UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

A COMPONENT UNIT OF
THE UNIVERSITY OF WEST FLORIDA

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Board of Directors
University of West Florida Foundation, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2013, 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* in considering Foundation's internal control over financial reporting and compliance.

Pensacola, Florida
August 21, 2013

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2013.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Pensacola, Florida
August 21, 2013

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Cash and cash equivalents	$ 4,903,959	$ 4,359,879
Restricted cash equivalents	11,570,338	14,498,140
Contributions receivable, net	2,560,380	2,580,949
Other receivables, net	132,031	269,952
Prepaid expenses	92,781	76,997
Long-term investments	61,670,168	55,713,138
Property and equipment, net	55,849,480	54,731,069
Assets held under split interest agreements	310,263	310,627
Bond issue costs, net	1,380,523	1,449,041
Other assets	127,435	99,159
Total Assets	$ 138,597,358	$ 134,088,951

LIABILITIES AND NET ASSETS

	2013	2012
Liabilities:		
Accounts payable and accrued expenses	$ 1,173,798	$ 2,178,856
Liabilities held under split interest agreements	202,782	200,360
Due to related party	816,514	-
Bonds payable, net	55,174,768	57,062,717
Total liabilities	57,367,862	59,441,933
Commitments and Contingencies	--	--
Net Assets:		
Unrestricted -		
Undesignated	1,858,403	1,530,726
Board designated	1,364,214	1,208,499
Student Housing System	9,873,528	8,931,301
Total unrestricted	13,096,145	11,670,526
Temporarily restricted	20,377,939	16,001,026
Permanently restricted	47,755,412	46,975,466
Total net assets	81,229,496	74,647,018
Total Liabilities and Net Assets	$ 138,597,358	$ 134,088,951

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, 2013 AND 2012

	Unrestricted				
	Foundation	Student Housing	Temporarily Restricted	Permanently Restricted	2013 Total
Revenue, Support and Reclassifications:					
Contributions	$ 113,800	$ -	$ 1,978,787	$ 801,561	$ 2,894,148
Interest and dividends	5,552	-	1,078,026	-	1,083,578
Net unrealized and realized gain on long-term investments	647,252	-	6,554,927	-	7,202,179
Student housing system	-	11,734,914	-	-	11,734,914
Other income	111,081	-	-	-	111,081
Reclassification of net assets	22,115	-	(500)	(21,615)	-
Net assets released from restrictions	5,231,827	-	(5,231,827)	-	-
Total revenue, support and reclassifications	6,131,627	11,734,914	4,379,413	779,946	23,025,900
Expenses:					
Direct program services -					
Scholarships	1,074,260	-	-	-	1,074,260
Other program services	3,163,345	-	-	-	3,163,345
Student housing system	-	10,792,687	-	-	10,792,687
Total direct program services	4,237,605	10,792,687	-	-	15,030,292
Supporting services -					
Fundraising	375,221	-	-	-	375,221
General and administrative	1,035,409	-	-	-	1,035,409
Total supporting services	1,410,630	-	-	-	1,410,630
Total expenses	5,648,235	10,792,687	-	-	16,440,922
Loss from refunded and cancelled restricted contributions	-	-	2,500	-	2,500
Total expenses and losses	5,648,235	10,792,687	2,500	-	16,443,422
Change in Net Assets	483,392	942,227	4,376,913	779,946	6,582,478
Net Assets, Beginning of Year	2,739,225	8,931,301	16,001,026	46,975,466	74,647,018
Net Assets, End of Year	$ 3,222,617	$ 9,873,528	$ 20,377,939	$ 47,755,412	$ 81,229,496

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, 2013 AND 2012
(Continued)

