

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

**A COMPONENT UNIT OF
THE UNIVERSITY OF WEST FLORIDA**

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Board of Directors
University of West Florida Foundation, Inc.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Foundation taken as a whole. 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. 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 Schedules of Student Housing System Revenue and Expenses, Financial Position (Excluding the Student Housing System), and Other Program Services and General and Administrative Expenses have 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. The accompanying Schedules of Receipts, Expenses and Endowment Balances for the Chairs Under Eminent Scholars Program and the Major Gifts Program have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Pensacola, Florida
August 29, 2012

**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 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, 2012, and have issued our report thereon dated August 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
University of West Florida Foundation, Inc.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Foundation's audit committee, management, Board of Directors, the University of West Florida, and others within the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
August 29, 2012

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
Cash and cash equivalents	\$ 4,359,879	\$ 2,693,854
Restricted cash equivalents	14,498,140	26,457,350
Contributions receivable, net	2,580,949	1,627,661
Other receivables, net	269,952	152,040
Prepaid expenses	76,997	100,581
Long-term investments	55,713,138	61,083,226
Property and equipment, net	54,731,069	41,783,646
Assets held under split interest agreements	310,627	309,601
Property held for investment (\$260,000 at fair value for 2011)	41,500	301,500
Bond issue costs, net	1,449,041	1,517,558
Other assets	57,659	56,392
	<u>\$ 134,088,951</u>	<u>\$ 136,083,409</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 2,178,856	\$ 2,444,117
Liabilities held under split interest agreements	200,360	206,745
Bonds payable, net	57,062,717	58,587,664
Total liabilities	<u>59,441,933</u>	<u>61,238,526</u>

Commitments and Contingencies

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Net Assets:

Unrestricted -		
Undesignated	1,530,726	1,921,765
Board designated	1,208,499	1,247,890
Student Housing System	8,931,301	7,091,440
Total unrestricted	<u>11,670,526</u>	<u>10,261,095</u>
Temporarily restricted	16,001,026	19,068,050
Permanently restricted	46,975,466	45,515,738
Total net assets	<u>74,647,018</u>	<u>74,844,883</u>

Total Liabilities and Net Assets

\$ 134,088,951 \$ 136,083,409

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 ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	Unrestricted		Temporarily Restricted	Permanently Restricted	2012 Total
	Foundation	Student Housing			
Revenue, Support and Reclassifications:					
Contributions	\$ 134,314	\$ -	\$ 2,503,486	\$ 1,438,586	\$ 4,076,386
Interest and dividends	218,293	-	786,220	-	1,004,513
Net unrealized and realized gain (loss)					
on long-term investments	385,593	-	(3,008,563)	-	(2,622,970)
Student housing system	-	10,173,888	-	-	10,173,888
Other income	56,137	-	-	-	56,137
Reclassification of net assets	-	-	(21,142)	21,142	-
Net assets released from restrictions	3,301,946	-	(3,301,946)	-	-
Total revenue, support and reclassifications	4,096,283	10,173,888	(3,041,945)	1,459,728	12,687,954
Expenses:					
Direct program services -					
Scholarships	915,862	-	-	-	915,862
Other program services	2,253,641	-	-	-	2,253,641
Student housing system	-	8,334,027	-	-	8,334,027
Total direct program services	3,169,503	8,334,027	-	-	11,503,530
Supporting services -					
Fundraising	266,139	-	-	-	266,139
General and administrative	1,091,071	-	-	-	1,091,071
Total supporting services	1,357,210	-	-	-	1,357,210
Total expenses	4,526,713	8,334,027	-	-	12,860,740
Loss from refunded and cancelled restricted contributions	-	-	25,079	-	25,079
Total expenses and losses	4,526,713	8,334,027	25,079	-	12,885,819
Change in Net Assets	(430,430)	1,839,861	(3,067,024)	1,459,728	(197,865)
Net Assets, Beginning of Year	3,169,655	7,091,440	19,068,050	45,515,738	74,844,883
Net Assets, End of Year	\$ 2,739,225	\$ 8,931,301	\$ 16,001,026	\$ 46,975,466	\$ 74,647,018

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 ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)

	Unrestricted			Permanently Restricted	2011 Total
	Foundation	Student Housing	Temporarily Restricted		
Revenue, Support and Reclassifications:					
Contributions	\$ 125,298	\$ -	\$ 1,393,830	\$ 1,397,090	\$ 2,916,218
Interest and dividends	437,937	-	773,068	-	1,211,005
Net unrealized and realized gain on long-term investments	31,370	-	10,249,102	-	10,280,472
Student housing system	-	9,307,554	-	-	9,307,554
Other income	76,392	-	-	-	76,392
Reclassification of net assets	4,200	-	(89,774)	85,574	-
Net assets released from restrictions	4,517,793	-	(4,517,793)	-	-
 Total revenue, support and reclassifications	 <u>5,192,990</u>	 <u>9,307,554</u>	 <u>7,808,433</u>	 <u>1,482,664</u>	 <u>23,791,641</u>
Expenses:					
Direct program services -					
Scholarships	956,273	-	-	-	956,273
Other program services	2,310,618	-	-	-	2,310,618
Student housing system	-	8,734,347	-	-	8,734,347
Total direct program services	<u>3,266,891</u>	<u>8,734,347</u>	<u>-</u>	<u>-</u>	<u>12,001,238</u>
Supporting Services -					
Fundraising	171,658	-	-	-	171,658
General and administrative	3,529,112	-	-	-	3,529,112
Total supporting services	<u>3,700,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,700,770</u>
Total expenses	<u>6,967,661</u>	<u>8,734,347</u>	<u>-</u>	<u>-</u>	<u>15,702,008</u>
Loss from refunded and cancelled restricted contributions	-	-	4,316,032	-	4,316,032
Total expenses and losses	<u>6,967,661</u>	<u>8,734,347</u>	<u>4,316,032</u>	<u>-</u>	<u>20,018,040</u>
Change in Net Assets	(1,774,671)	573,207	3,492,401	1,482,664	3,773,601
Net Assets, Beginning of Year	<u>4,944,326</u>	<u>6,518,233</u>	<u>15,575,649</u>	<u>44,033,074</u>	<u>71,071,282</u>
Net Assets, End of Year	<u>\$ 3,169,655</u>	<u>\$ 7,091,440</u>	<u>\$ 19,068,050</u>	<u>\$ 45,515,738</u>	<u>\$ 74,844,883</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, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities:		
Change in net assets	\$ (197,865)	\$ 3,773,601
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Net unrealized and realized (gain) loss on long-term investments	2,622,970	(10,280,472)
Contributions restricted for long-term purposes	(1,438,586)	(1,397,090)
Bad debt expense	97,680	30,269
Loss on cancellation of pledges receivable	-	530,105
Transfer of property held for investment	238,000	-
Donation of collection	-	2,640,270
Change in fair value of -		
Contributions receivable	47,300	1,122
Split interest agreements	(7,411)	(30,836)
Property held for investment	22,000	-
Cash surrender value of insurance policies	(1,267)	(4,064)
Depreciation and amortization of bond issuance costs	2,030,766	1,938,531
Net amortization of bond discount	8,053	188,234
Change in operating assets and liabilities -		
Contributions receivable	(1,063,359)	(291,885)
Other receivables	(152,821)	227,301
Prepaid expenses	23,584	(20)
Accounts payable and accrued expenses	(265,261)	(1,264,969)
Net cash provided by (used in) operating activities	1,963,783	(3,939,903)
Cash Flows From Investing Activities:		
Purchases of investments	(22,068,864)	(18,132,017)
Proceeds from sales, maturities, and distributions of investments	24,815,982	17,723,892
Acquisition of property and equipment	(14,909,672)	(5,083,308)
Net cash used in investing activities	(12,162,554)	(5,491,433)
Cash Flows From Financing Activities:		
Proceeds from new bond	-	28,242,000
Bond principal payment	(1,533,000)	(13,016,000)
Bond issuance costs	-	(833,603)
Contributions to permanent endowments	1,438,586	1,397,090
Net cash provided by (used in) financing activities	(94,414)	15,789,487
Net Increase (Decrease) in Cash and Cash Equivalents	(10,293,185)	6,358,151
Cash and Cash Equivalents at Beginning of Year	29,151,204	22,793,053
Cash and Cash Equivalents at End of Year	\$ 18,858,019	\$ 29,151,204

