-024-01)	N/A	50,651
Spatial Orientation Modeling Expert Workgroup (SOMEW) (2022-024-02)	N/A	50,651
SeAR: Panama City Beach Seashore Discovery Augmented Reality App for Tourism and Citizen Science: A Path to Connect, Inform, and Educate and Support Smart Community Resiliency (2022-026-01)	N/A	33,171
Intergovernmental Personnel Act (IPA) for Dr. Niranjani Suri (2022-027-01)	N/A	124,269
Agile Information Management and Dissemination for Federated and Multi-domain Environments over Disadvantaged Tactical Networks (2022-028-01)	N/A	434,557
Tactical Personal Area Network for Ground Soldier Systems (TacPAN-GSS) Development (2022-029-01)	N/A	43,894
Assessment and Enhancement of Airman and Teams in Operational Environments (2022-030-01)	N/A	56,790
(2023-001-01)	N/A	4,379
Human Subjects Pilot Program Eyvr Foods Phase 2 (2023-002-01)	N/A	7,205
Bella Mente Quantum Racing Association Corp R&D Agreement, WO #1 (2023-005-01)	N/A	16,902
GAP(2023-006-01)	N/A	12,000
Cognitive Agent Support for CASC2 program (2023-007-01)	N/A	5,240
ShoeV4 Robot (2023-008-01)	N/A	231,912
SupplyBot: Extreme Mobility Resupply Robot Phase II (2023-010-01)	N/A	25,167
PhD Mentorship of Daniel Pfister Spring 2023 (2023-011-01)	N/A	23,310
IHMC Center for Human Healthspan, Resilience and Performance (the Center) Triumph (2021-008-01)	N/A	2,341,880
		<u>\$ 19,648,101</u>

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Expenditures	Transfer to Subrecipients
<u>Research and Development Cluster:</u>				
<u>Office of Naval Research</u>				
Michigan State	12.300	N00014-20-1-2005	\$ 146,575	\$ -
Human Glymphatic Function in Extreme Environments	12.300	N00014-20-1-2463	179,298	173,076
Validation of an Underwater Oculometric Assessment Tool	12.300	N00014-20-1-4002	400,787	-
Evaluating the Benefits of Intranasal Oxytocin Administration on Human Performance and Metabolism Under Extreme Conditions	12.300	N00014-21-1-2201	1,015,804	35,688
Machine Learning Approach to Identifying Hypercapnia Through Breath Sounds in Mask Worn Breathing Systems	12.300	N00014-21-1-2667	528,524	95,062
High Performance Humanoid Robot for Urban Exploration	12.300	N00014-22-1-2593	1,181,463	626,989
Total Office of Naval Research			<u>3,452,451</u>	<u>930,815</u>
<u>National Science Foundation</u>				
Collaborative Research: RI: Small: Modeling and Learning Ethical Principles for Embedding into Group Decision Support Systems	47.070	2008011	9,681	-
PIPP Phase I: Computational Theory of the Co-evolution of Pandemics, (Mis)information, and Human Mindsets and Behavior	47.070/47.075	2200112	280,857	105,100
Total National Science Foundation			<u>290,538</u>	<u>105,100</u>
Total Research & Development Cluster			3,742,989	1,035,915
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	10,542	-
Total Expenditures of Federal Awards			<u>\$ 3,753,531</u>	<u>\$ 1,035,915</u>

NOTE 1: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE 2: IHMC did not use the de minimus cost rate.

**FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2023**

State Grantor, Pass-through Grantor, Program or Cluster Title	CSFA Number	Pass-through Agency's Identifying Number	Expenditures
<u>Florida Department of Economic Opportunity</u> Space Florida	40.040	SEEDTF	<u>\$ 2,000,000</u>

NOTE: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

OTHER REPORTS AND SCHEDULE

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2023.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Florida Institute for Human and Machine Cognition, Inc.

Compliance and Other Matters

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

Purpose of this Report

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



Pensacola, Florida
December 13, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Florida Institute for Human and Machine Cognition, Inc.'s (“IHMC”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Executive Office of the Governor’s State Project Compliance Supplement* that could have a direct and material effect on IHMC’s major federal programs and state project for the year ended June 30, 2023. IHMC’s major federal programs and state project are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of IHMC’s major federal programs and state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”); and Chapter 10.650, Rules of the Auditor General. Those standards, Uniform Guidance and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about IHMC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of IHMC’s compliance.

-27-

Opinion on Each Major Federal Program and State Project

In our opinion, IHMC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs and state project for the year ended June 30, 2023.

Report on Internal Control Over Compliance

Management of IHMC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IHMC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IHMC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida
December 13, 2023

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Florida Institute for Human and Machine Cognition, Inc.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Florida Institute for Human and Machine Cognition, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program or state project are reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major federal award program and state project for Florida Institute for Human and Machine Cognition, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal program and state project for Florida Institute for Human and Machine Cognition, Inc. which are required to be reported in accordance with Section 2 CFR section 200.516(a) of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General.
7. The program/project tested as the major program/project included the following:

Federal Program

Research and Development Cluster:

Basic and Applied Scientific Research	CFDA No. 12.300
Computer and Information Science and Engineering	CFDA No. 47.070
Social, Behavioral, and Economic Sciences	CFDA No. 47.075

State Project

Space Florida	CSFA No. 40.040
---------------	-----------------

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023
(Continued)

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

8. The threshold used for distinguishing between Type A and B programs was \$750,000 for major federal programs and state projects.
9. Florida Institute for Human and Machine Cognition, Inc. was determined to be a low-risk auditee pursuant to the Uniform Guidance.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

There were no findings and questioned costs relating to the major federal award program which are required to be reported in accordance with the Uniform Guidance.

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

There were no findings and questioned costs relating to the major state project which are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.

In accordance with Rules of the Auditor General, Section 10.656(3)(e), no management letter is required because there were no findings required to be reported in the management letter.

Board of Trustees
Audit and Compliance Committee
February 15, 2024

WUWF-FM Audited Financial Statements 6/30/23

Recommended Action:

Accept the WUWF-FM Financial Statements for June 30, 2023, audited by James Moore & Company.

Background Information:

A financial audit is conducted annually of WUWF-FM, a public telecommunications entity operated by UWF. This is to comply with the Corporation for Public Broadcasting community service grant requirements. The audit of WUWF-FM has been completed for the fiscal year ending June 30, 2023. To ensure compliance with these requirements, we performed a cursory review of these special purpose financial statements and determined that WUWF-FM was in compliance.

Results:

WUWF-FM received an unmodified opinion. No deficiencies were identified in the internal controls over financial reporting that were considered to be material weaknesses.

Financial Highlights:

- For the year ended June 30, 2023, operating revenues were \$2,140,579, which was consistent with the prior year. Operating expenses were \$2,167,549, a 7% decrease from the prior year.

Implementation Plan:

None.

Fiscal Implications:

Fiscal oversight by the UWF Board of Trustees of activities affiliated with or through the University of West Florida.

Relevant Authority:

N/A

Supporting Documents:

1. WUWF-FM Audited Financial Statements 6-30-23

Prepared by:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division, x2638, ctalbert@uwf.edu

Presenter:

Cindy Talbert

**WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE
UNIVERSITY OF WEST FLORIDA**

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
TABLE OF CONTENTS
JUNE 30, 2023 AND 2022

	<u>Page(s)</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 8
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 – 24
Supplemental Information	25
Schedule of Functional Expenses (Exhibit I)	26



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
University of West Florida:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of WUWF-FM (the "Station"), a public telecommunications entity operated by the University of West Florida, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Station'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 financial position of WUWF-FM as of June 30, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 WUWF-FM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 WUWF-FM'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.

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

In performing an audit in accordance with GAAS, 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 WUWF-FM'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 WUWF-FM'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.

Other Matters

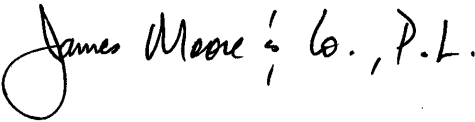
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as indicated in the table of contents to be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WUWF-FM's basic financial statements. The Schedule of Functional Expenses (Exhibit I) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Functional Expenses 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. Such 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 Schedule of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

James Moore & Co., P.L.

Tallahassee, Florida
January 9, 2024

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

INTRODUCTION AND REPORTING ENTITY

The following discussion and analysis is an overview of the financial position and activities of WUWF Radio Station for the years ended June 30, 2023 and 2022. Management of WUWF Radio Station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section. Our discussion and analysis are required by accounting principles generally accepted in the United States of America in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Governmental Accounting Standards Board has not developed accounting standards for the presentation of auxiliary (or departmental) entities. The Station's accounting policies and practices do, however, conform to those permitted or allowed by the Corporation for Public Broadcasting (CPB), which generally follow published Governmental Accounting Standards. The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year.

WUWF-FM Radio Station is a public telecommunications entity operated by the University of West Florida. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members, and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Serving Northwest Florida and South Alabama, WUWF Public Radio is one of the most visible and active examples of the University of West Florida's public service and outreach mission, pursuing and nurturing mutually beneficial community partnerships and enhancing the educational, cultural and economic development of the region.

WUWF is a high-profile, cost-effective example of UWF's commitment to the citizens of Florida. WUWF delivers the university's resources daily to thousands who live in areas that might otherwise be culturally or educationally isolated. Businesses use the delivery of resources provided by WUWF's prestigious NPR programming to recruit quality employees with metropolitan expectations. WUWF supports the university's academic mission by providing opportunities for students to gain professional experience to supplement classroom instruction. Faculty have a platform for sharing their academic research with the general public. Through collaborative programs involving faculty, WUWF's audience is made aware of the university's connection and importance to the community.

The station broadcasts 24 hours a day, delivering a 100,000-watt signal at the frequency 88.1 FM. The station simultaneously broadcasts a hybrid digital (HD) signal delivering three distinct program services: HD-1 provides 24/7 local, regional & national news and musical arts programming; HD-2 provides 24/7 classical music; and HD-3 provides Sightline, a 24/7 reading service for the vision impaired. All of the program streams can also be accessed online at <http://wuwf.org> or through the WUWF Mobile App.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

With a professional staff of 12, 6-part-time professionals, 3 student employees, WUWF is known for outstanding locally produced news coverage and programs like, Acoustic Interlude, 14/59, Big Bands & Jazz, Musical Gumbo, and Radio Live. Due to Covid and the inability of the Pensacola News journal to deliver papers to our readers for Sightline, our reading service for the visually impaired, we no longer have volunteers. We still provide the service but without the local readers.

WUWF is a founding member of the Florida Public Radio Emergency Network (FPREN), providing year-round emergency information before, during, and after significant weather events and other emergencies, and is recognized by the Florida Department of Emergency Management as the primary source of emergency information for Northwest Florida. In times of crisis, WUWF transcends its role of life enrichment to that of lifeline, partnering with regional governments and agencies in providing critical information.

As a listener-supported station, WUWF operates largely with contributions from individual listeners and local businesses. The University of West Florida provides funds for salaries, facilities, and general upkeep and utility bills. Grants from the Corporation for Public Broadcasting and the Florida Department of Education provide funds for salaries and national program acquisition costs.

FINANCIAL HIGHLIGHTS

The Station's operating revenues totaled \$2,140,579 a decrease of \$3,697 from last year, and operating expenses totaled \$2,167,549 which is down \$161,855 from last year. The slight decreases in operating revenues were mainly attributable to a \$11K decrease in facilities and administrative support donated by the university. While university appropriations are up \$61K compared to the prior year, returning to pre-pandemic activity, individual membership income as well as business and industry support more than absorb that gain by a total loss of \$71K compared to the prior year due to a lack of renewal agreements from underwriters. The modest decrease in operating expenses occurred in broadcasting as well as management and general salaries were allocated away toward the programming and production category for increased programming activities and radio programming fees. This decrease is mainly due to NPR moving towards an annual subscription versus a quarterly one, and the related discount for paying the annual amount ahead of time. The total operating expenses moderately changed by much; however, amounts were reallocated for salary expenses based on updated information that impacted the major functions, with programming and production going up by \$66K, and fundraising and membership development increasing by \$66K,

The Station experienced a decrease of \$99,407 in non-operating revenue due to the prior year's one-time-only receipt of debt forgiveness of the Payroll Protection Program Loan of \$200,776. The Station's fair value of investments at the UWF Foundation increased to \$41,402 in 2023, while it decreased to \$(76,013) in 2022.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Station is a unit of University of West Florida, and these financial statements include assets, liabilities and activity related to its public broadcasting function. This includes account activity in funds which are under the control of the Station manager within the University and University of West Florida Foundation.

These financial statements consist of statements of net position and statements of revenues, expenses, and changes in net position. The statements of net position and the statements of revenues, expenses, and changes in net position are intended to demonstrate the Station's financial position as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of net position and the statement of revenues, expenses, and changes in net position are valuable report information on WUWF's current fund and activities in a way that helps the reader determine if the Station is in a better position from one year to the next. When revenues and other support exceed expenses, the result is an increase in net position. The relationship between revenues and expenses may be thought of as WUWF's operating results.

These two statements report WUWF's net position and changes in them. The net position amount, the difference between assets and liabilities, is one way to measure WUWF's financial health or financial position. Over time, increases or decreases in WUWF's net position are one indicator of whether its financial health is improving or deteriorating. However, many other non-financial factors such as certain trends in funding, condition of facilities and sponsorships should be considered in assessing the overall health of the radio station.

These statements are prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net position presents the assets, liabilities, and net position of WUWF's current fund as of the end of the fiscal year. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the station's current fund at a certain point in time. The statement of net position presents end-of-year data concerning assets, (current and non-current), liabilities (current and non-current), and net position (assets minus liabilities).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of WUWF Radio Station. They are also able to determine how much the current fund owes vendors, employees, and others. Finally, the statement of net position provides a picture of the net position (assets minus liabilities) and their availability for use by WUWF.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

Condensed Statements of Net Position
Table 1

	June 30, 2023	June 30, 2022	June 30, 2021 Restated
Current assets	\$ 1,463,158	\$ 1,403,298	\$ 1,625,581
Noncurrent assets	485,016	561,165	624,858
Total assets	<u>1,948,174</u>	<u>1,964,463</u>	<u>2,250,439</u>
Current liabilities	119,830	122,701	356,711
Noncurrent liabilities	265,779	304,097	322,213
Total liabilities	<u>385,609</u>	<u>426,798</u>	<u>678,924</u>
Net Position			
Invested in capital assets	379,243	436,354	482,309
Restricted	255,117	435,435	471,646
Unrestricted	928,205	665,876	617,560
Total net position	<u>\$ 1,562,565</u>	<u>\$ 1,537,665</u>	<u>\$ 1,571,515</u>

Condensed Statements of Revenues, Expenses and Change In Net Position
Table 2

	June 30, 2023	June 30, 2022	June 30, 2021
Revenues			
Operating revenues	\$ 2,140,759	\$ 2,144,456	\$ 2,114,014
Non-operating revenues (expenses)	51,690	151,097	381,168
Total revenues	<u>2,192,449</u>	<u>2,295,553</u>	<u>2,495,182</u>
Expenses			
Total expenses	<u>2,167,549</u>	<u>2,329,404</u>	<u>2,328,700</u>
Adjustment to Beginning Net Position	_____	_____	\$ (31,789)
Increase (decrease) in net position	<u>\$ 24,900</u>	<u>\$ (33,851)</u>	<u>\$ 134,693</u>

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

REQUEST FOR INFORMATION

This financial narrative is designed to provide a general overview of the Station's finances and to show accountability for the contributions received by the Station. If you have questions about this report or a need for additional financial information, contact the Station at:

WUWF
11000 University Parkway
Pensacola, FL 32514
(850) 474-2787

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 877,407	\$ 907,558
Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station	510,917	459,413
Accounts and grants receivable	4,791	8,951
Prepaid program costs	70,043	27,376
Total current assets	1,463,158	1,403,298
Noncurrent assets		
Capital assets, net of accumulated depreciation	407,905	467,229
Right-of-use leased asset, net of accumulated amortization	77,111	93,936
Total noncurrent assets	485,016	561,165
Total assets	1,948,174	1,964,463
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	56,867	65,129
Unearned revenue	32,928	27,169
Current portion of compensated absences	9,709	11,428
Short-term lease liability	20,326	18,975
Total current liabilities	119,830	122,701
Noncurrent liabilities		
Long-term portion of compensated absences	180,681	198,673
Long-term lease liability	85,098	105,424
Total noncurrent liabilities	265,779	304,097
Total liabilities	385,609	426,798
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	379,243	436,354
Unrestricted	928,205	665,876
Restricted:		
Expendable	105,117	285,435
Nonexpendable - Endowment	150,000	150,000
Total net position	\$ 1,562,565	\$ 1,537,665

The accompanying notes to financial statements
are an integral part of these statements.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating revenues		
Community service grants donated by the Corporation for Public Broadcasting	\$ 164,253	\$ 161,895
Community service grants donated by the Florida Department of Education	97,847	100,000
Appropriations from the University of West Florida	752,870	691,829
Business and industry support	215,215	257,526
Membership income	504,140	533,242
Donated facilities and administrative support from the University of West Florida	345,884	357,163
In-kind contributions	22,281	12,762
Other sources	38,269	30,039
Total operating revenues	2,140,759	2,144,456
Operating expenses (Exhibit I)		
Programming and production	1,109,922	1,044,281
Broadcasting	309,057	431,122
Program information and promotion	22,424	69,223
Management and general	348,867	466,414
Fundraising and membership development	229,683	163,406
Underwriting and grant solicitation	147,596	154,958
Total operating expenses	2,167,549	2,329,404
Operating loss	(26,790)	(184,948)
Non-operating revenues (expenses)		
Interest income	10,288	6,334
Net increase (decrease) in fair value of investments	41,402	(76,013)
Payroll Protection Program Loan Forgiveness	-	220,776
Total non-operating revenues (expenses)	51,690	151,097
Increase (decrease) in net position	24,900	(33,851)
Net position, beginning of year	1,537,665	1,571,516
Net position, end of year	\$ 1,562,565	\$ 1,537,665

The accompanying notes to financial statements
are an integral part of these statements.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 1,029,643	\$ 1,069,750
Cash paid to suppliers and vendors	(670,922)	(688,147)
Cash paid to employees for salaries and benefits	(370,084)	(519,953)
Net cash provided by operating activities	(11,363)	(138,350)
Cash flows from investing activities		
Sales (purchases) of funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station, net of fees	(51,504)	97,037
Investment income (loss)	51,690	(69,679)
Net cash provided by (used in) investing activities	186	27,358
Cash flows from financing activities		
Proceeds (repayments) from Payroll Protection Program loan	-	(12,721)
Payments of lease principal	(18,975)	(17,680)
Net cash used in financing activities	(18,975)	(30,401)
Net decrease in cash and cash equivalents	(30,152)	(141,393)
Cash and cash equivalents, beginning of year	907,559	1,048,952
Cash and cash equivalents, end of year	\$ 877,407	\$ 907,559
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (26,790)	\$ (184,948)
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Depreciation and amortization	76,148	76,735
Fixed asset appropriations received from the University	-	(13,041)
(Increase) decrease in certain assets:		
Accounts and grants receivable	4,160	(107)
Prepaid program costs	(42,667)	(16,040)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(8,262)	(2,041)
Compensated absences	(19,711)	896
Unearned revenue	5,759	196
Total adjustments	15,427	46,598
Net cash used in operating activities	\$ (11,363)	\$ (138,350)
Supplemental schedule of non-cash investing activities:		
Fixed asset appropriations received from the University	\$ -	\$ 13,041

The accompanying notes to financial statements
are an integral part of these statements.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of WUWF-FM (the "Station"), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Station is a department of the University of West Florida (the "University") located in Pensacola, Florida and conducts various public broadcasting functions. The President of the University of West Florida is responsible for the management of the University and the Station operates as a department of the University under the control of the Station manager. The financial statements include only those funds under the administrative control of the Vice President for Advancement, that relate directly to the operations of the Station, including funds held by University of West Florida Foundation, Inc. (the "Foundation"). These statements do not purport to present the financial position or results of operations for the University as a whole.

(b) **Basis of accounting**—For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those of private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Station's accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(c) **Net position** -Net position is classified and displayed in three components:

(i) Net investment in capital assets - consists of capital assets, including right of use leased assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any debt and lease liabilities that are attributable to those assets.

(ii) Restricted - consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

Nonexpendable restricted net position—consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable restricted net position—includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

(iii) Unrestricted - consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net position is available for use, it is the Station's policy to use the restricted resources first, then unrestricted resources as they are needed.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in demand accounts with original maturities of three months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by federal depository insurance up to specified limits, or collateralized with securities held in Florida’s multiple financial institution collateral pool in accordance with Florida statutes.

(e) **Investments**—Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

(f) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (prepaid program costs) are recorded as a deferred asset. Such costs relate to programs purchased or produced by the Station that will be broadcast subsequent to year end. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. As the programs are broadcast, the costs incurred will be included in program services. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

(g) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets ranging from five to fifty years.

(h) **Revenue recognition**—State appropriations are recorded as support in the statements of revenues, expenses and changes in net position when an expenditure is recorded.

Membership contributions are recognized as support in the period they are received.

Program production grants are reported as unearned revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded.

Revenue related to program underwriting for subsequent fiscal years is reflected as unearned revenues in the accompanying statements of net position. Revenue is recognized when the related program is aired.

Contributed support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes contributed professional services, donated materials or facilities, and indirect administrative support.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, materials and other nonmonetary contributions as support in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

(j) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and not shown as assets on the statements of net position. Contributions and collected pledges are components of the unrestricted operating fund in as much as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

(k) **Corporation for Public Broadcasting grants**—The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for helping fund more than 1,500 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

CARES Act and American Rescue Plan Act Stabilization Grants have also been distributed by the CPB. The stabilization funds were provided by Congress to help public radio stations maintain programming and services impacted by revenue loss during the COVID-19 pandemic. No spending period exists for these funds. The stabilization grant funds have been recognized in the 2021 fiscal year as non-operating revenue within the statements of revenues, expenses, and changes in net position. As the funds are expended, expenses are recorded in the appropriate functional expense category.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Indirect support provided by the University of West Florida**—Indirect support from the University consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as donated facilities and administrative support and is allocated as an expense to each of the functional expense categories.

(m) **Production revenue**—The Station uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

(n) **Program and production underwriting**—Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis.

(o) **Operating activities**—The Station’s policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and instructional technology services, and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

(p) **Income taxes**—The Station is owned and operated by the University of West Florida which is an agency of the State of Florida with the power to operate as a body corporate. Florida Statute 1001.72(2) states that the corporation is constituted as a public instrumentality, and the exercise by the corporation is considered to be the performance of an essential public function. This meets the criteria for the “essential government function test” as described in described in Section 115 (1) I.R.C. Accordingly, the Station is exempt from Federal income taxes. However, income from certain event activities related to the stations purpose is subject to taxation as unrelated business income.

(q) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses.

Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

(r) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(s) **Compensated absences**—The liability for compensated absences represents employees accrued annual and sick leave based on length of service subject to certain limitations as defined by state statute and University policies.

(t) **Advertising costs**— Advertising costs are expensed in the period in which they are incurred. As of June 30, 2023, there was \$816 of advertising expenses compared to \$350 as of June 30, 2022.

(u) **Accounts receivable**— Consists of pledged donations or sponsorships and grants receivable:

All non-endowed pledges are stated at the amount management expects to collect from outstanding balances. Receivables are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus, accounts receivable do not bear interest. Based on the Station’s historical information, credit losses, when realized, have not been significant, accordingly no discount is recognized.

Grants receivable are collected within the year and have not had any prior credit losses, accordingly, these receivables are carried at an estimated collectible amount, do not bear interest, and have no discount either.

(2) **Funds Held by the University of West Florida Foundation, Inc. on Behalf of the Station:**

The Station has an agreement with the University of West Florida Foundation, Inc., whereby Station funds are held and invested by the University of West Florida Foundation, Inc. on behalf of the Station. These amounts are included in the accompanying financial statements of the Station as “Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station.”

All funds held and invested by the Foundation on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the Foundation. All funds held and invested by the Foundation on behalf of the Station are reflected at fair value. The Foundation categorizes the fair value measurement of these investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Station has the following recurring fair value measurements for funds held and invested by the Foundation of \$510,917 and \$459,413 as of June 30, 2023 and 2022, respectively. Funds held and invested by the Foundation are recorded at the Station’s ownership of a share of an investment pool, not the underlying securities. These funds are valued at NAV of units held, as reported by the Foundation.

The Station reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these investments. Because the investment pool is not readily marketable, NAV is used as a practical expedient, and the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investment existed, and differences could be material. The Station relies on policies developed and administered by the University and the Foundation for managing interest rate risk or credit risk for these investment pools.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(2) **Funds Held by the University of West Florida Foundation, Inc. on Behalf of the Station:**
(Continued)

The Station reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these investments. Because the investment pool is not readily marketable, NAV is used as a practical expedient, and the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investment existed, and differences could be material. The Station relies on policies developed and administered by the University and the Foundation for managing interest rate risk or credit risk for these investment pools.

In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The following table discloses the nature and risk of investments for which fair value has been estimated using the NAV of the investments as a practical expedient as of June 30, 2023 and 2022, respectively.

Investments Measured at NAV as of June 30, 2023				
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	\$ 510,916	\$ -	Quarterly	10 days
Investments Measured at NAV as of June 30, 2022				
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	\$ 459,413	\$ -	Quarterly	10 days

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(3) Capital Assets:

Capital asset activity for the years ended June 30, 2023 and 2022, was as follows:

	July 1, 2022 Beginning Balance	Increases	Decreases	June 30, 2023 Ending Balance
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	763,041	-	-	763,041
Right to use asset, lease	127,584	-	-	127,584
Total	<u>2,093,268</u>	<u>-</u>	<u>-</u>	<u>2,093,268</u>
Less: Accumulated depreciation	(1,498,454)	(59,324)	-	(1,557,778)
Accumulated amortization	(33,648)	(16,824)	-	(50,472)
Total	<u>(1,532,103)</u>	<u>(76,148)</u>	<u>-</u>	<u>(1,608,251)</u>
Capital assets, net	<u>\$ 561,165</u>	<u>\$ (76,148)</u>	<u>\$ -</u>	<u>\$ 485,017</u>

	July 1, 2021 Beginning Balance	Increases	Decreases	June 30, 2022 Ending Balance
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	750,000	13,041	-	763,041
Right to use asset, lease	127,584	-	-	127,584
Total	<u>2,080,227</u>	<u>13,041</u>	<u>-</u>	<u>2,093,268</u>
Less: Accumulated depreciation	(1,438,544)	(59,911)	-	(1,498,454)
Accumulated amortization	(16,824)	(16,824)	-	(33,648)
Total	<u>(1,455,368)</u>	<u>(76,735)</u>	<u>-</u>	<u>(1,532,103)</u>
Capital assets, net	<u>\$ 624,859</u>	<u>\$ (63,694)</u>	<u>\$ -</u>	<u>\$ 561,165</u>

(4) State Retirement Plans:

General State Employees' Retirement System

The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **State Retirement Plans:** (Continued)

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to eligible participants.

A Deferred Retirement Option Program (DROP) subject to provisions of Sections 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

State University System Optional Retirement Program

Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for eight or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.34 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **State Retirement Plans:** (Continued)

Disclosures pertaining to the University's retirement plans that are required by Statement No. 68 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2023 and 2022. The Station's contributions to the plans for the years ended June 30, 2023 and 2022 were \$43,742 and \$74,930, respectively.

(5) **Postemployment Benefits**

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University or its component units, University of West Florida Foundation, Inc., West Florida Historic Preservation, Inc., and UWF Business Enterprises, Inc., are eligible to participate in the State Group Health Insurance Program, an agent multiple employer defined-benefit plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the University. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Disclosures pertaining to the University's postemployment benefits are required by Statement No. 75 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2023 and 2022.

(6) **Risk Management Programs:**

Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal civil rights, and employment discrimination liability. During the 2021-22 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$57.5 million for named windstorm and flood through February 15, 2022. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$168.7 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three fiscal years.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(6) **Risk Management Programs:** (Continued)

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

(7) **Significant Concentrations:**

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of this limit are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$877,407 and \$907,558 at June 30, 2023 and 2022, respectively.

(b) **Funds held by the Foundation**—The Foundation holds cash/investments for the Station. The amount held by the Foundation for the Station was \$510,917 and \$459,414 at June 30, 2023 and 2022, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Revenues**— The Station received significant revenue from three sources. The CPB provided approximately 8% of operating revenues, the Florida Department of Education provided 5% of operating revenues, and the University provided approximately 54% of operating revenues in cash support and donated facilities during the year ended June 30, 2023. The CPB provided 8% of operating revenues, Florida DOE provided 5%, and the University provided approximately 49% in cash support and donated facilities of the operating revenues for the fiscal year ended June 30, 2022.

(d) **Accounts, grants and pledges receivable**—The Station has grants and accounts receivable of \$4,791 and \$8,951 at June 30, 2023 and 2022, respectively. The Station has no policy requiring collateral or other security to support these amounts.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(8) **Compensated Absences:**

Compensated absences liability activity for the years ended June 30, 2023 and 2022, was as follows:

<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 210,101	\$ 119,690	\$ 139,401	\$ 190,390	\$ 9,709
<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 209,205	\$ 130,153	\$ 129,257	\$ 210,101	\$ 11,428

(9) **Right to Use Leases Payable:**

The Radio Station leases a broadcasting tower from an external party which the lease commenced on February 1, 2003 and ended in January 31, 2008, but included four automatic renewal terms of 60 months each. The Radio Station is currently in the third renewal option year. The contract also includes a clause that the lessor may increase the amount of the then, current monthly rent by an amount not to exceed the Consumer Price Index each anniversary of the “commencing” dates, throughout the initial term and each successive term. In accordance with GASB Statement No. 87, the Radio Station records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the station’s incremental borrowing rate. At June 30, 2023 the future rental payment to be made under the lease are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2024	20,326	4,015	24,341
2025	21,769	3,132	24,901
2026	23,276	2,198	25,474
2027	24,860	1,200	26,060
2028	15,193	212	15,405
Total	<u>\$ 105,424</u>	<u>\$ 10,757</u>	<u>\$ 116,181</u>

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(10) Community Service Grants:

The Station receives a CSG from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 2023
		2020-21	2021-22	2022-23	
2020-22-Unres	109,746	60,559	49,187	-	-
2020-22-Rest	40,530	-	40,530	-	-
2021-23-Unres	118,814	-	68,365	50,304	145
2021-23-Rest	43,081	-	-	43,081	-
2022-24-Unres	121,235	-	-	74,218	47,017
2022-24-Rest	43,018	-	-	-	43,018
Total	\$ 476,424	\$ 60,559	\$ 158,082	\$ 167,603	\$ 90,180

(11) Nonfederal Financial Support (NFFS):

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$1,905,590 and \$1,917,216 for the years ended June 30, 2023 and 2022, respectively.

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(12) **Refundable Advance – Paycheck Protection Program:**

On February 26, 2021, the Station received proceeds in the amount of \$233,497 pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, loan proceeds and accrued interest are forgivable if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and the Station maintains its payroll levels as described in the CARES Act during the covered period. During the year ended June 30, 2022, the full amount of the loan was forgiven.