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	Unrestricted				
	Foundation	Student Housing	Temporarily Restricted	Permanently Restricted	2012 Total
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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	$ 6,582,478	$ (197,865)
Adjustments to reconcile change in net assets to		
net cash provided by operating activities -		
Net unrealized and realized (gain) loss on long-term investments	(7,202,179)	2,622,970
Contributions restricted for long-term purposes	(801,561)	(1,438,586)
Bad debt expense	17,505	97,680
Transfer of property held for investment	-	238,000
Change in fair value of -		
Contributions receivable	(3,281)	47,300
Split interest agreements	2,786	(7,411)
Property held for investment	-	22,000
Cash surrender value of insurance policies	(28,276)	(1,267)
Depreciation and amortization of bond issuance costs	2,771,424	2,030,766
Net amortization of bond discount	8,051	8,052
Change in operating assets and liabilities -		
Contributions receivable	4,869	(1,063,359)
Other receivables	139,397	(152,821)
Prepaid expenses	(15,784)	23,584
Accounts payable and accrued expenses	(1,005,058)	(265,261)
Net cash provided by operating activities	470,371	1,963,782
Cash Flows From Investing Activities:		
Purchases of investments	(41,921,057)	(22,068,863)
Proceeds from sales, maturities, and distributions of investments	43,166,206	24,815,982
Acquisition of property and equipment	(3,821,317)	(14,909,672)
Due to related party	816,514	-
Net cash used in investing activities	(1,759,654)	(12,162,553)
Cash Flows From Financing Activities:		
Bond principal payment	(1,896,000)	(1,533,000)
Contributions to permanent endowments	801,561	1,438,586
Net cash used in financing activities	(1,094,439)	(94,414)
Net Decrease in Cash and Cash Equivalents	(2,383,722)	(10,293,185)
Cash and Cash Equivalents at Beginning of Year	18,858,019	29,151,204
Cash and Cash Equivalents at End of Year	$ 16,474,297	$ 18,858,019

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, 2013 AND 2012
(Continued)

	2013	2012
Analysis of Cash:		
Cash and cash equivalents	$ 4,903,959	$ 4,359,879
Restricted cash equivalents	11,570,338	14,498,140
	$ 16,474,297	$ 18,858,019
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 2,673,387	$ 1,856,121
Supplemental Disclosure of Non-Cash Investing Activity:		
Transfer of property held for investment	$ -	$ 238,000

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

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.

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.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to University direct support organizations by the University at no cost. Estimated fair values are recorded if determinable. No value is assigned to administrative and fiscal services in the accompanying statements of financial position, statements of activities, and statements of cash flows, since there is no objective basis for determining the value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections:

The Foundation has capitalized its collections since its inception. Collections consist of paintings donated to the Foundation. 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.

Split-Interest Agreements:

The Foundation serves as trustee for split-interest agreements classified as charitable gift annuities and charitable remainder unitrust. 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, 2013 and 2012, accrued compensated absences totaling $290,866 and $176,380 were reported as a component of accrued expenses in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

The Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain investment activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. 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 2010.

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:

Certain amounts in the 2012 financial statement have been reclassified to conform to the 2013 presentation.

Subsequent Events:

Management has evaluated subsequent events through August 21, 2013, the date which the financial statements were available for issue.

NOTE 2 - RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents at June 30 consist of the following:

	2013	2012
Debt service reserves	$ 1,017,505	$ 930,906
Replacement reserves	362,477	362,439
Contingency and improvement reserve	7,177,094	5,460,761
Housing operating reserve	412,650	407,135
Courtelis reserve	1,600,195	1,632,125
2009 bond issuance -		
Special interest checking	1,000,401	1,000,404
2010 bond interest	15	6
2011 bond issuance -		
Principal	1	-
Capitalized interest	-	141,285
Construction account	-	4,563,079
	$ 11,570,338	$ 14,498,140

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 23%, based on the prevailing five-year Treasury constant maturities. The current year fair value adjustment to contributions revenue for temporarily and permanently restricted was $5,813 and $216,706 respectively. For the year ending June 30, 2012, the fair value adjustment to contributions revenue for temporarily and permanently restricted was $7,514 and $218,286, 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 2013 and 2012, there were no transfers of contributions receivable into or out of Level 3.

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

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

	2013	2012
In one year or less	$ 686,957	$ 630,918
Between one and five years	559,558	564,992
Greater than five years	1,580,000	1,640,000
Total contributions receivable, gross	2,826,515	2,835,910
Less discounts to net fair value	222,519	225,800
Less allowance for doubtful accounts	43,616	29,161
Net contributions receivable, fair value	$ 2,560,380	$ 2,580,949

The table below presents information about unconditional promises to give measured at fair value at June 30, 2013:

	Temporarily Restricted	Permanently Restricted
Promises measured at Fair Value		
Promised cash flows	$ 394,250	$ 2,432,265
Fair value estimate	$ 388,437	$ 2,215,559
Measurement basis	Level 3	Level 3
Contribution revenue	$ 5,813	$ 216,706
Total changes included in the statement of activities	$ 5,813	$ 216,706

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

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

Changes in unconditional promises to give for the year ended June 30, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted
Beginning balance, July 1, 2012	$ 433,844	$ 2,176,266
New promises received	209,000	369,000
Collections	(256,107)	(325,096)
Contribution revenue	1,700	1,580
Management and general (write-offs)	-	(6,191)
Ending balance, June 30, 2013	$ 388,437	$ 2,215,559

NOTE 3 - CONTRIBUTONS RECEIVABLE (Continued)

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

	Temporarily Restricted	Permanently Restricted
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	$ 433,844	$ 2,176,266

Conditional promises to give amounted to $2,438,052 at June 30, 2013 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 $25,000 from a private trust dependent on available funds.

NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30 consist of the following:

	2013	2012
Student loan fund, less allowance of $5,743 in 2013 and $7,133 in 2012	$ 60,813	$ 55,816
Rent, less allowance of $135,531 in 2013 and $137,007 in 2012	69,454	208,377
Other	1,764	5,759
Net other receivables	$ 132,031	$ 269,952

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 $171,028 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, 2013:			
Equity securities -			
Common stock and mutual funds	$ 32,822,326	$ 35,485,039	$ 2,662,713
Debt securities	9,924,245	10,047,815	123,570
Alternative investments -			
Fund of fund hedge funds	10,775,726	13,744,979	2,969,253
Private equity investments	1,298,684	1,404,859	106,175
Real estate investment trust	933,361	987,476	54,115
Total investments	$ 55,754,342	$ 61,670,168	$ 5,915,826
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
Total investments	$ 52,791,612	$ 55,713,138	$ 2,921,526

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 $6,573,577. However, individual donor-restricted endowment funds were deficient, totaling approximately $362,286, where the fair value of the investments at June 30, 2013 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, 2013 -		
Dividends and interest	$ 5,552	$ 1,078,026
Net realized gain on investments	17,556	4,158,958
Unrealized gain on investments	629,696	2,395,969
Total return on investments	$ 652,804	$ 7,632,953
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)
Total return on investments	$ 603,886	$ (2,222,343)

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2013	2012
Land	$ 1,454,483	$ 1,454,483
Property held under capital lease	73,197,153	52,597,353
Office equipment and software	465,051	465,051
Construction in progress	154,416	16,932,899
	75,271,103	71,449,786
Less accumulated depreciation	19,421,623	16,718,717
	$ 55,849,480	$ 54,731,069

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was $2,702,906 and $1,962,249, 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 (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively. 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, 2013 and 2012, amortization of the property under capital lease totaled $2,665,621 and $1,923,971, respectively. See Note 13 for further capital lease disclosure.

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 $74,000 and $959,000 of interest in connection with the construction of President's Hall for the years ended June 30, 2013 and 2012, respectively.

NOTE 7 - DUE TO RELATED PARTY

In March of 2013 the Foundation entered into a Memorandum of Understanding with the West Florida Historic Preservation, Inc. ("WFHPI"), another DSO of the University, where WFHPI may transfer current cash assets to the Foundation to invest on their behalf. These funds are invested as a Quasi-Endowment with the Foundation and will be part of the overall investment pool subject to spending and investment policies of the Foundation as agreed to in the memorandum. Funds invested by WFHPI in the Foundation's investment pool totaled $816,514 at June 30, 2013.

NOTE 8 - BOND ISSUE COSTS

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

	2013	2012
Bond issue costs	$ 1,693,480	$ 1,693,480
Less accumulated amortization	312,957	244,439
Bond issue costs, net	$ 1,380,523	$ 1,449,041

Bond issuance costs are being amortized by the straight-line method over the remaining lives of the bonds from 15.5 - 28 years. Amortization of bond issuance costs for both years ended June 30, 2013 and 2012 was $68,517.

NOTE 9 - BONDS PAYABLE

Revenue Bonds consist of the following at June 30:

	2013	2012
$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	$ 15,465,000	$ 16,030,000
$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	13,463,000	14,001,000
$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	10,274,000	10,767,000
$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	16,225,000	16,525,000
Bonds payable	55,427,000	57,323,000
Less unamortized discount	252,232	260,283
Bonds payable, net of unamortized discount	$ 55,174,768	$ 57,062,717

NOTE 9 - BONDS PAYABLE (Continued)

Interest of $223,041 and $229,462 was accrued on the bonds as of June 30, 2013 and 2012, respectively.

Maturities of the Revenue Bonds are as follows:

2014	$ 1,976,000
2015	2,056,000
2016	2,143,000
2017	2,236,000
2018	2,325,000
Thereafter	44,691,000
	$ 55,427,000

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, 2013 was 141%. The Foundation is not aware of any violations of the covenants at June 30, 2013.