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, 2012 AND 2011
(Continued)

	2012	2011
Analysis of Cash:		
Cash and cash equivalents	\$ 4,359,879	\$ 2,693,854
Restricted cash equivalents	14,498,140	26,457,350
	\$ 18,858,019	\$ 29,151,204
 Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 1,856,121	\$ 1,942,213
 Supplemental Disclosure of Non-Cash Investing Activity:		
Donation of collection	\$ -	\$ 2,640,270
Transfer of property held for investment	\$ 238,000	\$ -

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, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

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 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 13 to the financial statements.

Basis of Accounting:

The Foundation 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 the Foundation and changes therein are classified and reported as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all of the investment return on these assets. Such assets primarily include the Foundation's permanent endowment funds.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. Such assets are available for use by the various colleges and departments of the University, as designated by the donors to the Foundation.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the action of the governing board, including quasi-endowments, or may otherwise be limited by contractual agreements with outside parties.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued):

Unrestricted net assets - student housing system - Unrestricted net assets designated through bond covenant restrictions for the specific purpose of bond repayment for the Student Housing System.

Contributions:

Contributions are reported as temporarily restricted if the donor limits the use of the donated assets. When the restrictions expire, these temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as *net assets released from restrictions*. Contributions of endowments are reported as permanently restricted since the corpus is invested in perpetuity. All other contributions having no restrictions are reported as unrestricted.

The Foundation has previously elected under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 825, *Financial Instruments*, to record unconditional promises to give at fair value. Management believes the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques at historical discount rates. An allowance for uncollectible pledges is provided based on management’s evaluation of potential uncollectible pledges receivable at year-end. Conditional promises to give are not recorded in the financial statements.

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

Non-cash contributions are recorded at fair market value at the time of donation.

Cash and Cash Equivalents:

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash placed with the University and cash placed with the State Treasury Special Purpose Investment Account, (“SPIA”). For the purpose of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three (3) months or less to be cash equivalents. Under this definition, the Foundation considers amounts invested with the University and SPIA to be cash equivalents.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash Equivalents:

Restricted cash equivalents represent funds held by either the University or 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.

Investment income (interest, dividends, realized and unrealized gains or losses) from endowment and restricted operating funds is recognized as temporarily restricted investment income in accordance with donor stipulations. Income from all other operating funds is recognized as unrestricted investment income. There are no permanent restrictions on investment income.

Property and Equipment:

Property and equipment consists of office equipment and property held for lease, future use, or sale. Purchased assets are recorded at cost, while donated assets are recorded at fair market value at the date of donation. Depreciation is allocated over the estimated useful lives of the respective assets on a straight-line basis. Where a contributed asset has an uncertain fair market value due to deed restrictions, the Foundation records no value for the property.

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.

Collections:

The Foundation has capitalized its collections since its inception. Collections consist of museum artifacts and paintings donated to the Foundation. Donated museum artifacts and works of art are stated at the estimated fair market value at the time of donation. Gains and losses on the deaccession of donated collection items are classified in the statement of activities based on the absence or existence and nature of donor restrictions placed on the item at the time of donation. During 2007, the Foundation accepted a noncash donation of museum artifacts with an appraised value of \$2.6 million. During 2011, the Foundation transferred the museum artifacts to the West Florida Historic Preservation, Inc., a direct service organization of the University of West Florida, and expensed the artifacts as University Support in General and Administrative.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements:

The Foundation serves as trustee for split-interest agreements classified as charitable gift annuities and charitable remainder unitrusts. Assets received under these agreements 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 a gain or loss. 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 split-interest agreements is based on discount rates and mortality tables established by the Internal Revenue Code and Regulations.

Bond Discounts/Issuance Costs:

Bond discounts and issuance costs 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 are presented as a reduction of 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, 2012 and 2011, accrued compensated absences totaling \$176,380 and \$178,210 were reported as a component of accrued expenses in the accompanying financial statements.

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. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

With a few exceptions, the Foundation is no longer subject to examination by tax authorities for years beginning before 2009.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued):

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).

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:

As discussed in more detail in Note 12, 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.

Reclassifications:

The Foundation converted software systems during 2012 which included a reconfiguration and update to the chart of accounts. Accordingly, certain reclassifications have been made to previously reported 2011 amounts to conform with the 2012 presentation. These reclassifications had no effect on previously reported net assets.

Subsequent Events:

Management has evaluated subsequent events through August 29, 2012, the date which the financial statements were available for issue.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 2 - RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents at June 30 consist of the following:

	2012	2011
Debt service reserves	\$ 930,906	\$ 785,975
Replacement reserves	362,439	84,460
Contingency and improvement reserve	5,460,761	7,542,584
Housing operating reserve	407,135	1,149,490
Courtelis reserve	1,632,125	586,152
2009 bond issuance -		
Special interest checking	1,000,404	1,001,512
2010 bond interest	6	15
2011 bond issuance -		
Capitalized interest	141,285	1,025,995
Construction account	4,563,079	14,281,167
	\$ 14,498,140	\$ 26,457,350

NOTE 3 - CONTRIBUTIONS RECEIVABLE

The Foundation records unconditional promises to give using fair value adjusted for the current year end discount rates, ranging from 0% to 24%, based on the prevailing five-year Treasury constant maturities. The current year fair value adjustment to contributions revenue for temporarily and permanently restricted was \$7,514 and \$218,286 respectively. For the year ending June 30, 2011, the fair value adjustment to contributions revenue for temporarily and permanently restricted was \$9,762 and \$168,738, 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 2012 and 2011, there were no transfers of contributions receivable into or out of Level 3.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

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

	2012	2011
In one year or less	\$ 630,918	\$ 535,560
Between one and five years	564,992	595,750
Greater than five years	1,640,000	700,000
Total contributions receivable, gross	2,835,910	1,831,310
Less discounts to net fair value	225,800	178,500
Less allowance for doubtful accounts	29,161	25,149
	\$ 2,580,949	\$ 1,627,661

The table below presents information about unconditional promises to give measured at fair value at June 30, 2012:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	\$ 441,358	\$ 2,394,552
Fair value estimate	\$ 433,844	\$ 2,176,266
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 7,514	\$ 218,286
Total changes included in the statement of activities	\$ 7,514	\$ 218,286