SUPPLEMENTAL INFORMATION

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023 WITH SUMMARIZED
INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services				Total Expenses	2022 Total Expenses
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total		
Salaries, payroll taxes and employee benefits	\$ 526,945	\$ 63,208	\$ -	\$ 590,153	\$ 262,341	\$ 120,792	\$ 101,574	\$ 484,707	\$ 1,074,860	\$ 1,214,710
Professional services	28,901	83,776	319	112,996	13,840	2,730	-	16,570	129,566	106,353
Facilities and administrative support from the University of West Florida	162,430	28,428	8,812	199,670	59,058	30,267	46,022	135,347	335,017	348,277
Office supplies	8,580	10,250	732	19,562	1,433	2,811	-	4,244	23,806	28,068
Telephone and utilities	868	60,388	1	61,257	125	-	-	125	61,382	57,242
Postage and freight	4	350	2,862	3,216	-	1,452	-	1,452	4,668	6,073
Advertising	-	-	-	-	816	-	-	816	816	350
Repairs and maintenance of equipment	-	2,107	-	2,107	-	-	-	-	2,107	2,610
Printing and publications	-	100	-	100	-	13,725	-	13,725	13,825	11,336
Travel and training	16,014	312	-	16,326	359	387	-	746	17,072	12,930
Operating supplies	-	-	-	-	-	-	-	-	-	2,203
Programming	339,857	1,680	9,698	351,235	6,305	-	-	6,305	357,540	398,285
Subscriptions and fees	8,526	107	-	8,633	4,590	57,519	-	62,109	70,742	64,233
Depreciation and amortization	17,797	58,351	-	76,148	-	-	-	-	76,148	76,735
	<u>\$ 1,109,922</u>	<u>\$ 309,057</u>	<u>\$ 22,424</u>	<u>\$ 1,441,403</u>	<u>\$ 348,867</u>	<u>\$ 229,683</u>	<u>\$ 147,596</u>	<u>\$ 726,146</u>	<u>\$ 2,167,549</u>	<u>\$ 2,329,405</u>

The accompanying notes to financial statements
are an integral part of this schedule.



January 9, 2024

To the Board of Trustees
WUWF-FM
11000 University Parkway
Pensacola, FL 32514

We have audited the financial statements of WUWF-FM, for the year ended June 30, 2023 and 2022, and have issued our report thereon dated January 9, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 18, 2022 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of WUWF-FM solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- Override of internal controls by management
- Improper revenue recognition due to fraud
- Improper use of restricted resources

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by WUWF-FM is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of depreciation expense is based on the underlying assets depreciation calculated using the straight-line method over the assets' useful lives. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of functional expense allocation is based on the costs of providing the various programs and other activities. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of indirect support provided by the University of West Florida is based on the allocation of institutional support and physical plant cost incurred by the Station. We evaluated the key factors and assumptions used to develop the estimate of indirect support provided by the University of West Florida in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are the disclosures relating to commitments and contingencies.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We identified no significant unusual transactions as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements for the year ended June 30, 2023.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to WUWF-FM's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. No such circumstances arose during the course of the audit.

Representations Requested from Management

We have requested certain representations from management which are included in the attached letter dated January 9, 2024.

Management's Consultations with Other Accountants

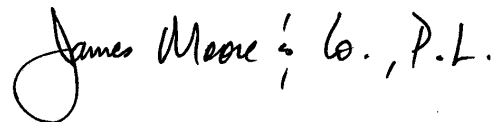
In some cases, management may decide to consult with other accountants about auditing and accounting matters, Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In our normal course of our professional association with WUWF-FM, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as WUWF-FM's auditors.

This report is intended solely for the information and use of the Board of Trustees and management of WUWF-FM and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looping initial "J".

JAMES MOORE & CO., P.L.

January 9, 2024

James Moore & Co., P.L.
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308

This representation letter is provided in connection with your audit of the basic financial statements of WUWF-FM as of June 30, 2023 and 2022 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of WUWF-FM in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$42,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 14, 2023 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

office 850.474.3027
fax 850.474.3053
uwf.edu

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. There were no uncorrected misstatements for the year.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

- With respect to the supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the schedule of functional expenses in accordance with accounting principles generally accepted in the United States of America.
 - We believe the schedule of functional expenses, including its form and content, is fairly presented in accordance with generally accepted accounting principles.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the cost allocations underlying the measurement or presentation of the schedule of functional expenses, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - When the schedule of functional expenses is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of functional expenses no later than the date of issuance by the entity of the schedule of functional expenses and the auditor’s report thereon.
- With respect to the required supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of Management’s Discussion and Analysis in accordance with Governmental Accounting Standards.
 - We believe Management’s Discussion and Analysis, including its form and content, is measured and fairly presented in accordance with Governmental Accounting Standards.
 - The methods of measurement or presentation have not changed from those used in the prior period.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- WUWF-FM has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which WUWF-FM University of West Florida is contingently liable.
- WUWF-FM has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Signature: Suzanna E Daughtry
Title: Assistant Controller

**Board of Trustees
Audit and Compliance Committee
February 15, 2024**

UWF Foundation Audited Financial Statements 6/30/23

Recommended Action:

Accept the UWF Foundation Financial Statements for June 30, 2023, audited by Saltmarsh, Cleaveland, & Gund.

Background Information:

Pursuant to Florida Statute 1004.28(5)¹, BOG Regulation BOG-9.011(5)², and UWF Regulation 5.016, organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida Board of Trustees. As required, the financial statements of the UWF Foundation, Inc. have been audited by independent certified public accountants for the fiscal year ending June 30, 2023. A cursory review was performed by IAMC to evaluate compliance with the Florida Statute and BOG Regulation. It was determined that compliance appears to exist regarding the annual financial audit.

Results: The UWF Foundation received an unmodified opinion. The audit was performed in accordance with accounting principles generally accepted in the United States and in accordance with *Government Auditing Standards*. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

Financial Highlights:

- Total assets at June 30, 2023, were approximately \$184.7 million which represented an \$8.5 million increase from the prior year primarily due to an increase in investments.
- Net position at June 30, 2023, was \$147 million, an increase of approximately \$11.2 million compared to the prior year.

¹ 1004.28(5)(a) "Each direct support organization shall provide for an annual financial audit of its accounts and records to be conducted by an independent certified public accountant in accordance with the rules adopted by the Auditor General pursuant to s. 11.45(8) and by the university board of trustees. The annual audit report shall be submitted, within 9 months after the end of the fiscal year to the Auditor General and Board of Governors for review."

² 9.011(5) "Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees for review."

Implementation Plan:

None.

Fiscal Implications:

Fiscal oversight by the UWF Board of Trustees or organizations affiliated with or through UWF.

Relevant Authority:

Section 1004.28, Florida Statutes
Board of Governors Regulation 9.011

Supporting Documents:

1. UWF Foundation Audited Financial Statement 6-30-23

Prepared by:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division, x2638, ctalbert@uwf.edu

Presenter:

Cindy Talbert

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

CONTENTS

	PAGE
Independent Auditor's Report	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements:	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	16
Supplementary Information:	
Schedules of Student Housing System Revenues and Expenses	57
Schedules of Net Position (Excluding the Student Housing System)	58
Schedules of Functional Expenses	59
Chairs Under Eminent Scholars Program - Schedule of Receipts, Expenses and Endowment Balances	60
Major Gifts Program - Schedule of Receipts, Expenses and Endowment Balances	61

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

CONTENTS
(Continued)

Compliance Section:

Schedule of Expenditures of State Financial Assistance	63
Independent Auditor's Report on Compliance for Each Major State Project And on Internal Control Over Compliance Required by Chapter 10.650, Rules of Auditor General	64
Schedule of Findings and Questioned Costs	66
Management Letter	68

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), as of and for the years ended June 30, 2023 and 2022, and the related notes to the 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 Foundation as of June 30, 2023 and 2022, 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 Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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, 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 and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of Directors
University of West Florida Foundation, Inc.

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of State Financial Assistance is included in the compliance section, as required by Chapter 10.650, Rules of Auditor General, and for purposes of additional analysis is not a required part of the basic financial statements.

The Schedules of Student Housing System Revenues and Expenses, Schedules of Net Position (Excluding the Student Housing System), Schedules of Functional Expenses, Chairs Under Eminent Scholars Program – Schedule of Receipts, Expenses, and Endowment Balances, Major Gifts Program – Schedule of Receipts, Expenses and Endowment Balances, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, these schedules 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 November 14, 2023, 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 the Foundation's internal control over financial reporting and compliance.



Pensacola, Florida
November 14, 2023

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of West Florida Foundation, Inc. (the “Foundation”) (a component unit of the University of West Florida), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

Board of Directors
University of West Florida Foundation, Inc.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Pensacola, Florida
November 14, 2023

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(UNAUDITED)

This management’s discussion and analysis (“MD&A”) provides an overview of the financial position and activities of the University of West Florida Foundation, Inc (the “Foundation”) as of and for the years ended June 30, 2023 and 2022.

The Foundation is presented as a discrete component unit of the University of West Florida (the “University” or “UWF”). The Foundation’s mission is to exclusively support and enhance the University’s mission of teaching, research, and service as determined by the University of West Florida Board of Trustees (“BOT”).

Overview of the Financial Statements

The financial statements are prepared on the accrual basis of accounting with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (“GASB”).

Pursuant to GASB Statement No. 35, *Basic Financial Statements - Management’s Discussion and Analysis – for Public Colleges and Universities*, the Foundation’s basic financial statements include the statements of net position; the statements of revenue, expenses and changes in net position; the statements of cash flows, and other required supplemental information.

The Statement of Net Position

The statements of net position reflect the assets, liabilities, and deferred inflows of resources of the Foundation and present the financial position of the Foundation at a specified time. Assets less liabilities and deferred inflows equal net position, which is one indicator of the Foundation’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Foundation’s financial condition. Restricted net position is comprised of expendable and nonexpendable and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislature. Nonexpendable assets represent endowment assets whose principal cannot be spent and are required by the donor to be held in perpetuity. Net investment in capital assets includes net capital assets less outstanding bonds payable. Unrestricted net position consists of net assets that do not meet the definition of restricted or net investment in capital assets.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(UNAUDITED)

The Statements of Net Position (Continued)

The following is a summary of the Foundation's statements of net position as of June 30, 2023 and the two preceding years.

	2023	2022	2023-2022		2021	2022-2021	
			Dollar Change	Percentage Change		Dollar Change	Percentage Change
Assets:							
Current assets	\$ 16,752,541	\$ 16,447,956	\$ 304,585	1.9%	\$ 15,917,152	\$ 530,804	3.3%
Noncurrent assets	167,973,322	159,785,149	8,188,173	5.1%	177,286,394	(17,501,245)	-9.9%
Total Assets	<u>\$ 184,725,863</u>	<u>\$ 176,233,105</u>	<u>\$ 8,492,758</u>	4.8%	<u>\$ 193,203,546</u>	<u>\$ (16,970,441)</u>	-8.8%
Liabilities:							
Current liabilities	\$ 4,246,054	\$ 3,853,146	\$ 392,908	10.2%	\$ 4,155,638	\$ (302,492)	-7.3%
Noncurrent liabilities	31,954,520	35,094,448	(3,139,928)	-8.9%	38,491,441	(3,396,993)	-8.8%
Total liabilities	<u>36,200,574</u>	<u>38,947,594</u>	<u>(2,747,020)</u>	-7.1%	<u>42,647,079</u>	<u>(3,699,485)</u>	-8.7%
Deferred Inflows of Resources:							
Split-interest agreements	<u>1,471,900</u>	<u>1,400,111</u>	<u>71,789</u>	5.1%	<u>1,904,789</u>	<u>(504,678)</u>	-26.5%
Net Position:							
Net investment in capital assets	11,318,230	10,533,421	784,809	7.5%	9,998,870	534,551	5.3%
Unrestricted	3,591,561	3,174,253	417,308	13.1%	3,663,551	(489,298)	-13.4%
Restricted -							
Expendable	59,508,340	50,919,245	8,589,095	16.9%	68,588,137	(17,668,892)	-25.8%
Nonexpendable	72,635,258	71,258,481	1,376,777	1.9%	66,401,120	4,857,361	7.3%
Total net position	<u>147,053,389</u>	<u>135,885,400</u>	<u>11,167,989</u>	8.2%	<u>148,651,678</u>	<u>(12,766,278)</u>	-8.6%
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 184,725,863</u>	<u>\$ 176,233,105</u>	<u>\$ 8,492,758</u>	4.8%	<u>\$ 193,203,546</u>	<u>\$ (16,970,441)</u>	-8.8%

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(UNAUDITED)

The Statements of Net Position (Continued)

The Foundation's assets totaled \$184.7 million as of June 30, 2023. Current assets contribute \$16.7 million and consist primarily of funds available to meet current obligations. Noncurrent assets contribute \$168.0 million and consist primarily of investments expected to be held and net capital assets. This balance reflects an increase of \$8.5 million compared to June 30, 2022. The total increase in assets is primarily related to an increase in investments.

The Foundation's liabilities total \$36.2 million as of June 30, 2023. This is composed of \$4.2 million in current liabilities including accounts payable and accrued expenses along with current year debt service amounts. Total noncurrent liabilities are \$32.0 million which consists of long-term debt and other obligations extending out more than one year. The amount of total liabilities reflects a decrease of \$2.7 million related primarily to a paydown of bonds for student housing.

Deferred inflows of resources of \$1.5 million represent planned giving donations made under split interest agreements and will be available in future years, net of liabilities owed to other beneficiaries.

Net position totals \$147.0 million and is made up of \$11.3 million of net investment in capital assets and \$3.6 million in unrestricted net assets. It also includes \$59.5 million in restricted expendable net assets and \$72.6 million in restricted nonexpendable net assets. The total net position has increased by \$11.2 million compared to prior year. The primary contributor to this change was an increase of restricted expendable net assets by \$8.6 million.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(UNAUDITED)

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

Change in net position is based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the revenues earned and the expenses incurred by the Foundation. Revenue, expenses, and changes in net position of the Foundation for the years ended June 30, 2023 and 2022 are presented in the following table:

			2023-2022		2022-2021		
	2023	2022	Dollar Change	Percentage Change	2021	Dollar Change	Percentage Change
Operating revenues	\$ 31,114,053	\$ 4,581,788	\$ 26,532,265	579.1%	\$ 42,683,596	\$ (38,101,808)	-89.3%
Operating expenses	21,687,079	20,239,407	1,447,672	7.2%	18,076,763	2,162,644	12.0%
Operating income (loss)	9,426,974	(15,657,619)	25,084,593	-160.2%	24,606,833	(40,264,452)	-163.6%
Nonoperating revenues	514,605	467,207	47,398	10.1%	3,027,795	(2,560,588)	-84.6%
Other changes in net position	1,226,410	2,424,134	(1,197,724)	-49.4%	2,806,534	(382,400)	-13.6%
Change in net position	11,167,989	(12,766,278)	23,934,267	-187.5%	30,441,162	(43,207,440)	-141.9%
Net position, beginning of year	135,885,400	148,651,678	(12,766,278)	-8.6%	118,210,516	30,441,162	25.8%
Net position, end of year	\$ 147,053,389	\$ 135,885,400	\$ 11,167,989	8.2%	\$ 148,651,678	\$ (12,766,278)	-8.6%

Operating revenues total \$31.1 million and are primarily composed of \$9.9 million of net unrealized and realized gain (loss) on investments, \$10.7 million related to the student housing system, and \$7.6 million of contributions.

Operating expenses total \$21.7 million and are primarily composed of \$10.2 million related to the student housing system, \$6.3 million of services to the University, \$2.3 million of scholarships to students, and \$2.2 million in general and administrative expenses.

Operating income is \$9.4 million, nonoperating revenues are \$515,000, and contributions to endowments are \$1.2 million for fiscal year 2023. As a result, net position increased by \$11.2 million.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(UNAUDITED)

The Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Overall, financial position and operations were favorable with investments showing positive returns by approximately \$11.9 million. Total expenses were up approximately \$1.4 million at \$21.7 million and revenues (operating and nonoperating) increased by \$26.6 million. Although inflation rates have moderated, the economic outlook still remains uncertain with inflation increasing at rates of about 3% year over year and the Federal Reserve monitoring interest rates to combat inflation risking a recession as a result.

The Statements of Cash Flows

The statement of cash flows is important to readers because it shows the Foundation's ability to generate cash required for its operations and payment of obligations in a timely fashion. It also provides information regarding decisions made by management as to the use of cash available.

The statement of cash flows shows the cash provided by and used in operating, investing, capital and related financing activities, and noncapital activities.