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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

The table below presents information about unconditional promises to give measured at fair value at June 30, 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Promises measured at Fair Value		
Promised cash flows	\$ 353,657	\$ 1,477,653
Fair value estimate	\$ 343,895	\$ 1,308,915
Measurement basis	Level 3	Level 3
Contribution revenue	\$ 9,762	\$ 168,738
 Total changes included in the statement of activities	 \$ 9,762	 \$ 168,738

Changes in unconditional promises to give for the year ended June 30, 2012 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance, July 1, 2011	\$ 343,895	\$ 1,308,915
New promises received	263,700	1,280,000
Collections	(126,000)	(353,101)
Contribution revenue	2,249	(49,548)
Management and general (write-offs)	(50,000)	(10,000)
 Ending balance, June 30, 2012	 <u>\$ 433,844</u>	 <u>\$ 2,176,266</u>

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NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Changes in unconditional promises to give for the year ended June 30, 2011 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance, July 1, 2010	\$ 749,773	\$ 1,174,958
New promises received	177,757	445,988
Collections	(24,931)	(316,883)
Contribution revenue	(5,974)	4,852
Management and general (write-offs)	(22,625)	-
Loss from cancelled restricted contributions	(530,105)	-
	<u> </u>	<u> </u>
Ending balance, June 30, 2011	<u>\$ 343,895</u>	<u>\$ 1,308,915</u>

Conditional promises to give amounted to \$2,438,052 at June 30, 2012 for state matching funds from the state of Florida Major Gifts Trust Fund. The funds will be forwarded to the Foundation in the event that future appropriations are made by the state legislature. In addition, the Foundation had a conditional promise to give amounting to \$50,000 from a private trust dependent on available funds.

NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30 consist of the following:

	<u>2012</u>	<u>2011</u>
Student loan fund, less allowance of \$7,133 in 2012 and \$24,577 in 2011	\$ 55,816	\$ 52,671
Rent, less allowance of \$137,007 in 2012 and \$102,098 in 2011	208,377	94,529
Other	5,759	4,840
	<u> </u>	<u> </u>
Net other receivables	<u>\$ 269,952</u>	<u>\$ 152,040</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 4 - OTHER RECEIVABLES (Continued)

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. The Foundation holds \$151,045 that is invested in a quasi endowment. Earnings in the quasi endowment are transferred to the University, as needed, to support the Student Loan Program.

NOTE 5 - LONG-TERM INVESTMENTS

Investments in the long-term pool are carried at fair value and consist of the following:

	Cost	Fair Value	Unrealized Gain
June 30, 2012:			
Equity securities -			
Common stock and mutual funds	\$ 30,258,274	\$ 31,274,024	\$ 1,015,750
Debt securities	9,566,725	10,061,127	494,402
Alternative investments -			
Fund of fund hedge funds	11,005,760	12,208,147	1,202,387
Private equity investments	1,026,427	1,112,071	85,644
Real estate investment trust	934,426	1,057,769	123,343
	<u>\$ 52,791,612</u>	<u>\$ 55,713,138</u>	<u>\$ 2,921,526</u>
June 30, 2011:			
Equity securities -			
Common stock and mutual funds	\$ 30,829,497	\$ 36,709,190	\$ 5,879,693
Debt securities	10,097,464	10,491,114	393,650
Alternative investments -			
Fund of fund hedge funds	11,005,760	12,433,685	1,427,925
Private equity investments	753,026	780,612	27,586
Real estate investment trust	616,498	668,625	52,127
	<u>\$ 53,302,245</u>	<u>\$ 61,083,226</u>	<u>\$ 7,780,981</u>

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NOTE 5 - LONG-TERM INVESTMENTS (Continued)

Bank of New York Mellon is the custodian for the Foundation's equity securities, debt securities and fund of fund hedge funds.

As further discussed in Note 11, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$2,210,927. However, one hundred and eight individual donor-restricted endowment funds were deficient, totaling approximately \$1,139,000, where the fair value of the investments at June 30, 2012 was less than the level required by the donor stipulations.

The net return on investments was as follows:

	Total Unrestricted	Temporarily Restricted
Year Ended June 30, 2012 -		
Dividends and interest	\$ 218,293	\$ 786,220
Net realized gain on investments	7,819	2,236,756
Unrealized gain (loss) on investments	377,774	(5,245,319)
	<u>\$ 603,886</u>	<u>\$ (2,222,343)</u>
Year Ended June 30, 2011 -		
Dividends and interest	\$ 437,937	\$ 773,068
Net realized gain on investments	26,754	8,828,860
Unrealized gain on investments	4,616	1,420,242
	<u>\$ 469,307</u>	<u>\$ 11,022,170</u>

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NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30:

	2012	2011
Land	\$ 1,454,483	\$ 1,454,483
Property held under capital lease	52,597,353	52,321,990
Office equipment and software	465,051	447,557
Construction in progress	16,932,899	2,316,085
	71,449,786	56,540,115
Less accumulated depreciation	16,718,717	14,756,469
	\$ 54,731,069	\$ 41,783,646

Depreciation expense for the years ended June 30, 2012 and 2011 was \$1,962,249 and \$1,871,342, respectively.

Property held under capital lease represents the University's Student Housing System, which consists of the following: the South Side facilities constructed in 1966 and 1972; 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 portion of Phase IV (Heritage Hall), completed in 2010. The buildings under capital lease are depreciated over the lease term, which is effectively 30 years, and the furniture, fixtures, and equipment are depreciated over their useful life of 5 - 10 years. Amortization of property under capital lease is included in depreciation expense. At June 30, 2012 and 2011, amortization of the property under capital lease totaled \$1,923,971 and \$1,869,491, respectively. See Note 13 for further capital lease disclosure.

Construction in progress at June 30, 2011 and 2012 represents the construction of the Foundation's newest on-campus student housing building, President's Hall, and expenses for upgrades to existing facilities.

The Foundation 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. The Foundation capitalized approximately \$959,000 and \$334,000 of interest in connection with the construction of President's Hall for the years ended June 30, 2012 and 2011, respectively. The Foundation capitalized approximately \$141,000 of interest in connection with the construction of Heritage Hall for the year ended June 30, 2011.

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JUNE 30, 2012 AND 2011

NOTE 7 - PROPERTY HELD FOR INVESTMENT

Property held for investment at June 30 is comprised of the following:

	2012	2011
Land, at cost	\$ 41,500	\$ 41,500
Land and building, at fair value	-	260,000
Total	\$ 41,500	\$ 301,500

The Foundation reports property held for investment at fair value, where practicable, and at historical cost, when not practicable. The nature of two parcels of land makes it difficult to obtain a reasonable fair value. Thus, it was determined to report these parcels at cost. The third parcel, consisting of land and a building, is appraised every thirty-six months by an independent appraiser and adjusted accordingly. In recording property held for investment at fair value, the Foundation recognized a decrease in fair value of \$22,000 in 2012 earnings. During 2012, the Foundation transferred the third parcel, consisting of land and a building, to the UWF Business Enterprises, Inc., a direct support organization of the University of West Florida, and expensed the asset as University Support in Other Program Services. See Note 17 for further discussion on fair value measurement.

NOTE 8 - BOND ISSUE COSTS

Bond issuance costs relate to the dormitory and housing system revenue bonds. Bond issuance costs are summarized as follows:

	2012	2011
Bond issuance costs	\$ 1,693,480	\$ 1,693,480
Less accumulated amortization	244,439	175,922
Bond issuance costs, net	\$ 1,449,041	\$ 1,517,558

Bond issuance costs are being amortized by the straight-line method over the remaining lives of the bonds from 16.5 - 29 years. Amortization of bond issuance costs for the years ended June 30, 2012 and 2011 was \$68,517 and \$369,526 (including amortization of \$310,044 of bond costs related to the refunding of the Series 1998 bond), respectively.

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NOTE 9 - BONDS PAYABLE

Revenue Bonds consist of the following at June 30:

	2012	2011
<p>\$18,290,000 Dormitory Refunding Revenue Bonds, Series 2005, due in annual installments of \$50,000 to \$1,235,000, from June 1, 2006 through June 1, 2031 with interest ranging from 3.75% to 5.00% due semiannually, June 1 and December 1</p>	\$ 16,030,000	\$ 16,575,000
<p>\$15,000,000 Dormitory Revenue Bonds, Series 2009, due in annual installments of \$487,000 to \$1,190,000, from June 1, 2011 through June 1, 2029 with an interest rate of 5.09% due semiannually, June 1 and December 1</p>	14,001,000	14,513,000
<p>\$11,717,000 Dormitory Refunding Revenue Bonds, Series 2010, due in annual installments of \$474,000 to \$885,000, from June 1, 2011 through June 1, 2028 with an interest rate of 3.95% due semiannually, June 1 and December 1</p>	10,767,000	11,243,000
<p>\$16,525,000 Dormitory Revenue Bonds, Series 2011, due in annual installments of \$300,000 to \$1,120,000, from June 1, 2013 through June 1, 2040 with interest ranging from 3.00% to 5.875% due semiannually, June 1 and December 1</p>	16,525,000	16,525,000
<p>Bonds payable</p>	57,323,000	58,856,000
<p>Less unamortized discount</p>	260,283	268,336
<p>Bonds payable, net of unamortized discount</p>	\$ 57,062,717	\$ 58,587,664

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NOTE 9 - BONDS PAYABLE (Continued)

Interest of \$229,462 and \$235,017 was accrued on the bonds as of June 30, 2012 and 2011, respectively.

Maturities of the Revenue Bonds are as follows:

<u>For the year ending</u>	
2013	\$ 1,896,000
2014	1,976,000
2015	2,056,000
2016	2,143,000
2017	2,236,000
Thereafter	<u>47,016,000</u>
	<u>\$ 57,323,000</u>

The 2005 Dormitory Refunding Revenue bonds, sponsored by Escambia County Housing Finance Authority, were issued to refund approximately \$5.5 million from a 2002 bond issue and to defease approximately \$11.6 million from a 1999 bond issue for the purpose of consolidation and to achieve debt service coverage savings.

The 2009 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

The 2010 Dormitory Refunding Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to refund \$11.5 million from the 1998 Dormitory Revenue bonds.

The 2011 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

The bonds are 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, 2012 was 171%. The Foundation is not aware of any violations of the covenants at June 30, 2012.

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NOTE 10 - NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Scholarships, student awards and loan funds	\$ 3,531,067	\$ 4,459,936
Faculty support, professorships and chairs	2,437,809	3,777,954
Foundation reserve fund	2,927,068	2,966,919
Programs and other	<u>7,105,082</u>	<u>7,863,241</u>
Total temporarily restricted net assets	<u>\$ 16,001,026</u>	<u>\$ 19,068,050</u>

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity, with only the income to be expended. The following is a summary of permanently restricted net assets at June 30, 2012 and 2011, categorized by the purpose for which the income is expendable:

	<u>2012</u>	<u>2011</u>
Scholarships, student awards and loan funds	\$ 20,714,483	\$ 18,625,298
Faculty support, professorships and chairs	11,453,604	12,202,082
Programs and other	<u>14,807,379</u>	<u>14,688,358</u>
Total permanently restricted net assets	<u>\$ 46,975,466</u>	<u>\$ 45,515,738</u>

NOTE 11 - ENDOWMENTS

The Foundation's endowments consist of 212 individual funds 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 assets 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.

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JUNE 30, 2012 AND 2011

NOTE 11 - ENDOWMENTS (Continued)

Interpretation of Relevant Law –

The Foundation's governing board with guidance from legal counsel has interpreted the Florida Uniform Management of Institutional Funds Act ("Florida UMIFA") 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Florida UMIFA. In accordance with the Florida UMIFA, the Foundation's governing board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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 UMIFA 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, 2012 and 2011, the amount of the loan was \$401,860 and \$93,544, respectively. The loan is offset against the net assets released from restrictions on the statement of activities. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board.

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NOTE 11 - ENDOWMENTS (Continued)

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 include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the 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 additional 200 basis points (2%) for the operating budget on an annualized basis.

The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately CPI plus 600 basis points (6%). Actual returns in any year may vary from this amount. The 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.

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 \$20,000 after a one year waiting period. The approved spending rate was 3.75% and 3.50% for fiscal years ended June 30, 2012 and 2011, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued) –

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. Furthermore, the Foundation takes seriously its responsibility to provide prudent fiduciary management, oversight of the endowments, and intergenerational equity. However, the Foundation is aware that 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 25% step down spending allocation method to slow the spending from the endowment. For each 10% an endowment is underwater, the allocated endowment spending (exclusive of the operating allocation) will be reduced by 25%. Any endowment more than 30% underwater will receive no endowment spending allocation. 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 is generally, two percent (2%) of the three year average of the market value of the investment portfolio. Pursuant to the proposal adopted by the governing board, the goal is to reduce the operating budget from two percent (2%) to one and one-half percent (1.5%) of the total investment assets. As such, for each \$1,000,000 increase in market value of the investment portfolio above \$50,000,000, the percentage for the operating budget will decrease by one basis point (0.01%), reaching the objective of 1.5% with assets of \$100,000,000. Using this formula, the budget rate for fiscal year 2012-2013 is 1.90%.

The total ending endowment balance for nonexpendable/donor-restricted endowments at June 30 is as follows:

	2012	2011
Permanently restricted nonexpendable balance	\$ 44,799,200	\$ 44,206,823
Unconditional promises to give, at fair value	2,176,266	1,308,915
Total permanently restricted net assets	46,975,466	45,515,738
Appreciation (depreciation) portion deemed restricted expendable	2,210,927	7,348,672
Total endowment balance	\$ 49,186,393	\$ 52,864,410

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NOTE 12 - 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 vest at six 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. 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 4.91% to 6.27 and 10.77% to 14.57% for 2012 and 2011, 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 2012 employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$25,465 and \$54,065 for the years ended June 30, 2012 and 2011, 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 employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP, participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Retirement expenses for employees participating in this plan were \$5,008 and \$16,298 for the years ended June 30, 2012 and 2011, respectively.

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JUNE 30, 2012 AND 2011

NOTE 12 - RETIREMENT PLAN (Continued)

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 allocated 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 \$10,438 and \$16,541 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011 totaled \$41,046 and \$34,440, respectively.