- Operating activities include funds received (i.e. private donors, student rents, interest and dividends) and payments (i.e. for programs, programmatic equipment, materials, and supplies) made for the Foundation and the University.
- Investing activities represent funds used to purchase investments, proceeds from sales of investments, and the funds held for West Florida Historic Trust.
- Capital and related financing activities include the purchase of property and equipment and the principal payments on the bonds, and insurance proceeds related to Housing.
- Noncapital and related financing activities include funds received for endowments and university support for Housing's lost revenue.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(UNAUDITED)

Economics Factors That Will Affect the Future

The economic outlook of the Foundation is affected by several factors, including contributions, return on investments, and the State of Florida legislative changes. Annual contributions and endowments have a direct impact on enhancing University programs. The Foundation is not aware of currently known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2023 fiscal year.

Requests for Information

Questions concerning information provided in the MD&A or requests for additional information should be addressed to the University of West Florida Foundation, 11000 University Parkway, Building 12, Pensacola, FL 32514 or by calling (850) 474-3380.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 4,439,169	\$ 3,885,677
Contributions receivable, net	1,345,997	964,882
Other receivables, net	290,871	208,296
Due from University	361,468	403,541
Prepaid expenses	192,905	159,223
Investments	10,122,131	10,826,337
Total current assets	16,752,541	16,447,956
Noncurrent Assets:		
Restricted cash reserves	1,648,123	1,565,870
Contributions receivable, net	2,385,533	2,560,695
Investments	116,732,000	106,173,779
Capital assets, net	43,514,277	45,768,096
Assets held under split interest agreements	3,307,798	3,336,664
Other assets	385,591	380,045
Total noncurrent assets	167,973,322	159,785,149
Total Assets	\$ 184,725,863	\$ 176,233,105

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,146,585	\$ 856,690
Bonds payable, net	3,099,469	2,996,456
Total current liabilities	4,246,054	3,853,146
Noncurrent Liabilities:		
Liabilities under split-interest agreements	1,720,127	1,820,783
Due to West Florida Historic Trust	1,137,815	1,035,446
Bonds payable, net	29,096,578	32,238,219
Total noncurrent liabilities	31,954,520	35,094,448
Deferred Inflows of Resources:		
Split-interest agreements	1,471,900	1,400,111
Net Position:		
Net investment in capital assets	11,318,230	10,533,421
Unrestricted	3,591,561	3,174,253
Restricted -		
Expendable	59,508,340	50,919,245
Nonexpendable	72,635,258	71,258,481
Total net position	147,053,389	135,885,400
Total Liabilities, Deferred Inflows and Net Position	\$ 184,725,863	\$ 176,233,105

The accompanying notes are an integral
part of these financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues:		
Contributions	\$ 7,600,151	\$ 6,390,128
Interest and dividend income	2,038,844	1,266,847
Net unrealized and realized gain (loss) on investments	9,881,276	(14,139,003)
Student housing system	10,683,854	10,196,945
University support - non cash	811,758	779,692
Other operating revenues	98,170	87,179
Total operating revenues	31,114,053	4,581,788
Operating Expenses:		
Scholarships	2,316,393	1,829,737
Other program services	6,288,303	5,452,479
Student housing system	10,178,463	10,133,070
Fundraising services	722,787	693,623
General and administrative	2,181,133	2,130,498
Total operating expenses	21,687,079	20,239,407
Operating Income (Loss)	9,426,974	(15,657,619)
Nonoperating Revenues:		
Real property provided by the University	571,674	-
Insurance proceeds net of loss on disposal	-	563,148
Loss on disposal of capital assets	(25,682)	-
Other nonoperating revenues (losses)	(31,387)	(95,941)
Total nonoperating revenues, net	514,605	467,207
Net Income (Loss) Before Other Changes in Net Position	9,941,579	(15,190,412)
Other Changes in Net Position:		
Endowed contributions	1,226,410	2,424,134
Change in Net Position	11,167,989	(12,766,278)
Net Position, Beginning of Year	135,885,400	148,651,678
Net Position, End of Year	\$ 147,053,389	\$ 135,885,400

The accompanying notes are an integral
part of these financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Cash receipts from contributions	\$ 7,394,198	\$ 6,831,833
Interest and dividends received	2,038,844	1,266,847
Cash receipts from student housing system	10,683,854	10,196,945
Cash receipts from other operating revenues	57,668	3,594,037
Cash paid for operating expenses	<u>(17,534,622)</u>	<u>(16,634,104)</u>
Net cash provided by operating activities	<u>2,639,942</u>	<u>5,255,558</u>
Cash Flows From Investing Activities:		
Purchase of investment securities	(31,334,511)	(21,274,480)
Proceeds from sales of investment securities	31,361,772	16,735,794
Due from (to) West Florida Historic Trust	102,369	(244,577)
Net cash provided by (used in) investing activities	<u>129,630</u>	<u>(4,783,263)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of property and equipment	(988,119)	(1,151,897)
Bond principal payments	(3,038,628)	(2,920,759)
Proceeds from sale of real property	666,510	-
Proceeds from sale of vehicle	-	200,000
Insurance proceeds	-	563,148
Net cash used in capital and related financing activities	<u>(3,360,237)</u>	<u>(3,309,508)</u>
Cash Flows From Noncapital Financing Activities:		
Endowment contributions	<u>1,226,410</u>	<u>2,424,134</u>
Net cash provided by noncapital financing activities	<u>1,226,410</u>	<u>2,424,134</u>
Net Increase (Decrease) in Cash	635,745	(413,079)
Cash, Beginning of Year	<u>5,451,547</u>	<u>5,864,626</u>
Cash, End of Year	<u>\$ 6,087,292</u>	<u>\$ 5,451,547</u>
Displayed As:		
Cash and cash equivalents	\$ 4,439,169	\$ 3,885,677
Noncurrent restricted cash reserves	1,648,123	1,565,870
	<u>\$ 6,087,292</u>	<u>\$ 5,451,547</u>

The accompanying notes are an integral
part of these financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022
(Continued)

	2023	2022
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Operating income (loss)	\$ 9,426,974	\$ (15,657,619)
Adjustments to reconcile operating income (loss) to		
Net cash provided by operating activities -		
Net unrealized and realized (gain) loss on long-term investments	(9,881,276)	14,139,003
Bad debt expense	66,797	30,365
Change in fair value of -		
Contributions receivable	59,090	221,451
Cash surrender value of insurance policies	(5,546)	(14,508)
Depreciation	3,216,256	3,242,164
Change in operating assets and liabilities -		
Contributions receivable	(264,965)	204,140
Other receivables	(149,450)	841,069
Due from University	42,073	2,651,540
Prepaid expenses	(33,683)	18,314
Accounts payable and accrued expenses	163,672	(420,361)
	<u>\$ 2,639,942</u>	<u>\$ 5,255,558</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 1,235,056</u>	<u>\$ 1,346,999</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities Information:		
Real property provided by the University	<u>\$ 571,674</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The University of West Florida Foundation, Inc. (the “Foundation”) was organized as a Florida not-for-profit corporation in 1965 for the purpose of soliciting, receiving, and administering gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University of West Florida (the “University”) and its objectives. The Foundation is a direct-support organization of the University, as provided for in Section 1004.28, Florida Statutes, and Rule 6C-9.011, Florida Administrative Code, and therefore is considered a component unit of the University.

The Foundation is considered a discrete component unit of the University due to the University’s governance and budgetary oversight responsibility and due to the Foundation’s significant operational and financial relationship with the University.

The Foundation owns the Student Housing System and is responsible for the management thereof, along with the associated revenues, expenses and debt related to the operation of these projects as further described in Note 11 to the financial statements.

Basis of Accounting:

The Foundation follows standards of accounting and financial reporting that are generally accepted in the United States of America for governmental entities. The Foundation’s financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

Fund 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. Separate accounts are maintained for each fund in the general ledger. For reporting purposes, these funds are combined into one column.

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 revenue bonds that are attributable to and expended on the acquisition, construction or improvement of those assets net of any related unspent debt proceeds.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued):

Unrestricted - Represents funds that are available without restriction for carrying out the Foundation's objectives.

Restricted - Restricted net position represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. Restricted funds include:

Expendable: Represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the University and includes the expendable portion of endowment funds. These programs include endowed chairs and professorships, research funding and student scholarships.

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

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.

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. Operating revenues also include rental revenue from student housing facilities. Nonoperating revenues include certain revenue sources that provide additional funding not included in operating revenues and include University related support and endowment contributions.

Cash and Cash Equivalents:

The amount reported as cash and cash equivalents consists of cash on hand and cash in demand accounts.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued):

For the purpose of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Noncurrent cash and cash equivalents at June 30, 2023 and 2022, include cash that is restricted or is not expected to be used during the Foundation's next fiscal year.

Restricted Cash Reserves:

Restricted cash reserves represent funds held by bond trustees for construction of on-campus housing, debt service, and maintenance of reserves required under the bond indentures.

Investments:

The Foundation has created various pools for the investment of funds on a consolidated basis. All investments are reported at fair value. Investments with maturities less than 12 months and investments placed with the State Treasury Special Purpose Investment Account ("SPIA") are classified as current investments. These current investments were created to provide liquidity and be a source of funds to meet planned or anticipated expenses for current operations. Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and amounts subject to other internal designations by the Board of Directors and management as well as investments not expected to be used during the next fiscal year.

Investments placed with SPIA include accounts for Foundation operations, as well as accounts restricted for housing operations. SPIA has established a minimum balance for each account. Each SPIA participant is required to give six months' notice for all withdrawals below the floor, which is calculated as sixty percent of the previous three months' average daily balance.

Investment income includes interest, dividends, realized and unrealized gains or losses.

Contributions Receivable:

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all non-endowed pledges that have met all eligibility requirements that are verifiable, probable, and measurable are recorded at their estimated realizable value on a discounted basis. An allowance for uncollectible contribution receivables is estimated and recorded based on management's judgment of the collectability in future years.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets:

Capital assets consists of office equipment, student housing system, future use, or sale, and works of art. Purchased assets are recorded at cost, while donated assets are recorded at fair market value at the date of donation. Where a contributed asset has an uncertain fair market value due to deed restrictions, the Foundation records no value for the property. The Foundation has a capitalization threshold of \$20,000. Depreciation is allocated over the estimated useful lives of the respective assets on a straight-line basis as follows:

	Years
Property and improvements	7 - 45
Equipment and software	3 - 10

The Foundation capitalizes interest costs on borrowing incurred during the construction of qualifying assets. The capitalized interest is amortized over the life of the borrowing.

Split-Interest Agreements:

The Foundation serves as trustee for split-interest agreements classified as charitable gift annuities and charitable remainder unitrust. Assets received under charitable gift annuities and charitable remainder unitrust are recorded at fair market value and the liabilities to make future payments under these agreements are recorded at present value, with the difference reported as deferred inflows of resources. These assets and liabilities are adjusted to reflect changes in their fair market value and present value. The determination of the present value of liabilities under charitable gift annuities and charitable remainder unitrust are based on discount rates and mortality tables established by the Internal Revenue Code and Regulations. The Foundation is a charitable recipient of a charitable lead trust. Assets received under the charitable lead trust are recorded at fair market value, with changes recorded as deferred inflows of resources. The determination of the future values is discounted in the same manner as contribution receivables based on the prevailing five-year Treasury constant maturities.

Deferred Inflows of Resources:

The Foundation reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of the statement of net position. Deferred inflows of resources relate to split-interest agreements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Contributions of cash, investments securities or pledges receivable are recognized at fair value when all eligibility requirements have been met and are recognized when funds are received. Property and equipment donated to the Foundation are recorded at their estimated values at the dates of donation. 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.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to university direct support organizations by the University. As discussed in Note 6, the Foundation records the University's support as contributed services on the statement of revenues, expenses, and changes in net position.

Bond Discounts and Premiums:

Bond discounts and premiums are amortized over the terms of the bonds using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Bond discounts and premiums are presented as an adjustment to the face amount of bonds payable.

Compensated Absences:

Employees of the Foundation are entitled to paid vacation and sick days depending on job classification, length of service and other factors. Upon termination of employment, an employee will be paid for accumulated annual leave. In addition, an employee with ten or more years of service may be paid for a portion of their accumulated sick leave.

At June 30, 2023 and 2022, accrued compensated absences totaling \$635,696 and \$580,973 were reported as a component of accrued expenses in the accompanying financial statements.

Other Program Services:

Other program services consist of expenditures to support the objectives of the University and/or its various colleges and departments.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

The Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain investment activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Retirement Plan and Other Post-Employment Healthcare Benefits:

As discussed in more detail in Note 10, Foundation employees may elect to participate in the Florida Retirement System consisting of a defined benefit plan; the Deferred Retirement Option Program, an alternative method for retirement payment; and the Public Employee Optional Retirement Program, a defined contribution plan. These plans have vesting and service requirements. Certain eligible faculty and administrators may also elect to participate in the Optional Retirement Program, a defined contribution plan which provides full and immediate vesting of contributions. Certain key University personnel participate in a money-purchase retirement savings plan with specific vesting schedules.

As required by Section 112.0804, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University allows retirees to participate in the plan at reduced or blended group rates. These rates may provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Since all employees who work for the Foundation are employees of the University, the liabilities for pensions and other post-employment benefits is reported by the University and not reflected on the Foundation's financial statements.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications:

Certain accounts in the 2022 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2023 financial statements.

Recent Accounting Pronouncements:

In May 2020, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (“GASB 96”)*, which addresses accounting and financial reporting for subscription-based information technology arrangements (“SBITA”) by governments. This statement defines a SBITA and requires that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability. GASB 96 was effective for the Foundation for the year ended June 30, 2023. Adoption of GASB 96 did not have a significant impact on the Foundation’s financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2023 and 2022, unrestricted cash and cash equivalents consisting of bank demand accounts were as follows:

	2023	2022
Foundation cash on deposit	\$ 4,156,238	\$ 3,790,993
Housing cash on deposit	282,931	94,684
	\$ 4,439,169	\$ 3,885,677

At June 30, 2023 and 2022, restricted cash and cash equivalents were as follows:

	2023	2022
Housing operating reserves	\$ 1,147,690	\$ 1,121,278
Housing replacement reserves	494,965	444,374
Housing bond service accounts	5,468	218
	\$ 1,648,123	\$ 1,565,870

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's deposits may not be returned to it. It is the Foundation's policy to monitor deposits on account to avoid deposits that are not covered by depository insurance or are uncollateralized. The Foundation's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At June 30, 2023 and 2022, the Foundation's uninsured cash balance at financial institutions totaled approximately \$658,000 and \$836,000, respectively.

Additional financial instruments that potentially subject the Foundation to custodial credit risk consist of cash deposits at brokerage firms. These accounts are not insured by the FDIC. At June 30, 2023 and 2022, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$5,252,000 and \$4,633,000, respectively.

Management monitors the soundness of the financial institutions and does not believe the Foundation is exposed to any significant credit risk on cash and cash equivalents.

Investments:

The Foundation has an investment policy which provides guidelines for the investments of Foundation assets. The purpose of these assets is to further the overall mission of the University. The objectives of the assets are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power of real rate of return will be defined as returns in excess of inflation as defined by Consumer Price Index. The investment policy provides information on authorized asset classes, target allocations and ranges of acceptable investment categories.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued):

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

	Cost	Fair Value	Unrealized Gain (Loss)
June 30, 2023:			
Certificates of deposit	\$ 563,308	\$ 563,308	\$ -
Equity securities -			
Common stock and mutual funds	42,759,224	63,368,292	20,609,068
Debt securities	24,456,085	24,242,397	(213,688)
External investment pool -			
SPIA	6,646,574	6,425,243	(221,331)
Alternative investments -			
Fund of fund hedge funds	6,660,500	9,732,552	3,072,052
Private equity investments	14,336,429	17,013,105	2,676,676
Real estate investment trust	5,737,340	5,509,234	(228,106)
	<u>\$ 101,159,460</u>	<u>\$ 126,854,131</u>	<u>\$ 25,694,671</u>
June 30, 2022:			
Certificates of deposit	\$ 573,550	\$ 573,550	\$ -
Equity securities -			
Common stock and mutual funds	47,886,357	60,299,773	12,413,416
Debt securities	19,210,349	18,712,330	(498,019)
External investment pool -			
SPIA	7,655,874	7,257,004	(398,870)
Alternative investments -			
Fund of fund hedge funds	6,660,500	9,350,727	2,690,227
Private equity investments	12,870,617	15,790,575	2,919,958
Real estate investment trust	4,432,766	5,016,157	583,391
	<u>\$ 99,290,013</u>	<u>\$ 117,000,116</u>	<u>\$ 17,710,103</u>

Principal Financial Group is the custodian for the Foundation's equity securities, debt securities and fund of fund hedge funds.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued):

As further discussed in Note 6, on July 1, 2016, the Foundation entered into a cash and securities agreement with the Pensacola Museum of Art (“PMA”) for the furtherance of the PMA mission. The Foundation acts as a manager of PMA’s certificates of deposit and mutual funds which are included in the Foundation’s investment balance. These investments are kept separate from the Foundation’s investment pool. Balances at June 30 were as follows:

	2023	2022
Certificates of deposit	\$ 563,308	\$ 573,550
Mutual funds	195,574	170,796
	\$ 758,882	\$ 744,346

At June 30, 2023 and 2022, housing maintained contingency and improvement reserves which consisted of investments in the amount of \$5,506,749 and \$6,037,866, respectively. See Note 7 for further discussion of these reserves.