Effective July 1, 2007, the University 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 2012 and 2011 for the University President participating in the plan totaled \$31,141 and \$22,506, respectively.

NOTE 13 - 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 and 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.

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NOTE 13 - STUDENT HOUSING SYSTEM (Continued)

The Student Housing System consists of eight projects, identified as The 1966 Project, The 1972 Project, The 1997 Project (Phase I), The 1998 Project (Phase II), The 1999 Project (Phase III), The 2002 Project, The 2009 Project, and The 2011 Project.

The terms of the sub-lease 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 2012 or 2011. The sub-lease agreement was signed in 1998 and ends August 31, 2038.

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 June 14, 2012 and is effective through June 30, 2017.

NOTE 14 - CONCENTRATIONS

Uninsured Cash Balances:

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, 2012, the Foundation's uninsured cash balance at financial institutions totaled approximately \$350,000. On January 1, 2014, FDIC coverage is scheduled to return to \$100,000 per institution for most cash balances.

At June 30, 2012, the Foundation maintained approximately \$7,774,000 of cash and cash equivalent balances in the State of Florida's Division of Treasury's SPIA investment pool ("Pool"). This amount is 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. Federal depository insurance does not insure amounts in the Pool. At June 30, 2012, the Pool was rated at A+f by Standard and Poor's and had an effective duration of 2.38 years. Fair value for this account is determined by multiplying the Foundation's cost for its pro-rata share of the Pool by the Pool's Fair Value Factor ("Factor"). At June 30, 2012, the unaudited Factor was 1.0171. 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. Due to the dollar for dollar liquidity of the account, the cash amounts in the Foundation's financial statements that are held in SPIA have not been adjusted for the unaudited fair value factor.

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NOTE 14 - CONCENTRATIONS (Continued)

Uninsured Cash Balances (Continued):

Additional financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash deposits at brokerage firms and the University. These accounts are not insured by the FDIC. At June 30, 2012, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$10,509,000.

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.

Contributions Receivable:

For the year ended June 30, 2012, 58% of the Foundation's contributions receivable was due from one donor.

Accounts Payable:

At June 30, 2012, there is a concentration of accounts payable related to construction of the new housing facility amounting to 78% of all accounts payable.

NOTE 15 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Foundation has conditional asset retirement obligations ("AROs") primarily related to the encapsulated structural fireproofing in the older residence halls that is not subject to abatement unless the buildings are demolished and non-encapsulated asbestos that the company would remediate only if it performed major renovations of those buildings. Under current accounting guidance, these AROs meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. Because there is no definitive timeframe in which these halls will be demolished and they are tied to the current bond funding that will not be alleviated until 2040, these conditional obligations are considered to have indeterminate settlement dates. Therefore, the Foundation could not develop a reasonable estimate of their fair values. However, the Foundation will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient additional information becomes available.

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NOTE 16 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, restricted cash, other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Long-term investments are carried at fair value, as discussed in Note 5. Contributions receivable and assets held under split interest agreements, and the related liabilities, are reported at fair value based on life expectancy of the beneficiary and the present value of expected cash flows using a discount rate.

The fair value of bonds payable are estimated using discounted cash flow analyses based on the Foundation's current incremental borrowing rates for similar types of bond arrangements.

A comparison of the carrying value of the bonds payable, net, as of June 30, is as follows:

	2012	2011
Carrying amount	\$ 57,062,717	\$ 58,587,664
Fair value	\$ 56,634,689	\$ 58,999,100

The Foundation determined the estimated fair value amounts by using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Foundation or holders of the instruments could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

NOTE 17 - FAIR VALUE MEASUREMENTS

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). The standards require additional disclosures regarding fair value measurements. The amended guidance requires entities to disclose additional information regarding assets and liabilities that are transferred between levels of the fair value hierarchy. Entities are also required to disclose information in the Level 3 roll-forward about purchases, sales, issuances, and settlements on a gross basis. In addition to these new disclosure requirements, ASU 2010-06 further clarifies existing guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements.

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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

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

Level 1: Inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability; or (4) inputs that are derived principally from or corroborated by observable market data.

Level 3: Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed on the best information available in the circumstances.

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.

The inputs used to measure the fair value of contributions receivable are categorized as Level 3. All information related to the fair value disclosure of these assets is described in Note 3.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2012 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer discretionary	\$ 4,414,482	\$ 4,414,482	\$ -	\$ -
Consumer staples	2,027,984	2,027,984	-	-
Energy	2,318,419	2,318,419	-	-
Financials	3,365,584	3,365,584	-	-
Health care	4,647,240	4,647,240	-	-
Industrials	3,922,613	3,922,613	-	-
Information technology	7,651,976	7,651,976	-	-
Materials	907,211	907,211	-	-
Telecommunication services	753,267	753,267	-	-
Utilities	172,997	172,997	-	-
Real-estate	1,092,251	1,092,251	-	-
Total equity securities	<u>31,274,024</u>	<u>31,274,024</u>	<u>-</u>	<u>-</u>
Debt securities:				
Corporate bonds	4,396,712	4,396,712	-	-
GNMA	643,912	643,912	-	-
FNMA	2,052,470	2,052,470	-	-
FHLMC	271,650	271,650	-	-
CMO	191,161	191,161	-	-
CMBS	1,468,154	1,468,154	-	-
Agencies	171,039	171,039	-	-
Commingled Funds (High Yield Corporate)	866,027	-	866,027	-
Total debt securities	<u>10,061,125</u>	<u>9,195,098</u>	<u>866,027</u>	<u>-</u>
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	3,711,806	-	-	3,711,806
Non-Directional absolute return	2,505,625	-	-	2,505,625
Equity market neutral	5,990,717	-	-	5,990,717
Total fund of fund hedge funds	<u>12,208,148</u>	<u>-</u>	<u>-</u>	<u>12,208,148</u>
Private equity investments	1,112,071	-	-	1,112,071
Real estate investment trust	1,057,770	-	-	1,057,770
Total alternative investments	<u>14,377,989</u>	<u>-</u>	<u>-</u>	<u>14,377,989</u>
Cash surrender value of insurance policies	53,009	-	53,009	-
Funds held in trust by others	310,627	-	-	310,627
Total assets	<u>56,076,774</u>	<u>40,469,122</u>	<u>919,036</u>	<u>14,688,616</u>
Funds held in trust - liabilities	<u>200,360</u>	<u>-</u>	<u>-</u>	<u>200,360</u>
Total	<u>\$ 55,876,414</u>	<u>\$ 40,469,122</u>	<u>\$ 919,036</u>	<u>\$ 14,488,256</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2011 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer discretionary	\$ 4,781,521	\$ 4,781,521	\$ -	\$ -
Consumer staples	2,410,796	2,410,796	-	-
Energy	3,538,254	3,538,254	-	-
Financials	5,232,387	5,232,387	-	-
Health care	4,533,530	4,533,530	-	-
Industrials	5,300,956	5,300,956	-	-
Information technology	5,680,599	5,680,599	-	-
Materials	2,334,225	2,334,225	-	-
Telecommunication services	1,248,357	1,248,357	-	-
Utilities	369,380	369,380	-	-
Real-estate	1,279,185	1,279,185	-	-
Total equity securities	<u>36,709,190</u>	<u>36,709,190</u>	<u>-</u>	<u>-</u>
Debt securities:				
Corporate bonds	4,269,102	4,269,102	-	-
GNMA	918,227	918,227	-	-
FNMA	1,744,559	1,744,559	-	-
FHLMC	685,182	685,182	-	-
CMO	75,308	75,308	-	-
CMBS	377,378	377,378	-	-
U.S. Treasury obligations	1,437,791	1,437,791	-	-
Agencies	49,796	49,796	-	-
Asset-backed securities	138,160	138,160	-	-
Commingled Funds (High Yield Corporate)	795,611	-	795,611	-
Total debt securities	<u>10,491,114</u>	<u>9,695,503</u>	<u>795,611</u>	<u>-</u>
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	2,733,291	-	-	2,733,291
Non-Directional absolute return	3,761,092	-	-	3,761,092
Equity market neutral	5,939,302	-	-	5,939,302
Total fund of fund hedge funds	<u>12,433,685</u>	<u>-</u>	<u>-</u>	<u>12,433,685</u>
Private equity investments	780,612	-	-	780,612
Real estate investment trust	668,625	-	-	668,625
Total alternative investments	<u>13,882,922</u>	<u>-</u>	<u>-</u>	<u>13,882,922</u>
Lease income property	260,000	-	-	260,000
Cash surrender value of insurance policies	51,742	-	51,742	-
Funds held in trust by others	309,601	-	-	309,601
Total assets	<u>61,704,569</u>	<u>46,404,693</u>	<u>847,353</u>	<u>14,452,523</u>
Funds held in trust - liabilities	<u>206,745</u>	<u>-</u>	<u>-</u>	<u>206,745</u>
Total	<u>\$ 61,497,824</u>	<u>\$ 46,404,693</u>	<u>\$ 847,353</u>	<u>\$ 14,245,778</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
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NOTE 17 - 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 comprised significantly of U.S. Treasury notes, mortgage backed securities, municipal bonds and corporate bonds and notes. They 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 are 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.