At June 30, 2023 and 2022, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$17,511,196 and \$12,546,609, respectively. However, individual donor-restricted endowment funds were deficient, totaling \$216,156 and \$709,248, respectively, where the fair value of the investments at June 30, 2023 and 2022, was less than the level required by the donor stipulations. See Note 9 for further discussion of endowments.

The net return on investments was as follows:

	Total Unrestricted	Total Expendable
Year Ended June 30, 2023 -		
Dividends and interest	\$ 5,043	\$ 2,033,801
Net realized gain on investments	5,116	2,041,570
Unrealized gain on investments	1,549,735	6,284,855
	\$ 1,559,894	\$ 10,360,226
Year Ended June 30, 2022 -		
Dividends and interest	\$ 3,059	\$ 1,263,788
Net realized gain on investments	10,966	4,432,252
Unrealized gain (loss) on investments	1,267,989	(19,850,210)
	\$ 1,282,014	\$ (14,154,170)

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments:

Custodial 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. It is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2023 and 2022, excluding mutual funds, alternative investments, and the external investment pool are uninsured and registered with securities held by the Foundation's agent in the Foundation's name. Mutual funds and alternative investments do not have specific securities, are uninsured and are held in the book entry form. The external investment pool consists of the Foundation's pro-rata ownership in the pool itself, not in the underlying securities. The pool is invested in a combination of short-term liquid instruments and intermediate term fixed income securities and is uninsured.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification of investments sufficient to reduce the potential of a single security, single sector of securities, or single investment manager having a disproportionate or significant impact on the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

Disclosure of any issuer of investments that in the aggregate is 5% or more of the portfolio is required to be disclosed as a concentration of credit risk (investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools and other pooled investments are exempt). As of June 30, 2023 and 2022, there were no concentrations of credit risk.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023 and 2022, the credit quality ratings of the Foundation's debt securities were as follows:

<u>Standard and Poor's Credit Rating</u>	<u>2023</u>	<u>2022</u>
AAA	\$ 11,148,425	\$ 7,842,665
AA	790,442	672,208
A	3,265,127	2,279,500
BBB	5,262,043	4,161,741
BB	2,605,535	3,095,789
B	954,050	539,959
Below B	216,775	120,468
	<u>\$ 24,242,397</u>	<u>\$ 18,712,330</u>

As of June 30, 2023 and 2022, the external investment pool was rated at AA-f by Standard and Poor's.

Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The schedule above only reflects the credit risk related to debt securities that are directly held by the Foundation.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above.

As of June 30, 2023, the Foundation's debt securities had the following weighted average maturities:

<u>Total Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
\$ 24,242,397	\$ 5,552,570	\$ 18,689,827

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued):

As of June 30, 2022, the Foundation's debt securities had the following weighted average maturities:

Total Fair Value	Less than 1 year	1-5 years
\$ 18,712,330	\$ 7,552,787	\$ 11,159,543

As of June 30, 2023 and 2022, the external investment pool has an effective duration of 3.02 and 2.66 years, respectively.

Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The schedule above only reflects the interest rate risk related to debt and equity securities that are directly held by the Foundation.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. It is the Foundation's policy to limit its exposure to foreign currency risk by limiting the asset allocation in international investments in accordance with the established targets in the approved investment policy. As of June 30, 2023 and 2022, the Foundation did not have any direct investments subject to this risk. As of June 30, 2023 and 2022, the Foundation's assets were held in U.S. currency. The currency risk on international and global assets is absorbed by the underlying investment managers.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements:

The Foundation utilizes various methods to measure fair value of its assets and liabilities on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of hierarchy are:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3: Unobservable inputs that are supported by little or no market activity.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of any input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level as described above.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The fair value of the Foundation's assets and liabilities at June 30, 2023 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 63,368,292	\$ 60,993,887	\$ 2,374,405	\$ -
Debt securities	24,242,397	13,616,766	10,625,631	-
External investment pool; SPIA	6,425,243	-	-	6,425,243
Alternative investments:				
Private equity investments	5,556,090	-	-	5,556,090
Real estate investment trust	5,509,234	-	-	5,509,234
Total alternative investments	11,065,324	-	-	11,065,324
Funds held in trust by others	3,307,798	3,307,798	-	-
Contributions receivable, net	3,731,530	-	-	3,731,530
Total assets measured at fair value	112,140,584	77,918,451	13,000,036	21,222,097
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	9,732,552			
Private equity investments	11,457,015			
Total assets measured at NAV	21,189,567			
Total assets	133,330,151			
Liabilities:				
Funds held in trust	1,720,127	-	-	1,720,127
Due to WFHT	1,137,815	-	1,137,815	-
Total liabilities	2,857,942	-	1,137,815	1,720,127
Total	\$ 130,472,209	\$ 77,918,451	\$ 11,862,221	\$ 19,501,970

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The fair value of the Foundation's assets and liabilities at June 30, 2022 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 60,299,773	\$ 59,091,680	\$ 1,208,093	\$ -
Debt securities	18,712,330	13,162,474	5,549,856	-
External investment pool; SPIA	7,257,004	-	-	7,257,004
Alternative investments:				
Private equity investments	4,676,741	-	-	4,676,741
Real estate investment trust	5,016,157	-	-	5,016,157
Total alternative investments	9,692,898	-	-	9,692,898
Funds held in trust by others	3,336,664	3,336,664	-	-
Contributions receivable, net	3,525,577	-	-	3,525,577
Total assets measured at fair value	102,824,246	75,590,818	6,757,949	20,475,479
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	9,350,727			
Private equity investments	11,113,834			
Total assets measured at NAV	20,464,561			
Total assets	123,288,807			
Liabilities:				
Funds held in trust	1,820,783	-	-	1,820,783
Due to WFHT	1,035,446	-	1,035,446	-
Total liabilities	2,856,229	-	1,035,446	1,820,783
Total	\$ 120,432,578	\$ 75,590,818	\$ 5,722,503	\$ 18,654,696

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following methods and assumptions were used to estimate the fair value for each class of asset and liability, measured at fair value:

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Debt securities - Investments in fixed income securities are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis. However, a small segment of debt security holdings is in a High Yield Commingled Fund where there are inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly, and therefore included in Level 2.

External investment pool - Investments in the Special Purpose Investment Account (“SPIA”) of the Florida Treasury Pool are classified as Level 3. Participants contribute to this Treasury Pool on a dollar basis. These funds are commingled, and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed, and a total pool fair value is determined. A fair value factor is calculated by dividing the pool’s total fair value by the pool participant’s total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant’s pool balance. At June 30, 2023 and 2022, the unaudited fair value factor was 0.9667 and 0.9479, respectively. The factor is determined by an independent pricing service which uses quoted market prices as well as multifactor models for securities which have no quoted market prices. Additional information may be found in Note 2 to the State of Florida Comprehensive Annual Financial Report (“CAFR”) and at the Treasury’s website, www.fltreasury.org.

Alternative investments - Investments in private equity partnerships for which there is no readily determinable fair value is classified as Level 3 as the valuation is based on significant unobservable inputs.

Private equity and real estate investment trust funds for which there are not readily determinable fair values are classified as Level 3 as the valuation is based on significant unobservable inputs. Private equity real estate are partnerships formed for the purpose of acquiring, holding, managing and selling income producing real estate and real estate related assets including interest in joint venture development projects for current income, investment and capital appreciation over a three to five year holding period.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

Funds held in trust by others - Funds held in trust by others are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. The liabilities are classified as Level 3 as they are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

Contributions receivable - Unconditional promises to give that are expected to be collected in future years are recorded at an estimated fair value determined using the discounted present value of expected cash flows. They are classified as Level 3 as the discounts on those amounts are computed using a risk adjusted discount rate applicable at the time promises are received.

Due to WFHT - The amount payable to WFHT is classified as Level 2 as the value correlates directly to the fair value of WFHT's interest in the Foundation's investment pool.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following table presents a reconciliation of the statement of net position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2023:

	Private Equity	Real Estate	SPIA	Contributions Receivable, net	Funds Held in Trust by Others	Total
Assets:						
Beginning balance	\$ 4,676,741	\$ 5,016,157	\$ 7,257,004	\$ 3,525,577	\$ -	\$ 20,475,479
Total gains or losses:						
Included in change in net assets	158,817	(481,302)	398,871	-	-	76,386
Purchases, issuances, sales, and settlements:						
Purchases	1,309,525	1,466,730	3,715,541	-	-	6,491,796
Settlements	(588,993)	(492,351)	(4,946,173)	-	-	(6,027,517)
New pledges, payments, write-offs, and change in fair value:						
New pledges	-	-	-	2,538,000	-	2,538,000
Payments	-	-	-	(2,273,036)	-	(2,273,036)
Write-offs	-	-	-	79	-	79
Change in fair value	-	-	-	(59,090)	-	(59,090)
Total assets	5,556,090	5,509,234	6,425,243	3,731,530	-	21,222,097
Liabilities:						
Beginning balance	-	-	-	-	1,820,783	1,820,783
Adjustments	-	-	-	-	(96,789)	(96,789)
Total gains or losses:						
Included in change in net assets	-	-	-	-	180,693	180,693
Settlements	-	-	-	-	(184,560)	(184,560)
Total liabilities	-	-	-	-	1,720,127	1,720,127
Total	\$ 5,556,090	\$ 5,509,234	\$ 6,425,243	\$ 3,731,530	\$ (1,720,127)	\$ 19,501,970

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following table presents a reconciliation of the statement of net position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 60,299,773	\$ 59,091,680	\$ 1,208,093	\$ -
Debt securities	18,712,330	13,162,474	5,549,856	-
External investment pool;				
SPIA	7,257,004	-	-	7,257,004
Alternative investments:				
Private equity investments	4,676,741	-	-	4,676,741
Real estate investment trust	5,016,157	-	-	5,016,157
Total alternative investments	9,692,898	-	-	9,692,898
Funds held in trust by others	3,336,664	3,336,664	-	-
Contributions receivable, net	3,525,577	-	-	3,525,577
Total assets measured at fair value	102,824,246	75,590,818	6,757,949	20,475,479
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	9,350,727			
Private equity investments	11,113,834			
Total assets measured at NAV	20,464,561			
Total assets	123,288,807			
Liabilities:				
Funds held in trust	1,820,783	-	-	1,820,783
Due to WFHT	1,035,446	-	1,035,446	-
Total liabilities	2,856,229	-	1,035,446	1,820,783
Total	\$ 120,432,578	\$ 75,590,818	\$ 5,722,503	\$ 18,654,696

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following tables set forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the Level 3 assets and liabilities as of June 30, 2023, excluding investments valued using the practical expedient or the NAV.

Asset or Liability Type	Fair Value	Valuation Technique(s)	Unobservable Input	Range (weighted average)
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 15,020	Direct Capitalization	Capitalization Rate	9.75%
Real Estate Partnership Interest	\$ 17,067	Appraisal/BOV	Capitalization Rate	8.75%
Real Estate Partnership Interest	\$ 2,381	Market Transactions	N/A	N/A
Real Estate Investment Trust - Harbert VI:				
Real Estate Partnership Interest	\$ 415,903	Direct Capitalization	Capitalization Rate	5.87%
Real Estate Partnership Interest	\$ 151,394	Market Transactions (a)	N/A	N/A
Real Estate Partnership Interest	\$ 420,672	Independent Appraisal/Opinion of Value	Capitalization Rate	6.10%
Real Estate Partnership Interest	\$ 104,191	Discounted Cash Flow Model	Terminal Capitalization Rate	7.30%
			Levered IRR	17.60%
			Revenue Growth Rate	2.85%
Real Estate Investment Trust - Harbert VII:				
Real Estate Partnership Interest	\$ 2,055,489	Market Transactions (a)	N/A	N/A
Real Estate Partnership Interest	\$ 2,028,197	Direct Capitalization	Capitalization Rate	5.18%
Real Estate Partnership Interest	\$ 298,920	Independent Appraisal/BOV	Capitalization Rate	6.88%
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund II:				
Common Securities	\$ 57,343	Market Comparable Companies	EBITDA Multiple	10.0x - 17.0x
Common Securities	\$ 14,003	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 23,193	Market Comparable Companies	EBITDA Multiple	10.6x - 17.0x
Preferred Securities	\$ 1,936	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 22,779	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 237,884	Relative Value Analysis	Yield to Maturity	11.6% - 18.9%

(a) Market Transactions include related capital expenditures of a particular investment.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

Asset or Liability Type	Fair Value	Valuation Technique(s)	Unobservable Input	Range (weighted average)
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund III:				
Common Securities	\$ 368,335	Market Comparable Companies	EBITDA Multiple	8.7x - 20.4x
Limited Partnership Interest	\$ 143,709	Market Comparable Companies	EBITDA Multiple	11.1x - 12.9x
Preferred Securities	\$ 578,086	Market Comparable Companies	EBITDA Multiple	12.6x - 20.4x
Common Securities	\$ 43,687	Cost (Recent Transaction)	N/A	N/A
Limited Partnership Interest	\$ 43,687	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 531,860	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 1,736,411	Relative Value Analysis	Yield to Maturity	11.4x - 14.0x
Private Equity Investments - Golub Capital Partners International:				
Debt Securities	\$ 1,753,177	Market rate approach	Market interest rate	9.00%
External Investment Pool				
SPIA	\$ 6,425,243	Factor times cost	Value of \$1 contributed multiplied by Treasury determined fair value factor	9.67%
Contributions receivable, net	\$ 3,731,530	Discounted present value	Discounted present value of expected cash flows at a risk-adjusted discount rate applicable at the time promises are received	N/A
Funds Held in Trust - Liabilities	\$ (1,720,127)	Factor times Annuity	Value of \$1 paid every year discounted for both mortality and interest multiplied by the annual amount paid to annuitant(s)	N/A

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following tables set forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the Level 3 assets and liabilities as of June 30, 2022, excluding investments valued using the practical expedient or the net asset value (“NAV”).

Asset or Liability Type	Fair Value	Valuation Technique(s)	Unobservable Input	Range (weighted average)
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 106,622	Direct Capitalization	Capitalization Rate	7.51%
Real Estate Partnership Interest	\$ 97,816	Appraisal/BOV	Capitalization Rate	7.84%
Real Estate Partnership Interest	\$ 15,077	Market Transactions	N/A	N/A
Real Estate Investment Trust - Harbert VI:				
Real Estate Partnership Interest	\$ 911,469	Direct Capitalization	Capitalization Rate	6.85%
Real Estate Partnership Interest	\$ 112,898	Market Transactions (a)	N/A	N/A
Real Estate Partnership Interest	\$ 495,386	Independent Appraisal/Opinion Value	Capitalization Rate	5.85%
Real Estate Investment Trust - Harbert VII:				
Real Estate Partnership Interest	\$ 1,807,222	Market Transactions (a)	N/A	N/A
Real Estate Partnership Interest	\$ 1,362,750	Direct Capitalization	Capitalization Rate	5.16%
Real Estate Partnership Interest	\$ 106,917	Independent Appraisal	Capitalization Rate	5.00%
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund II:				
Common Securities	\$ 79,923	Market Comparable Companies	EBITDA Multiple	7.1x - 19.6x
Common Securities	\$ 7,507	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 43,562	Market Comparable Companies	EBITDA Multiple	7.1x - 19.6x
Debt Securities	\$ 406	Waterfall Analysis	EBITDA Multiple	18.9x
Debt Securities	\$ 96,583	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 209,533	Relative Value Analysis	Yield to Maturity	8.2% - 11.22%

(a) Market Transactions include related capital expenditures of a particular investment.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

Asset or Liability Type	Fair Value	Valuation Technique(s)	Unobservable Input	Range (weighted average)
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund III:				
Common Securities	\$ 112,874	Market Comparable	EBITDA Multiple	3.2x - 21.9x
Limited Partnership Interest	\$ 83,449	Market Comparable	EBITDA Multiple	N/A
Common Securities	\$ 86,929	Cost (Recent Transaction)	N/A	N/A
Limited Partnership Interest	\$ 48,477	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 399,510	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 1,313,087	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 394,901	Relative Value Analysis	Yield to Maturity	N/A
Private Equity Investments - Golub Capital Partners International:				
Debt Securities	\$ 1,800,000	Market rate approach	Market interest rate	4.30%
External Investment Pool				
SPIA	\$ 7,257,004	Factor times cost	Value of \$1 contributed	0.9479%
Contributions receivable, net	\$ 3,525,577	Discounted present value	Discounted present value of expected cash flows at a risk-adjusted discount rate applicable at the time promises are received	N/A
Funds Held in Trust - Liabilities	\$ 1,820,783	Factor times Annuity	Value of \$1 paid every year discounted for both mortality and interest multiplied by the annual amount paid to annuitant(s)	N/A

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following table lists investments in hedge funds and investment limited partnerships by strategy, excluding investments measured at fair value, as of June 30, 2023:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Equity market neutral	\$ 9,732,552	-	Quarterly to Semi-annual	95 Days
Private equity investments	<u>11,457,015</u>	<u>2,639,333</u>	N/A*	N/A*
	<u>\$ 21,189,567</u>	<u>\$ 2,639,333</u>		

* These funds are in private equity structures, with no ability to be redeemed.

The following table lists investments in hedge funds and investment limited partnerships by strategy, excluding investments measured at fair value, as of June 30, 2022:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Equity market neutral	\$ 9,350,727	-	Quarterly to Semi-annual	95 Days
Private equity investments	<u>11,113,834</u>	<u>3,489,779</u>	N/A*	N/A*
	<u>\$ 20,464,561</u>	<u>\$ 3,489,779</u>		

* These funds are in private equity structures, with no ability to be redeemed.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2023 and 2022, the Foundation records unconditional promises to give using fair value adjusted for the current year-end at discount rates, ranging from 0% to 47% based on the prevailing five-year Treasury constant maturities. As of June 30, 2023 and 2022, the fair value adjustment to contributions revenue was \$440,882 and \$381,792, respectively. Multi-year contributions receivable are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. In 2023 and 2022, there were no transfers of contributions receivable into or out of Level 3.

Unconditional promises to give at June 30 are due as follows:

	2023	2022
In one year or less	\$ 1,396,979	\$ 986,517
Between one and five years	2,134,576	2,177,171
Greater than five years	681,991	785,294
Total contributions receivable, gross	4,213,546	3,948,982
Less discounts to net fair value	440,882	381,792
Less allowance for doubtful accounts	41,134	41,613
Net contributions receivable, fair value	\$ 3,731,530	\$ 3,525,577
Current contributions receivable, net	\$ 1,345,997	\$ 964,882
Noncurrent contributions receivable, net	2,385,533	2,560,695
Total contributions receivable, net	\$ 3,731,530	\$ 3,525,577

Time-restricted and endowment contributions receivable (gross) not recognized in the statement of net position under the provisions of GASB No. 33 were \$4,974,850 and \$4,762,647 at June 30, 2023 and 2022, respectively.

Conditional promises to give for state matching funds from the State of Florida Major Gifts Trust Fund amounted to \$2,438,052 at June 30, 2023 and 2022. The funds will be forwarded to the Foundation in the event that future appropriations are made by the state legislature.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Student loan fund	\$ 68,340	\$ 68,340
Rent, less allowance of \$316,280 in 2023 and \$249,405 in 2022	199,055	121,623
Other	<u>23,476</u>	<u>18,333</u>
Net other receivables	<u>\$ 290,871</u>	<u>\$ 208,296</u>

The Student Loan Fund, established through contributions, provides low-interest, short-term loans to students. All transactions are conducted through the University's cashiers' office. The Student Loan Program is made up of accounts receivable for loans to students, funds held at the University available for loans to students, and funds invested in a quasi-endowment at the Foundation. As of June 30, 2023 and 2022, the Foundation held \$292,380 and \$266,075, respectively, that was invested in a quasi-endowment. Earnings in the quasi-endowment are transferred to the University, as needed, to support the Student Loan Program.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Capitals assets not being depreciated:</i>					
Land	\$ 3,059,483	\$ -	\$ -	\$ -	\$ 3,059,483
Construction in progress	490,211	860,603	-	(795,297)	555,517
Works of art and historical treasures	1,113,070	-	-	-	1,113,070
Total capital assets not being depreciated	<u>4,662,764</u>	<u>860,603</u>	<u>-</u>	<u>(795,297)</u>	<u>4,728,070</u>
<i>Capitals assets being depreciated:</i>					
Student Housing System	79,327,696	113,667	(71,514)	795,297	80,165,146
Timeless Tanglewood property	5,595,202	-	-	-	5,595,202
Office equipment and software	527,811	13,849	-	-	541,660
Idle property	1,191,002	-	-	-	1,191,002
Total capital assets being depreciated	<u>86,641,711</u>	<u>127,516</u>	<u>(71,514)</u>	<u>795,297</u>	<u>87,493,010</u>
Less accumulated depreciation for:					
Student Housing System	43,078,570	3,041,933	(45,832)	-	46,074,671
Timeless Tanglewood property	757,030	168,229	-	-	925,259
Office equipment and software	509,777	6,094	-	-	515,871
Idle property	1,191,002	-	-	-	1,191,002
Total accumulated depreciation	<u>45,536,379</u>	<u>3,216,256</u>	<u>(45,832)</u>	<u>-</u>	<u>48,706,803</u>
Total capital assets being depreciated, net	<u>\$ 45,768,096</u>	<u>\$ (2,228,137)</u>	<u>\$ (25,682)</u>	<u>\$ -</u>	<u>\$ 43,514,277</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Capitals assets not being depreciated:</i>					
Land	\$ 3,059,483	\$ -	\$ -	\$ -	\$ 3,059,483
Construction in progress	1,959,217	1,106,047	-	(2,575,053)	490,211
Works of art and historical treasures	1,393,070	-	(280,000)	-	1,113,070
Total capital assets not being depreciated	<u>6,411,770</u>	<u>1,106,047</u>	<u>(280,000)</u>	<u>(2,575,053)</u>	<u>4,662,764</u>
<i>Capitals assets being depreciated:</i>					
Student Housing System	76,763,120	33,911	(44,388)	2,575,053	79,327,696
Timeless Tanglewood property	5,595,202	-	-	-	5,595,202
Office equipment and software	515,872	11,939	-	-	527,811
Idle property	1,191,002	-	-	-	1,191,002
Total capital assets being depreciated	<u>84,065,196</u>	<u>45,850</u>	<u>(44,388)</u>	<u>2,575,053</u>	<u>86,641,711</u>
Less accumulated depreciation for:					
Student Housing System	40,038,653	3,068,364	(28,447)	-	43,078,570
Timeless Tanglewood property	588,802	168,228	-	-	757,030
Office equipment and software	504,205	5,572	-	-	509,777
Idle property	1,191,002	-	-	-	1,191,002
Total accumulated depreciation	<u>42,322,662</u>	<u>3,242,164</u>	<u>(28,447)</u>	<u>-</u>	<u>45,536,379</u>
Total capital assets being depreciated, net	<u>\$ 48,154,304</u>	<u>\$ (2,090,267)</u>	<u>\$ (295,941)</u>	<u>\$ -</u>	<u>\$ 45,768,096</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$3,216,256 and \$3,242,164, respectively.

The University's Student Housing System consists of the following: the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively. The buildings are depreciated over their estimated useful lives of 30 years, and the furniture, fixtures, and equipment are depreciated over their useful life of 5 - 10 years. At June 30, 2023 and 2022, depreciation for the Student Housing System totaled \$3,048,027 and \$3,073,936, respectively. See Note 11 for further disclosure.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS (Continued)

During fiscal year 2021, Hurricane Sally hit landfall in our area and damaged the roofs of five out of the six buildings. These roofs were written off and buildings decreased by \$931,546. The accumulated depreciation related to these buildings also decreased by \$441,445, resulting in a loss of \$490,101. The State of Florida insurance proceeds, further explained in Note 6, covered the roof replacement. During fiscal year 2022, the roofs were completed and were capitalized as property.

Timeless Tanglewood property represents a portion of an estate that was gifted to the Foundation in 2018 which consists of a building and furniture and fixtures. The remaining gift is included in land and works of art and historical treasures, stated above. This estate is recognized as the UWF President's Club at Timeless Tanglewood and will be used to host related events.

The Foundation routinely evaluates the carrying value of its long-lived assets. The Foundation records impairment losses on long-term assets when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such assets are considered to be impaired, the charge to operations is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

During the year ended June 30, 2016, management decided to take the Southside units, which are part of the University's student housing system, offline. This action was compliant with the covenants in Section 5.14 of all the bond agreements, which allow housing facilities to be abandoned, sold, converted, razed or removed in the event that the facilities are found to be not capable of producing positive net revenues. Management had been considering this action as a portion of these units have been taken offline over the past few years. The Southside units, originally constructed in the 1960's, are the oldest units and maintenance costs have increased each year. It was economically unfeasible to continue to operate these units in their current capacity. In September 2018, the Foundation transferred six of the fifteen units to the University for non-housing use resulting in a loss on transfer of \$300,277. During fiscal year 2019, management determined the remaining nine South Side Housing units to be materially and permanently impaired for housing use with a fair market value of zero. These remaining units are considered idle property, with a net carrying value of zero.

NOTE 6 - RELATED PARTY TRANSACTIONS

At June 30, 2023 and 2022, the Foundation and the University jointly determined an amount for the Foundation to deposit with the University to be used to manage and pay expenses for the Foundation's operations. Payroll, other University departments, and program expenses that are funded from the Foundation are paid through the University utilizing these funds. At June 30, 2023 and 2022, the cash balances held by the University were \$361,468 and \$403,541, respectively, and were included in due from University.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 - RELATED PARTY TRANSACTIONS (Continued)

In March of 2013, the Foundation entered into a Memorandum of Understanding with the University of West Florida Historic Trust (“WFHT”), another DSO of the University, where WFHT may transfer current cash assets to the Foundation to invest on their behalf. These funds are invested as a Quasi-Endowment with the Foundation and will be part of the overall investment pool subject to spending and investment policies of the Foundation as agreed to in the memorandum. Funds invested by WFHT in the Foundation’s investment pool totaled \$1,137,815 and \$1,035,446 at June 30, 2023 and 2022, respectively, and are included in due to WFHT.

On July 1, 2016, the assets of Pensacola Museum of Art (“PMA”), an independent not-for-profit corporation, became part of the University. On that date, the Foundation was gifted a historic building, land, a fine arts collection, furniture and equipment, cash and cash equivalents, a permanent endowment, and other current assets from the dissolving entity totaling approximately \$4.2 million. The historic building and land were transferred to the University and the fine arts collection, furniture and equipment, and all other assets were transferred to WFHT, with the exception of the permanent endowment and cash and cash equivalents. On July 1, 2016, the Foundation entered into a cash and securities agreement with PMA for the furtherance of the PMA mission, as discussed in Note 2. As such, the permanent endowment and cash and cash equivalents remained with the Foundation, which stewards the endowment on behalf of PMA.

As a direct support organization, the Foundation received support from the University in performance of its mission. Salaries and benefits of University employees providing such support total approximately \$812,000 and \$768,000 in 2023 and 2022, respectively, and are included in general and administrative expenses. The University also provides centralized payroll processing and IT support that the Foundation estimates as immaterial to these financial statements.

At June 30, 2022, the Foundation’s housing system recognized insurance recoveries from the State of Florida in the amount of \$563,148. These funds were transferred from the University to replace roofs damaged during Hurricane Sally.

At June 30, 2023, the Foundation received University Support in the amount of \$571,674 classified as nonoperating revenues. This was a result of property held for investment returned back from the University for disposition.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 - BONDS PAYABLE

The table below presents information about revenue bonds at June 30, 2023, including a schedule of changes for the year then ended:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Publicly issued revenue bonds:					
\$28,000,000 Dormitory Refunding Revenue Bonds, Series 2016A, due in annual installments of \$720,000 to \$1,780,000, from June 1, 2017 through June 1, 2040 with interest ranging from 3.375% to 5.00% due semiannually, June 1 and December 1	\$ 20,860,000	\$ -	\$ (1,390,000)	\$ 19,470,000	\$ 1,450,000
Unamortized premiums	759,099	-	(42,172)	716,927	-
Publicly issued revenue bonds payable, net of unamortized premiums	21,619,099	-	(1,432,172)	20,186,927	1,450,000
Direct placement revenue bonds:					
\$8,635,000 Dormitory Refunding Revenue Bonds, Series 2016B, due in annual installments of \$618,500 to \$830,500, from June 1, 2017 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	4,667,500	-	(727,000)	3,940,500	746,000
\$13,683,344 Dormitory Refunding Revenue Bonds, Series 2016C, due in annual installments of \$731,544 to \$1,120,171, from June 1, 2017 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	8,948,076	-	(879,456)	8,068,620	903,469
Direct placement revenue bonds payable	13,615,576	-	(1,606,456)	12,009,120	1,649,469
Total bonds payable, net of unamortized premiums	\$ 35,234,675	\$ -	\$ (3,038,628)	\$ 32,196,047	\$ 3,099,469

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 - BONDS PAYABLE (Continued)

The table below presents information about revenue bonds at June 30, 2022, including a schedule of changes for the year then ended:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Publicly issued revenue bonds:					
\$28,000,000 Dormitory Refunding Revenue Bonds, Series 2016A, due in annual installments of \$720,000 to \$1,780,000, from June 1, 2017 through June 1, 2040 with interest ranging from 3.375% to 5.00% due semiannually, June 1 and December 1	\$ 22,185,000	\$ -	\$ (1,325,000)	\$ 20,860,000	\$ 1,390,000
Unamortized premiums	801,271	-	(42,172)	759,099	-
Publicly issued revenue bonds payable, net of unamortized premiums	<u>22,986,271</u>	<u>-</u>	<u>(1,367,172)</u>	<u>21,619,099</u>	<u>1,390,000</u>
Direct placement revenue bonds:					
\$8,635,000 Dormitory Refunding Revenue Bonds, Series 2016B, due in annual installments of \$618,500 to \$830,500, from June 1, 2017 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	5,372,500	-	(705,000)	4,667,500	727,000
\$13,683,344 Dormitory Refunding Revenue Bonds, Series 2016C, due in annual installments of \$731,544 to \$1,120,171, from June 1, 2017 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	9,796,663	-	(848,587)	8,948,076	879,456
Direct placement revenue bonds payable	<u>15,169,163</u>	<u>-</u>	<u>(1,553,587)</u>	<u>13,615,576</u>	<u>1,606,456</u>
Total bonds payable, net of unamortized premiums	<u>\$ 38,155,434</u>	<u>\$ -</u>	<u>\$ (2,920,759)</u>	<u>\$ 35,234,675</u>	<u>\$ 2,996,456</u>

Interest of \$96,706 and \$106,436 was accrued on the bonds as of June 30, 2023 and 2022, respectively.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 - BONDS PAYABLE (Continued)

Maturities of the publicly issued revenue bonds are as follows:

<u>For the year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,450,000	\$ 801,981	2,251,981
2025	1,525,000	729,481	2,254,481
2026	1,595,000	653,231	2,248,231
2027	1,670,000	573,481	2,243,481
2028	1,730,000	517,119	2,247,119
2029-2033	4,835,000	1,852,944	6,687,944
2034-2038	4,565,000	1,006,231	5,571,231
2039-2041	2,100,000	130,763	2,230,763
	<u>\$ 19,470,000</u>	<u>\$ 6,265,231</u>	<u>\$ 25,735,231</u>

Maturities of the direct placement revenue bonds are as follows:

<u>For the year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,649,469	\$ 358,491	2,007,960
2025	1,697,152	309,968	2,007,120
2026	1,752,408	260,036	2,012,444
2027	1,800,289	208,471	2,008,760
2028	1,850,738	155,497	2,006,235
2029-2031	3,259,064	204,125	3,463,189
	<u>\$ 12,009,120</u>	<u>\$ 1,496,588</u>	<u>\$ 13,505,708</u>

These bonds are all secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120% of annual debt service. The debt service ratio for the year ended June 30, 2023 and 2022 was 127% and 123%, respectively.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 - BONDS PAYABLE (Continued)

In addition, the Foundation must reserve 10% of prior year audited revenues in the Housing operating reserves account (separately stated in Note 2). The Foundation must also make an annual deposit of \$200 per available bed into the Housing replacement reserves account. Any remaining reserves are considered Housing contingency and improvement reserves, which totaled \$5,506,748 and \$6,037,866 at June 30, 2023 and 2022, respectively. The Trust indenture clarifies how and in what order each reserve account can be utilized.