Alternative investments – Investments in fund of fund hedge funds and private equity partnerships for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs.

Directional (hedged equity) investment strategies utilize market movements, trends, or inconsistencies when picking stocks across a variety of markets. These types of strategies have a greater exposure to the fluctuations of the overall market than do market neutral strategies. Directional hedge fund strategies include U.S. and international long/short equity hedge funds, where long equity positions are hedged with short sales of equities or equity index options.

Non-Directional or absolute return strategies aim to produce a positive absolute return regardless of the directions of financial markets. They typically achieve this by investing the portfolio's assets in cash or other low volatility investments and then taking hedged long and short positions in portfolios of securities that when combined are expected to have modest exposures to market returns.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

Equity market neutral is a hedge fund strategy that seeks to exploit investment opportunities unique to some specific group of stocks while maintaining a neutral exposure to broad groups of stocks defined, for example, by sector, industry, market capitalization, country, or region. The strategy holds long/short equity positions, with long positions hedged with short positions in the same and related sectors, so that the equity market neutral investor should be little affected by sector-wide events.

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.

Lease income property – Lease income property is classified as Level 3 as the valuation is based on significant unobservable inputs.

Cash surrender value of insurance policies – Cash surrender values of life insurance policies are classified as Level 2 as values are based on quotes for like instruments with similar credit ratings and terms.

Funds held in trust by others - The Foundation's beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

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.

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JUNE 30, 2012 AND 2011

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial 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, 2012:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Lease Income Property	Funds Held in Trust by Others	Total
Assets:						
Beginning balance	\$ 12,433,685	\$ 780,612	\$ 668,625	\$ 260,000	\$ 309,601	\$ 14,452,523
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total gains or losses:						
Included in change						
in net assets	(225,537)	72,199	85,752	-	7,933	(59,653)
Purchases, issuances, sales, and settlements:						
Purchases	-	266,788	458,271	-	-	725,059
Sales	-	-	-	(260,000)	-	(260,000)
Settlements	-	(7,528)	(154,878)	-	(6,907)	(169,313)
Total assets	12,208,148	1,112,071	1,057,770	-	310,627	14,688,616
Liabilities:						
Beginning balance	-	-	-	-	206,745	206,745
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total gains or losses:						
Included in change						
in net assets	-	-	-	-	15,468	15,468
Purchases, issuances, sales, and settlements:						
Purchases	-	-	-	-	13,064	13,064
Settlements	-	-	-	-	(34,917)	(34,917)
Total liabilities	-	-	-	-	200,360	200,360
Total	\$ 12,208,148	\$ 1,112,071	\$ 1,057,770	\$ -	\$ 110,267	\$ 14,488,256

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial 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, 2011:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Lease Income Property	Funds Held in Trust by Others	Total
Assets:						
Beginning balance	\$ 11,205,481	\$ 418,422	\$ 207,230	\$ 260,000	\$ 282,545	\$ 12,373,678
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total gains or losses:						
Included in change in net assets	1,228,204	101,147	133,469	-	35,089	1,497,909
Purchases, issuances, sales, and settlements:						
Purchases	-	350,690	450,336	-	-	801,026
Settlements	-	(89,647)	(122,410)	-	(8,033)	(220,090)
Total assets	12,433,685	780,612	668,625	260,000	309,601	14,452,523
Liabilities:						
Beginning balance	-	-	-	-	210,525	210,525
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total gains or losses:						
Included in change in net assets	-	-	-	-	17,253	17,253
Purchases, issuances, sales, and settlements:						
Purchases	-	-	-	-	13,885	13,885
Settlements	-	-	-	-	(34,918)	(34,918)
Total liabilities	-	-	-	-	206,745	206,745
Total	\$ 12,433,685	\$ 780,612	\$ 668,625	\$ 260,000	\$ 102,856	\$ 14,245,778

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The Foundation used Net Asset Value (“NAV”) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in hedge funds and investment limited partnerships by strategy as of June 30, 2012:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Directional, hedged equity	\$ 3,711,806	\$ -	Quarterly	90 Days
Non-Directional absolute return	2,505,625	-	Quarterly	90 Days
Equity market neutral	5,990,717	-	Quarterly to Semi-annual	95 Days
Private equity investments	1,112,071	938,724	N/A*	N/A*
Real estate investment trust	1,057,770	65,574	N/A*	N/A*
Funds held in trust by others	310,627	-	N/A**	N/A**
	<u>\$ 14,688,616</u>	<u>\$ 1,004,298</u>		

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

** These funds are in trust that have no identifiable redemption period.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 18 - REFUND OF CONTRIBUTIONS

Change in estimates reflects donor requested refunds for revenue recorded in prior years. Infrequently, the Foundation may be required or asked to return a contribution if it is unable to comply with donor restrictions or the donor has changed his mind, in which case the remaining outstanding pledges received will also be cancelled. The return of a restricted donation received in prior years is recorded as a loss in the restricted net asset class. If a restricted contribution is returned that was received in the current year, it is recorded as a decrease in contribution revenue instead of recording a loss.