The Foundation was not aware of any violations of the covenants at June 30, 2023 or 2022.

The default provisions for the direct placement revenue bonds differ in the following financial attributes:

Series 2016B - In the event the Series 2016B Bond is determined to be taxable by the Internal Revenue Service or the tax laws or regulations are amended, including, but not limited to, causing the Series 2016B Bond to be taxable, subject to minimum tax, alternative minimum tax, or a change in the corporate tax rate, the interest rate on the Series 2016B Bond can be adjusted by the holder to achieve the same after tax yield. In addition, any amount due under the Series 2016B Bond not paid when due shall be subject to payment of a default rate equal to the interest rate on the 2016B Bond plus 2% per annum from and after ten (10) days after the date due.

Series 2016C - In the event of a default that continues beyond any applicable cure period, the Series 2016C Bond shall be subject to a default rate of interest equal to the then applicable rate of interest plus 2.50% until such default has been cured, waived, or the 2016C Bond has been paid in full.

NOTE 8 - NET POSITION

Expendable net position at June 30 are available for the following purposes:

	2023	2022
Scholarships, student awards and loan funds	\$ 12,907,314	\$ 11,350,643
Faculty support, professorships and chairs	6,284,252	5,380,529
Foundation reserve fund	4,744,142	4,527,320
Programs and other	35,572,632	29,660,753
Total expendable net position	\$ 59,508,340	\$ 50,919,245

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - NET POSITION (Continued)

Nonexpendable net position consists of endowment fund assets to be held in perpetuity, with only the income to be expended. The following is a summary of nonexpendable net position at June 30, 2023 and 2022, categorized by the purpose for which the income is expendable:

	2023	2022
Scholarships, student awards and loan funds	\$ 39,722,488	\$ 38,381,283
Faculty support, professorships and chairs	11,763,613	11,763,613
Programs and other	21,149,157	21,113,585
Total nonexpendable net position	\$ 72,635,258	\$ 71,258,481

NOTE 9 - ENDOWMENTS

The Foundation's endowments consisted of 340 and 339 individual funds at June 30, 2023 and 2022, respectively, and were established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As discussed in Note 6, the Foundation acts as a steward of PMA's cultural endowment program. As of June 30, 2023 and 2022, the endowment of \$758,882 and \$744,346, respectively, which excludes cash and cash equivalents of \$68,145 and \$65,010, respectively, does not follow the Foundation's spending policy. All income from the endowment will provide support to PMA's mission.

Interpretation of Relevant Law -

The Foundation's governing board with guidance from legal counsel has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("Florida UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 - ENDOWMENTS (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Florida UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a loan from unrestricted net assets. For the period ending June 30, 2023 and 2022, the amount of the loan was \$216,156 and \$709,248, respectively. The loan considers donor-restricted endowments where the fair value of the investments was less than donor stipulations plus amounts available for spending. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board.

Return Objectives and Risk Parameters -

The Foundation's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce the desired minimum rate of return which is equal to the Consumer Price Index ("CPI") plus 400 basis points (4%) for spending, plus an amount for the operating budget on an annualized basis.

The Foundation's investment committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The portfolio of funds is structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the portfolio is expected to be in line with general market conditions.

Strategies Employed for Achieving Objectives -

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 return objectives within prudent risk constraints.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 - ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation's spending rate is calculated on a three-year average of the market value of the endowments as of June 30. Spending is awarded for endowments greater than \$25,000 after a one year waiting period. The approved spending rate was 4.00% for fiscal years ended June 30, 2023 and 2022.

The Foundation strives to balance the donor's desire to fund current program, faculty, and scholarship needs with the commitment to preserve over time the donor's gifts to the endowment corpus. The Foundation takes seriously its responsibility to provide prudent fiduciary management. Despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its governing board, there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event an endowment falls underwater, the Foundation will use a step-down spending allocation method to slow the spending from the endowment. The intent of this policy is to attempt to continue to provide spending to support the scholarships, programs, and faculty as designated by the donor and within the limits of Florida laws, while also allowing the endowment to recover more quickly from economic downturns.

The Foundation's operating budget has generally been two percent (2%) of the three-year average of the market value of the investment portfolio. To accommodate both the needs of the university and keeping with the goal of managing the endowment portfolio for the long term the governing board has fixed the amount at a rate of 1.75%.

Changes in balances for donor and board restricted endowments by net position class as of June 30, 2023 are as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment Balance, July 1, 2022	\$ 1,595,368	\$ 14,021,037	\$ 71,258,481	\$ 86,874,886
Restricted contributions	623	41,488	1,280,235	1,322,346
Investment income	73,952	4,058,252	-	4,132,204
Net appreciation	110,421	6,098,970	-	6,209,391
Other changes	(31,685)	(2,244,819)	96,542	(2,179,962)
Amounts appropriated for expenditures	(51,962)	(3,436,627)	-	(3,488,589)
Endowment Balance, June 30, 2023	<u>\$ 1,696,717</u>	<u>\$ 18,538,301</u>	<u>\$ 72,635,258</u>	<u>\$ 92,870,276</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 - ENDOWMENTS (Continued)

Changes in balances for donor and board restricted endowments by net position class as of June 30, 2022 are as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment Balance, July 1, 2021	\$ 1,879,447	\$ 32,232,778	\$ 66,401,120	\$ 100,513,345
Restricted contributions	-	37,950	3,465,715	3,503,665
Investment income	105,098	5,639,064	-	5,744,162
Net depreciation	(357,188)	(19,556,942)	-	(19,914,130)
Other changes	(31,989)	(1,047,346)	1,391,646	312,311
Amounts appropriated for expenditures	-	(3,284,467)	-	(3,284,467)
Endowment Balance, June 30, 2022	<u>\$ 1,595,368</u>	<u>\$ 14,021,037</u>	<u>\$ 71,258,481</u>	<u>\$ 86,874,886</u>

The earnings from investments, and expenditures from those earnings, related to nonexpendable balances for the years ended June 30, 2023 and 2022 are classified as expendable balances.

As of June 30, 2023 and 2022, \$1,266,425 and \$1,164,922, respectively, of net assets have been designated as quasi-endowment funds to support the missions of the University. The quasi-endowments resulting from internal designations are classified as unrestricted net position. The quasi-endowments resulting from donor designations are classified as expendable net position.

NOTE 10 - RETIREMENT PLAN

Certain Foundation employees working in regularly established positions of the University are covered by the Florida Retirement System (“FRS”), a State-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan (“Plan”). The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other non-integrated programs. These include the Plan, a Deferred Retirement Option Program (“DROP”), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (“PEORP”). Participating employers include all State departments, counties, district school boards, universities and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially all regular employees of participating employers are eligible.

Employees in the Plan prior to July 1, 2011, vest at six years of service, and employees enrolled after July 1, 2011, vest at eight years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 - RETIREMENT PLAN (Continued)

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. The University, as an employer participating in the Plan, paid an amount between 13.57% to 34.52% and 11.91% to 31.57% for 2023 and 2022, respectively, of each individual's salary to the retirement fund. Prior to July of 2011, the Plan was a non-contributory program for the employee. During 2023 and 2022, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$131,663 and \$134,747 for the years ended June 30, 2023 and 2022, respectively.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefits payments while continuing employment with an FRS employer. An employer may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Employees participating in this plan did not incur any expenses for the years ended June 30, 2023 and 2022.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. Employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. Retirement expenses for employees participating in this plan were \$54,358 and \$58,513 for the years ended June 30, 2023 and 2022, respectively.

Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program ("Program") for eligible State University System faculty and administrators. The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions may make an irrevocable election to participate in the Program rather than the Plan, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant an amount equal to a percentage of the participant's gross monthly compensation. The participant may contribute by salary deduction an amount not to exceed the percentage contributed by the University to the participant's annuity account. Contributions made to the Program for fiscal years ended June 30, 2023 and 2022 totaled \$65,400 and \$94,600, respectively.

The University has established a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), that is a governmental plan as defined under Code Section 414(d), to provide retirement benefits to eligible employees. Retirement expenses paid by the Foundation in 2023 and 2022 for the University President participating in the plan totaled \$59,902 and \$77,923, respectively.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 - STUDENT HOUSING SYSTEM

The Foundation has a sublease agreement with the Florida Board of Education of the State of Florida on behalf of the University for use of land with certain existing student housing facilities. The lease requires the Foundation to construct additional student housing facilities and to operate the facilities as a consolidated housing system on behalf of the University.

The Student Housing System consists of seven projects, which are the following: the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively.

The terms of the sublease require the Foundation to pay the University rents of \$10 per year plus variable rent equal to 100% of the Surplus Earnings from the Student Housing System. Surplus Earnings represent cash flows after payment of the operating costs, debt service and reserves. No variable rent was due for either 2023 or 2022. The sublease agreement was signed in 1998 and ends August 31, 2038. The sublease was amended September 30, 2018, in order to transfer six South Side units back to the University for non-housing use. See Note 5 for further explanation regarding the South Side units.

The Foundation and the University have a management operating agreement outlining the responsibilities of both parties for the operations of the Student Housing System. The current agreement was signed on December 1, 2016, and is effective until all bonds outstanding are paid in full.

The University has contracted with Apogee Telecom, Inc. to provide high-speed internet and cable to residence halls along with 24-hr customer support. Under the terms of the management operating agreement, the Foundation assumes financial responsibility for the terms of this contract. Fees are payable monthly in advance and are subject to adjustment based on bed count. The contract, executed on March 6, 2020, was signed for an initial term of 72 months. The agreement will renew for a term of 12 months, upon written mutual agreement.

The anticipated annual expenses over the term of the contract are as follows:

For the fiscal year ended:

2024	\$	406,848
2025	\$	436,142
2026	\$	456,993

SUPPLEMENTARY INFORMATION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF STUDENT HOUSING SYSTEM REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues:		
Rent	\$ 10,163,206	\$ 9,847,476
Interest	287,003	54,329
Net unrealized and realized gain (loss) on investments	70,909	(110,300)
Other	233,645	295,140
Total revenues	10,754,763	10,086,645
Operating Expenses:		
Salaries and wages	1,851,266	1,708,935
Administrative and general	493,374	374,247
Maintenance and repairs	1,763,650	1,906,016
Insurance	200,249	173,728
Utilities	1,594,090	1,559,472
Interest	1,225,326	1,337,671
Depreciation and amortization	3,048,027	3,073,936
Total operating expenses	10,175,982	10,134,005
Operating Income (Loss)	578,781	(47,360)
Nonoperating Revenues (Losses):		
Insurance proceeds net of loss on disposal	-	563,148
Loss on disposal of capital assets	(25,682)	-
Other nonoperating losses	-	(15,941)
Total nonoperating revenues (losses), net	(25,682)	547,207
Excess of Revenues Over Expenses	\$ 553,099	\$ 499,847

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF NET POSITION
(EXCLUDING THE STUDENT HOUSING SYSTEM)
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 4,156,238	\$ 3,790,993
Contributions receivable, net	1,345,997	964,882
Other receivables, net	88,325	83,182
Due from University	-	20,500
Prepaid expenses	103,835	75,867
Investments	10,122,131	10,826,337
Total current assets	15,816,526	15,761,761
Noncurrent Assets:		
Contributions receivable, net	2,385,533	2,560,695
Investments	112,209,610	103,178,053
Capital assets, net	8,842,495	9,010,725
Assets held under split interest agreements	3,307,798	3,336,664
Other assets	385,591	380,045
Total noncurrent assets	127,131,027	118,466,182
Total Assets	\$ 142,947,553	\$ 134,227,943

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities:		
Accounts payable and accrued expenses	\$ 671,603	\$ 608,981
Due to University	26,382	-
Total current liabilities	697,985	608,981
Noncurrent Liabilities:		
Liabilities under split-interest agreements	1,720,127	1,820,783
Due to West Florida Historic Trust	1,137,815	1,035,446
Total noncurrent liabilities	2,857,942	2,856,229
Deferred Inflows of Resources:		
Split-interest agreements	1,471,900	1,400,111
Net Position:		
Net investment in capital assets	8,842,495	9,010,725
Unrestricted	(3,066,367)	(1,825,829)
Restricted -		
Expendable	59,508,340	50,919,245
Nonexpendable	72,635,258	71,258,481
Total net position	137,919,726	129,362,622
Total Liabilities, Deferred Inflows and Net Position	\$ 142,947,553	\$ 134,227,943

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2023 Total	2022 Total
Bad debt expense (recovery)	\$ -	\$ (78)	\$ 66,875	\$ -	\$ -	\$ 66,797	\$ 30,365
Bond expense	-	-	11,825	-	-	11,825	11,825
Depreciation and amortization	-	168,229	3,048,027	-	-	3,216,256	3,242,164
Equipment	-	30,012	8,177	-	334	38,523	74,577
Housing administrative and general	-	-	82,044	-	-	82,044	57,355
Insurance	-	43,667	200,249	-	20,330	264,246	225,087
Interest	-	-	1,225,326	-	-	1,225,326	1,337,671
Investment and consultant fees	-	5,295	-	-	265,805	271,100	302,493
Lobbying	-	15,000	-	-	90,000	105,000	120,000
Maintenance and repairs	-	-	1,763,650	-	588	1,764,238	1,906,016
Miscellaneous	-	259,382	-	27,681	10,032	297,095	347,751
Office	-	260,078	58,429	135,661	51,641	505,809	480,897
Professional development	-	110,246	8,961	20,876	2,600	142,683	149,235
Professional services	-	789,663	52,578	27,094	116,489	985,824	570,914
Public radio program	-	327,055	-	-	-	327,055	155,035
Public relations	-	156,088	-	38,625	13,739	208,452	137,601
Recruitment	-	18,158	66	3,896	155	22,275	18,815
Rental	-	64,545	-	16,801	8,161	89,507	58,113
Salaries and wages	-	2,476,512	1,851,266	377,569	1,668,003	6,373,350	6,386,581
Scholarships	2,316,393	-	-	-	-	2,316,393	1,829,737
Service charges and other fees	-	71,597	142,733	3,045	(88,112)	129,263	92,626
Travel and entertainment	-	458,297	64,167	71,539	21,368	615,371	403,489
University support	-	1,034,557	-	-	-	1,034,557	741,588
Utilities	-	-	1,594,090	-	-	1,594,090	1,559,472
	<u>\$ 2,316,393</u>	<u>\$ 6,288,303</u>	<u>\$ 10,178,463</u>	<u>\$ 722,787</u>	<u>\$ 2,181,133</u>	<u>\$ 21,687,079</u>	<u>\$ 20,239,407</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
CHAIRS UNDER EMINENT SCHOLARS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2023