On March 25, 2011, the University Board of Trustees voted to terminate the University's involvement with the Maritime Museum (a Courtelis project). Florida State Statute Section, 1013.79, established the "Alec P. Courtelis University Facility Enhancement Challenge Grant Program." Paragraph seven of the statute states, "If the project is terminated, each donation, plus accrued interest, reverts to the foundation for remittance to the donor." The termination of the project requires the Foundation to return all gifts to the original donors. The Foundation has attempted to contact every donor to inform them of their rights. During the years ended June 30, 2012 and 2011, the Foundation returned contributions totaling \$9,495 and \$3,739,343, respectively. Also, during the years ended June 30, 2012 and 2011, the Foundation redirected contributions within the University totaling \$9,536 and \$216,755, respectively, per donors' signed authorization. The remaining balance of the Maritime Museum donations not refunded or returned is \$27,553 and \$46,584 at June 30, 2012 and 2011, respectively, and is reflected in the balance of accounts payable and accrued expenses at year-end. In addition, contributions of \$25,079, which were originally redirected by the donor in 2011, were refunded to the donor in 2012.

The loss from refunded and cancelled restricted contributions is summarized as follows:

	<u>2012</u>	<u>2011</u>
Unable to comply with donor restrictions or the donor has changed his mind	\$ 25,079	\$ 3,785,927
The Foundation cancelled the remaining balance of pledges receivable	-	<u>530,105</u>
Total returned and cancelled contributions	<u>\$ 25,079</u>	<u>\$ 4,316,032</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 19 - COMMITMENTS

The Foundation signed a contract with a construction company to build the new residence housing facility. The remaining amount of the purchase commitment at June 30, 2012 is approximately \$1,421,000. The estimated completion of the new residence housing facility is August 2012.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF STUDENT HOUSING SYSTEM REVENUE AND EXPENSES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Revenue:		
Rent	\$ 9,717,927	\$ 8,875,238
Interest	195,538	211,728
Other	260,423	220,588
Total revenue	10,173,888	9,307,554
Operating Expenses:		
Salaries and wages	1,661,337	1,607,501
Administrative and general	570,114	660,330
Maintenance and repairs	916,845	726,787
Other expenses	34,909	565,644
Insurance	191,012	223,269
Utilities	1,103,149	1,011,716
Renewal and replacement	-	60,207
Interest	1,856,121	1,942,213
Depreciation	1,915,971	1,869,491
Amortization	84,569	67,189
Total operating expenses	8,334,027	8,734,347
Excess of Revenue over Expenses	\$ 1,839,861	\$ 573,207

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF FINANCIAL POSITION
(EXCLUDING THE STUDENT HOUSING SYSTEM)
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
Cash and cash equivalents	\$ 4,061,803	\$ 2,506,300
Restricted cash equivalents	1,632,125	586,152
Contributions receivable, net	2,580,949	1,627,661
Other receivables, net	61,575	57,511
Prepaid expenses	16,629	43,869
Long-term investments	55,713,138	61,083,226
Property and equipment, net	1,601,693	1,639,969
Assets held under split interest agreements	310,627	309,601
Property held for investment (\$260,000 at fair value for 2011)	41,500	301,500
Other assets	57,659	56,392
	\$ 66,077,698	\$ 68,212,181

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 161,621	\$ 251,993
Liabilities held under split interest agreements	200,360	206,745
Total liabilities	361,981	458,738

Commitments and Contingencies

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Net Assets:

Unrestricted	2,739,225	3,169,655
Temporarily restricted	16,001,026	19,068,050
Permanently restricted	46,975,466	45,515,738
Total net assets	65,715,717	67,753,443

Total Liabilities and Net Assets

	\$ 66,077,698	\$ 68,212,181
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UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF OTHER PROGRAM SERVICES AND GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	Scholarship	Other Program Service	Student Housing System	Fundraising	General & Administrative	2012 Total	2011 Total
Amortization	\$ -	\$ -	\$ 76,569	\$ -	\$ -	\$ 76,569	\$ 67,189
Bad Debt	-	62,771	34,909	-	-	97,680	489,930
Bond Expense	-	-	66,206	-	-	66,206	542,470
Depreciation	-	38,278	1,923,971	-	-	1,962,249	1,871,342
Equipment	-	(4,184)	9,058	-	3,583	8,457	94,180
Housing Administrative & General	-	-	172,030	-	-	172,030	247,159
Insurance	-	-	191,012	-	13,118	204,130	237,614
Interest Expense	-	-	1,856,121	-	-	1,856,121	1,942,213
Investment & Consultant Fees	-	4,332	-	-	325,422	329,754	318,272
Lobbying	-	10,000	-	-	60,150	70,150	55,150
Maintenance & Repairs	-	-	916,845	-	-	916,845	783,987
Miscellaneous	-	89,209	-	9,862	18,221	117,292	70,973
Office	-	113,690	91,586	46,862	42,800	294,938	356,341
Professional Development	-	51,810	17,039	6,902	2,474	78,225	46,495
Professional Services	-	312,436	39,450	49,744	124,166	525,796	469,953
Public Radio Program	-	247,594	-	-	-	247,594	170,466
Public Relations	-	41,736	-	7,900	21,848	71,484	120,227
Recruitment	-	40,644	1,613	672	2,732	45,661	27,369
Rental	-	31,177	-	355	448	31,980	30,209
Salaries	-	691,812	1,661,337	129,183	427,516	2,909,848	2,596,934
Scholarship	915,862	-	-	-	-	915,862	956,273
Service Charges & Other Fees	-	22,692	60,913	2,716	10,252	96,573	95,533
Student & Staff Support	-	5,771	-	-	2,146	7,917	4,871
Travel & Entertainment	-	131,265	112,219	11,943	36,195	291,622	283,455
University Support	-	362,608	-	-	-	362,608	2,811,687
Utilities	-	-	1,103,149	-	-	1,103,149	1,011,716
	<u>\$ 915,862</u>	<u>\$ 2,253,641</u>	<u>\$ 8,334,027</u>	<u>\$ 266,139</u>	<u>\$ 1,091,071</u>	<u>\$ 12,860,740</u>	<u>\$ 15,702,008</u>

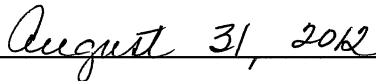
**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
CHAIRS UNDER EMINENT SCHOLARS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 Earnings, Expense & Transfers	Ending Corpus Balance	Ending Total Balance
William Craig Nystul Chair	\$ 1,210,852	\$ 1,465,042	\$ -	\$ (62,925)	\$ 9,440	\$ 77,448	\$ 1,315,229	\$ 1,210,852	\$ 1,315,229
John C. Pace, Sr., Business Chair	1,000,000	1,205,598	-	(51,782)	7,768	63,733	1,082,315	1,000,000	1,082,315
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	3,259,670	-	(140,007)	21,003	172,320	2,926,340	2,644,500	2,926,340
John C. Pace, Jr., Distinguished University Professorship	3,966,750	4,889,504	-	(210,011)	31,505	258,480	4,389,508	3,966,750	4,389,508
Mary Ball Washington Chair	1,320,155	1,499,513	-	(64,406)	9,662	79,243	1,346,202	1,320,155	1,346,202
Total - Eminent Scholars Program	\$ 10,142,257	\$ 12,319,327	\$ -	\$ (529,131)	\$ 79,378	\$ 651,224	\$ 11,059,594	\$ 10,142,257	\$ 11,059,594

I hereby certify that the above is an accurate representation of the activity for this program.