Name of Gift	Beginning Corpus Balance	Beginning Net Balance	Corpus Contributed During the Year	Net Investment Earnings	Expenditures	Other Expenditures and Transfers	Fund Balance Net of Losses, Expenses & Transfers	Ending Corpus Balance	Ending Total Balance
William Craig Nystul Chair	\$ 1,210,852	\$ 1,585,813	\$ -	\$ 189,302	\$ 5,893	\$ 93,564	\$ 1,675,658	\$ 1,210,852	\$ 1,675,658
John C. Pace, Sr., Business Chair	1,000,000	1,304,982	-	155,779	4,849	76,995	1,378,917	1,000,000	1,378,917
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,528,378	-	421,191	13,111	208,177	3,728,281	2,644,500	3,728,281
John C. Pace, Jr., Distinguished University Professorship	3,966,750	5,292,570	-	631,787	19,667	312,265	5,592,425	3,966,750	5,592,425
Mary Ball Washington Chair	1,320,155	1,623,080	-	193,751	6,031	95,763	1,715,037	1,320,155	1,715,037
Total - Eminent Scholars Program	<u>\$ 10,142,257</u>	<u>\$ 13,334,823</u>	<u>\$ -</u>	<u>\$ 1,591,810</u>	<u>\$ 49,551</u>	<u>\$ 786,764</u>	<u>\$ 14,090,318</u>	<u>\$ 10,142,257</u>	<u>\$ 14,090,318</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2023

Name of Gift	Corpus			Investment			Fund Balance		Reclass for Spending	Loan from Unrestricted Transfers	Ending Corpus Balance	Ending Total Balance
	Beginning Corpus Balance	Beginning Net Balance	Contributed During the Year	Investment Earnings	& Other Expenses	Spending Transfers	Net of Earnings, Expenses & Transfers	Spending				
02001 - Chadbourne Foundation Major Gift Scholarship Endowment	\$ 216,434	\$ 270,731	\$ -	\$ 32,318	\$ 1,006	\$ 15,847	\$ 286,196	\$ -	\$ -	\$ 216,434	\$ 286,196	
02002 - Pickens Foundation For Education Endowment	162,555	211,956	-	25,302	788	12,506	223,965	-	-	162,555	223,965	
02004 - Elizabeth R. Woolf Endowment	275,412	355,343	-	42,418	1,320	20,965	375,475	-	-	275,412	375,475	
02005 - Banker's Endowment	166,692	237,021	-	28,294	881	13,984	250,450	-	-	166,692	250,450	
02006 - Bank of America Scholarship Endowment II	150,000	174,192	-	20,794	647	10,277	184,061	-	-	150,000	184,061	
02007 - Women's Athletic Trust Scholarship Endowment	169,579	219,266	104	26,184	815	12,928	231,811	-	-	169,683	231,811	
02008 - John C. Pace, Jr. Memorial Scholarship Endowment	4,990,415	6,590,808	-	786,761	24,491	388,862	6,964,216	-	-	4,990,415	6,964,216	
02009 - John C. Pace, Jr. Scholars Endowment	2,750,540	3,681,555	150	439,495	13,686	217,214	3,890,300	-	-	2,750,690	3,890,300	
02010 - Pat & Hal Marcus Historical Archaeology Scholarship Endowment	150,000	183,530	-	21,908	682	10,828	193,928	-	-	150,000	193,928	
02011 - Seymour Gitenstein Endowment	200,000	171,655	-	20,491	638	13,865	177,644	-	-	200,000	177,644	
02012 - Mattie May Kelly Musical Educational Endowment	163,443	224,594	-	26,810	835	13,251	237,319	-	-	163,443	237,319	
02013 - Orville Beckford Endowment for Excellence in Business	150,050	186,429	-	22,254	693	10,999	196,991	-	-	150,050	196,991	
02014 - Pre Professional Endowment	165,338	242,792	-	28,983	902	14,325	256,548	-	-	165,338	256,548	
02015 - Raymond C. Dyson Endowment I	177,422	237,656	-	28,370	883	14,022	251,121	-	-	177,422	251,121	
02016 - Raymond C. Dyson Endowment II	162,282	213,601	-	25,498	794	12,603	225,703	-	-	162,282	225,703	
02018 - Baptist Health Care Endowment	170,539	232,133	-	27,710	863	13,696	245,285	-	-	170,539	245,285	
02019 - Medical Center Clinic Endowment	164,306	216,358	-	25,827	804	12,765	228,616	-	-	164,306	228,616	
02020 - Sacred Heart Allied Health Endowment	163,987	228,056	-	27,224	847	13,455	240,977	-	-	163,987	240,977	
02022 - E. W. Hopkins Professorship Endw	175,343	241,887	-	28,875	899	14,272	255,591	-	-	175,343	255,591	
02025 - Dorothy C. Martin Endowment	150,005	192,193	-	22,943	714	11,340	203,082	-	-	150,005	203,082	
02027 - John C. Pace, Jr. Academic Development Endowment	8,592,090	11,319,354	-	1,351,220	42,062	667,850	11,960,661	-	-	8,592,090	11,960,661	
02028 - CHARLOTTE Endowment	150,000	191,819	-	22,898	713	11,317	202,687	-	-	150,000	202,687	
02030 - Cacilda Prado Pace Library Endowment	150,346	162,178	300	19,395	612	9,574	171,687	-	-	150,646	171,687	
02032 - Kerrigan Daughters' Young Women's Scholarship Endowment	363,645	389,934	-	46,547	1,449	22,400	412,632	-	-	363,645	412,632	
02033 - Katharine C. Pace Memorial Endowment	1,700,000	1,789,669	-	213,637	6,650	105,592	1,891,064	-	-	1,700,000	1,891,064	
02034 - Chadbourne Foundation Business Ethics Scholarship Endowment	300,000	330,005	-	39,393	1,226	19,471	348,702	-	-	300,000	348,702	
02035 - Rotary Club of Pensacola Scholarship Endowment	105,000	115,226	-	13,755	428	6,798	121,754	-	-	105,000	121,754	
02036 - John L. Switzer Scholarship Endowment	195,688	215,980	-	25,782	803	12,743	228,217	-	-	195,688	228,217	
02037 - Switzer Family Partnership Endowment	198,774	219,674	-	26,223	816	12,961	232,120	-	-	198,774	232,120	
02038 - Switzer Brothers' Professorship Endowment	581,859	640,148	-	76,416	2,379	37,769	676,416	-	-	581,859	676,416	
02039 - Maygarden Family Scholarship Endowment	179,788	197,159	10,000	23,961	740	11,395	218,985	-	-	189,788	218,985	

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2023
(Continued)

Name of Gift	Beginning	Beginning	Corpus	Investment	Investment	Spending	Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed				Net of			Ending	Total
	Balance	Balance	During the	Earnings	& Other	Transfers	Earnings, Expenses	for	Unrestricted	Corpus	Balance
			Year		Expenses		& Transfers	Spending	Transfers	Balance	Balance
02040 - Leola S & Lawrence A Alexander, Jr. Memorial Scholarship End	282,852	318,157	-	37,979	1,182	18,771	336,182	-	-	282,852	336,182
02041 - C. L. Fountain Family Scholarship Endowment	109,805	119,745	1,000	14,412	460	6,852	127,844	-	-	110,805	127,844
02043 - Blue Cross & Blue Shield of Florida Endowed Nursing Scholars	155,673	169,053	-	20,180	628	9,974	178,631	-	-	155,673	178,631
02045 - Gulf Power Engineering Scholarship Endowment	152,700	165,696	-	19,779	616	9,776	175,084	-	-	152,700	175,084
02047 - Smart Chemistry Seminar Series Endw	161,579	169,785	-	20,268	631	10,017	179,404	-	-	161,579	179,404
02052 - T. T. Wentworth, Jr. Historical Foundation Museum Curator En	151,240	154,133	-	18,399	573	9,093	162,867	-	-	151,240	162,867
04069 - Abe Levin Professorship Endowment	252,591	319,452	575	38,187	1,211	18,841	338,162	-	-	253,166	338,162
04070 - Lefferts L. and Margaret M. Mabie Endowment	325,239	403,420	-	48,158	1,499	23,802	426,276	-	-	325,239	426,276
04101 - Jane G. and Fred K. Seligman Endowed Scholarship	207,251	225,073	-	26,868	836	13,280	237,825	-	-	207,251	237,825
04104 - National Defense Inst. Assoc, Gulf Coast Chptr Schp Endow	150,000	161,324	-	19,258	599	9,518	170,464	-	-	150,000	170,464
04150 - Alfred I. duPont Foundation, Inc. Scholarship Endowment	585,000	620,048	50,000	78,995	2,380	35,587	711,076	-	-	635,000	711,076
	\$ 25,925,462	\$ 32,708,788	\$ 62,129	\$ 3,910,169	\$ 121,682	\$ 1,931,386	\$ 34,628,018	\$ -	\$ -	\$ 25,987,591	\$ 34,628,018

COMPLIANCE SECTION

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023**

State Grantor		
Pass-through Grantor	CSFA	State
State Program Title	Number	Expenditures
Florida Department of Education and Commissioner of Education:		
Major Gifts Program	48.074	\$ 1,463,734
Florida Department of Highway Safety and Motor Vehicles:		
University of West Florida License Plate Project	76.036	<u>\$ 51,870</u>
Total State Financial Assistance		<u><u>\$ 1,515,604</u></u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major State Project

We have audited the compliance of University of West Florida Foundation, Inc. (the “Foundation”) with the types of compliance requirements described in the *Executive Office of the Governor’s State Projects Compliance Supplement* that could have a direct and material effect on the Foundation’s major state project for the year ended June 30, 2023. The Foundation’s major state project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Foundation’s major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Foundation’s compliance.

Board of Directors
University of West Florida Foundation, Inc.
Pensacola, Florida

Opinion on Each Major State Project

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2023.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida
November 14, 2023

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the University of West Florida Foundation, Inc.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the University of West Florida Foundation, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major state project for the University of West Florida Foundation, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major state project for the University of West Florida Foundation, Inc. which are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.
7. The project tested as major was:

University Major Gifts Program (CSFA No. 48.074)
8. The threshold for distinguishing Type A and B programs was \$300,000 for the major state projects.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statements which are reported in accordance with *Government Auditing Standards*.

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

None

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023
(Continued)**

D. OTHER ISSUES

No Summary Schedule of Prior Year Findings is required because there were no findings required to be reported under the Florida Single Audit Act.

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of University of West Florida Foundation, Inc. (the “Foundation”), as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated November 14, 2023.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, and Independent Auditor’s Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Board of Directors
University of West Florida Foundation, Inc.
Pensacola, Florida

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
November 14, 2023

Board of Trustees
Audit and Compliance Committee
February 15, 2024

Internal Auditing and Management Consulting Update

Recommended Action:

None.

Background Information:

The purpose of this Information Item is to provide the Committee with an overview of activities within Internal Auditing & Management Consulting, as required by the department Charter.

1. Status of internal audits in progress
2. Status of advisory/consulting activities
3. External audits in progress
4. Audit follow up
5. Miscellaneous items

Implementation Plan:

None.

Fiscal Implications:

None.

Relevant Authority:

IAMC Charter

Supporting Documents:

None

Prepared by:

Cindy Talbert, Chief Audit Executive, IAMC, President's Division, x2638, ctalbert@uwf.edu

Presenter:

Cindy Talbert

**Board of Trustees
Audit and Compliance Committee
February 15, 2024**

Update on Compliance and Ethics Activities

Recommended Action:

No action required.

Background Information:

This quarterly information update by the Office of Compliance and Ethics (OCE) provides the Audit and Compliance Committee with a broad overview of the activities of the Office of Compliance and Ethics (OCE) by highlighting contemporary compliance and ethics trends and issues. In doing so, this provides the Audit and Compliance Committee and University President with the essential knowledge necessary to carry out its responsibility to “*exercise oversight with respect to the implementation and effectiveness*”¹ of UWF’s Compliance and Ethics function.

February 2024 Topics:

- Current overview of Compliance and Ethics activities
- Work outline for the remainder of FY 2024
- Overview of Annual Risk Assessment and Heat Map Exercise

¹Per [Florida Board of Governors Regulation 4.003, SUS Compliance and Ethics Programs](#)

Implementation Plan:

n/a

Fiscal Implications:

Oversight required by UWF Board of Trustees

Relevant Authority:

Board of Governors Regulation 4.003, SUS Compliance and Ethics Programs

Supporting Documents:

1. Agenda Memo
2. Informational Update PDF/Slides

Prepared by:

Matt Packard, Chief Compliance Officer, Compliance & Ethics, x6070, mpackard@uwf.edu

Presenter:

Matt Packard, Chief Compliance Officer, Office of Compliance and Ethics



UNIVERSITY *of*
WEST FLORIDA

Compliance and Ethics Update

Audit and Compliance Committee

Informational Update | February 16, 2024

Annual Risk Assessment

- Annual, System-wide approach to evaluating contemporary risks of all types
- Work stems from the UWF Risk and Compliance Council
- In addition, risk data is derived from senior leaders & Subject Matter Experts (SMEs)
- Project planning suggests 3-5 months to complete the assessment
 - Timing is largely dependent on scheduling availability of SMEs

Credit Card Compliance & Industry Certifications

- Annual re-certification process begins at the start of each new year with the completion of PCI req'd Self-Assessment Questionnaires
- OCE to survey merchants and make periodic Site Visits
- Continued Credit Card Processor (CCP) group training and oversight
- Continuing Education to expand collection methods

Compliance Partner Collaborations / Interactions

- Finance and Facilities
- Internal Auditing & Management Consulting
- Student Accessibility Resources
- Office of General Council
- Continuing Education
- Recreation and Wellness
- Information Technology Services
- SUS Compliance and Ethics Consortium

Florida SUS Compliance & Ethics Consortium

- New C&E Consortium Chair Nominated after UF Chief Compliance Officer's departure
- In Person Meeting at UF scheduled for March 26-27
- Continued focus on BOG regulations and recent SUS guidance
 - Particularly, required reporting of Foreign Influence and spending restrictions

UWF Accessibility Initiatives

- Approx. 500 Digital Accessibility contract reviews conducted to date by Compliance and Ethics Office
- Campus digital accessibility oversight
- Electronic Information and Technology Accessibility Advisory Group
- Supporting Student Accessibility Resources

Red Flags for ID Theft

- RE: Identity Theft typically associated with theft of Personally Identifying Information (PII)
- Red Flag risks presented to UWF are both Monetary and Reputational
- OCE developing online training to be implemented by July 31st
- All personnel who play a role in processing of transactions related to covered accounts will be required to take training

UWF Integrity Helpline Status

- Annual Knowledge Worker now incorporates Helpline information
- Reporting rates hold steady
- No trends or potential "red flags" identified
- Marketing the Helpline via the @UWF Newsletter

BOG Regulatory Requirements

- SUS Compliance Officer and Chief Audit Executive Reference Guide has been developed and distributed
- Semi-annual Foreign Influence Reporting Due
- Concerns over SUS guidance on Foreign Interference
- Screening of foreign researchers (f.s. 1010.35) carried out by Research Integrity Office and HR

Foreign Influence: Required Reporting

- SUS institutions required to report semi-annually by January 31st and July 31st
- Survey of UWF Campus did not identify any gift(s) received either directly or indirectly from a foreign gifts or through foreign contracts valued at \$50,000 or more

Jan – July 2024 Work Plan

- Developing UWF Contract Compliance Notifications
- Incentivizing Compliance and Ethics
- Implementing Red Flag Training
- Completing the 2024 Risk Assessment and Heat Map Exercise
- *Minors on Campus*, Compliance and Oversight
- Continuous Improvement of Digital Accessibility
- UWF Policy Oversight & Compliance

System-wide Analysis of Risk

- Map all risk types
 - Reputational, Financial, Operational, Legal
 - Critical Risks, Top Ten Risks, and High-High risks

Mapping UWF's Risk Profile

- Risk Impact x Risk Frequency x Control Effectiveness

Defining Residual Risk

- Overall risk including internal control effectiveness

Following up on Internal Control Efficacies

Establish Area-Specific Risk Tolerances