Sheri Pope, Executive Director



Date

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Name of Gift	Beginning		Corpus	Investments			Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed	Investment	& Other	Spending	Net of	for	Unrestricted	Corpus	Total
	Balance	Balance	During the	Earnings	Expenses	Transfers	Earnings, Expenses	Spending	Transfers	Balance	Balance
			Year				& Transfers				
Alexander Memorial Scholarship	\$ 282,852	\$ 290,926	\$ -	\$ (12,496)	\$ 1,875	\$ 12,842	\$ 263,714	\$ 19,138	\$ -	\$ 282,852	\$ 282,852
Alfred duPont Foundation Scholarship	215,000	206,795	-	(8,882)	1,332	6,977	189,603	12,112	13,285	215,000	215,000
Bank of America	166,692	218,970	-	(9,405)	1,411	11,576	196,578	-	-	166,692	196,578
Baptist Hospital Fund	170,530	214,445	-	(9,211)	1,382	11,336	192,516	-	-	170,530	192,516
Barnett Bank Endowment	150,000	159,256	-	(6,840)	1,026	7,015	144,375	5,625	-	150,000	150,000
Blue Cross & Blue Shield Nursing Scholarship	155,673	151,157	-	(6,492)	974	6,555	137,135	4,659	13,879	155,673	155,673
C. L. Fountain Family Business Ethics	100,000	102,189	-	(4,389)	658	4,483	92,658	7,342	-	100,000	100,000
Cacilda Prado Pace Library Fund	150,046	143,345	-	(6,157)	924	5,037	131,228	18,818	-	150,046	150,046
Chadbourne Foundation - PJC/UWF	166,434	200,288	-	(8,603)	1,291	10,600	179,794	-	-	166,434	179,794
Chadbourne Foundation Business Ethics	200,000	190,244	30,956	(6,821)	1,339	8,964	204,077	6,851	20,027	230,956	230,956
Charles & Fran Switzer Business Ethics	198,774	200,833	-	(8,626)	1,294	8,843	182,070	16,704	-	198,774	198,774
CHARLOTTE	150,000	177,440	-	(7,621)	1,143	9,521	159,154	-	-	150,000	159,154
Dorothy Martin Endowment	150,005	177,560	-	(7,626)	1,144	9,383	159,407	-	-	150,005	159,407
E. W. Hopkins Jr., Professorship	175,343	223,467	-	(9,598)	1,440	11,813	200,616	-	-	175,343	200,616
Elizabeth R. Woolf	275,412	326,601	-	(14,028)	2,104	16,220	294,248	-	-	275,412	294,248
Gulf Power Electrical Engineering	152,700	148,318	-	(6,370)	956	6,528	134,464	18,236	-	152,700	152,700
Harold E. & Pat Marcus History/Archaeology	150,000	169,558	-	(7,283)	1,093	8,960	152,222	-	-	150,000	152,222
Jane & Fred Seligman Endowment	207,251	203,390	-	(8,736)	1,311	8,930	184,414	9,732	13,106	207,251	207,251
John C. Pace, Jr., Memorial Endowment	8,592,090	10,457,306	-	(449,155)	67,381	552,817	9,387,952	-	-	8,592,090	9,387,952
John C. Pace, Jr., Memorial Scholarship Fund	7,740,450	9,489,526	150	(407,439)	61,145	501,655	8,519,436	-	-	7,740,600	8,519,436
John L. Switzer Business Ethics	195,688	197,430	-	(8,480)	1,272	8,678	179,000	16,687	-	195,688	195,688
Katherine C. Pace Memorial Endowment	1,700,000	1,585,365	-	(68,094)	10,215	55,691	1,451,365	248,635	-	1,700,000	1,700,000
Kerrigan Daughters' Endowment	340,114	326,725	-	(14,033)	2,105	11,479	299,107	19,924	21,083	340,114	340,114
Kugelman Family Scholarship Endowment	185,563	236,660	-	(10,165)	1,525	12,509	212,461	-	-	185,563	212,461
Levin Fund	251,906	294,604	-	(12,654)	1,898	15,569	264,484	-	-	251,906	264,484
Mabie Fund	324,014	371,458	-	(15,955)	2,393	19,630	333,480	-	-	324,014	333,480
Mattie M. Kelly Music Education Fund	163,443	207,489	-	(8,912)	1,337	10,969	186,271	-	-	163,443	186,271
Maygarden Lecture Series	162,810	167,087	-	(7,177)	1,077	7,409	151,425	11,385	-	162,810	162,810
Medical Center Clinic Endowment	164,297	199,870	-	(8,585)	1,288	10,566	179,432	-	-	164,297	179,432

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, 2012
(UNAUDITED)
(Continued)

Name of Gift	Beginning	Beginning	Corpus	Investment	Investments	Spending	Fund Balance	Reclass	Loan	Ending	Ending
	Corpus	Net	Contributed				Net of				
	Balance	Balance	During the	Earnings	& Other	Transfers	Earnings, Expenses	Spending	Unrestricted	Balance	Balance
			Year		Expenditures		& Transfers				
National Defense Industrial Assoc Scholarship Endowment	\$ 150,000	\$ 142,965	\$ -	\$ (6,141)	\$ 921	\$ 5,056	\$ 130,847	\$ 2,781	\$ 16,372	\$ 150,000	\$ 150,000
Orville Beckford Scholarship Endowment	150,050	172,235	-	(7,398)	1,110	9,102	154,625	-	-	150,050	154,625
Pickens Foundation for Education	160,157	193,307	130	(8,170)	1,246	10,221	173,801	-	-	160,287	173,801
Pre-Professional Endowment	165,338	224,302	-	(9,634)	1,445	11,857	201,365	-	-	165,338	201,365
Raymond C. Dyson Fund I	177,422	219,558	-	(9,430)	1,415	11,607	197,106	-	-	177,422	197,106
Raymond C. Dyson Fund II	162,282	197,333	-	(8,476)	1,271	10,432	177,154	-	-	162,282	177,154
Rotary Business Ethics	105,000	105,363	-	(4,526)	679	4,651	95,508	9,396	96	105,000	105,000
Sacred Heart Allied Health Endowment	163,897	210,610	-	(9,046)	1,357	11,134	189,073	-	-	163,897	189,073
Seymour Gitenstein Scholarship Endowment	200,000	184,526	-	(7,926)	1,189	9,873	165,538	9,572	24,889	200,000	200,000
Switzer Brothers Professorship	581,859	578,588	-	(24,851)	3,728	25,471	524,538	57,321	-	581,859	581,859
T. T. Wentworth Junior History Curator	151,240	133,676	-	(5,742)	861	4,686	122,387	3,527	25,326	151,240	151,240
William D. Smart Seminar Series in Chem Endowment	161,579	148,698	-	(6,387)	958	5,135	136,218	3,691	21,670	161,579	161,579
Women's Athletic Trust Fund	166,357	198,308	10	(8,507)	1,278	10,479	178,055	-	-	166,367	178,055
Total	\$ 25,532,268	\$ 29,747,770	\$ 31,246	\$ (1,276,063)	\$ 191,791	\$ 1,502,259	\$ 26,808,903	\$ 502,136	\$ 169,735	\$ 25,563,514	\$ 27,480,773

I hereby certify that the above is an accurate representation of the activity for this program.

Sheri Pope

Sheri Pope, Executive Director

August 31, 2012

Date