NOTE 10 - NET ASSETS

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

	2013	2012
Scholarships, student awards and loan funds	$ 5,004,810	$ 3,531,067
Faculty support, professorships and chairs	3,296,226	2,437,809
Foundation reserve fund	1,996,586	2,927,068
Programs and other	10,080,317	7,105,082
Total temporarily restricted net assets	$ 20,377,939	$ 16,001,026

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, 2013 and 2012, categorized by the purpose for which the income is expendable:

	2013	2012
Scholarships, student awards and loan funds	$ 21,347,724	$ 20,714,483
Faculty support, professorships and chairs	11,453,604	11,453,604
Programs and other	14,954,084	14,807,379
Total permanently restricted net assets	$ 47,755,412	$ 46,975,466

NOTE 11 - ENDOWMENTS

The Foundation's endowments consist of 224 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.

NOTE 11 - ENDOWMENTS (Continued)

Interpretation of Relevant Law -

The Foundation's governing board with guidance from legal counsel has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("Florida UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 UPMIFA. In accordance with the Florida UPMIFA, 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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a loan from unrestricted net assets. For the period ending June 30, 2013 and 2012, the amount of the loan was $68,321 and $401,860, 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.

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 $25,000 after a one year waiting period. The approved spending rate was 4.00% and 3.75% for fiscal years ended June 30, 2013 and 2012, respectively.

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 2013-2014 is 1.89%.

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

	2013	2012
Permanently restricted nonexpendable balance	$ 45,565,193	$ 44,799,200
Unconditional promises to give, at fair value	2,190,219	2,176,266
Total permanently restricted net assets	47,755,412	46,975,466
Appreciation portion deemed restricted expendable	6,573,577	2,210,927
Total endowment balance	$ 54,328,989	$ 49,186,393

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 5.18% to 6.30% and 4.91% to 6.27% for 2013 and 2012, 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 2013 and 2012, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was $33,369 and $25,465 for the years ended June 30, 2013 and 2012, 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 $2,971 and $5,008 for the years ended June 30, 2013 and 2012, respectively.

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 $10,935 and $10,438 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 totaled $39,561 and $41,046, 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 2013 and 2012 for the University President participating in the plan totaled $34,871 and $31,141, 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.

NOTE 13 - STUDENT HOUSING SYSTEM (Continued)

The Student Housing System consists of eight projects, which are 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 (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively.

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 2013 or 2012. 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, 2013, the Foundation's uninsured cash balance at financial institutions totaled approximately $319,000. On January 1, 2014, FDIC coverage is scheduled to return to $100,000 per institution for most cash balances.

At June 30, 2013, the Foundation maintained approximately $12,192,000 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, 2013, the Pool was rated at A+f by Standard and Poor's and had an effective duration of 2.65 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, 2013, the unaudited Factor was 0.9975. 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.

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, 2013, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately $3,807,000.

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, 2013, 56% of the Foundation's contributions receivable was due from one donor.

Accounts Payable:

At June 30, 2013, there is a concentration of accounts payable related to construction of the new housing facility amounting to 69% 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 Foundation 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.

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:

	2013	2012
Carrying amount	$ 55,174,768	$ 57,062,717
Fair value	$ 53,867,660	$ 56,634,689

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

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

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

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

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

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

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.

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation's assets and liabilities at June 30, 2013 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities-Domestic & International:				
Consumer discretionary	$ 3,958,734	$ 3,958,734	$ -	$ -
Consumer staples	3,631,450	3,631,450	-	-
Energy	2,724,980	2,724,980	-	-
Financials	6,553,998	6,553,998	-	-
Health care	4,533,303	4,533,303	-	-
Industrials	2,926,195	2,926,195	-	-
Information technology	7,052,897	7,052,897	-	-
Materials	1,755,657	1,755,657	-	-
Telecommunication services	1,416,878	1,416,878	-	-
Utilities	373,891	373,891	-	-
Real-estate	557,056	557,056	-	-
Total equity securities	35,485,039	35,485,039	-	-
Debt securities:				
Corporate bonds	4,356,984	4,356,984	-	-
GNMA	566,347	566,347	-	-
FNMA	1,822,818	1,822,818	-	-
FHLMC	456,641	456,641	-	-
CMO	5	5	-	-
CMBS	222,673	222,673	-	-
U.S. Treasury obligations	1,341,534	1,341,534	-	-
Agencies	4,189	4,189	-	-
Asset-backed securities	346,022	346,022	-	-
Commingled Funds (High Yield Corporate)	930,602	-	930,602	-
Total debt securities	10,047,815	9,117,213	930,602	-
Alternative investments:				
Fund of fund hedge funds -				
Directional, hedged equity	4,334,229	-	-	4,334,229
Non-Directional absolute return	2,742,063	-	-	2,742,063
Equity market neutral	6,668,687	-	-	6,668,687
Total fund of fund hedge funds	13,744,979	-	-	13,744,979
Private equity investments	1,404,859	-	-	1,404,859
Real estate investment trust	987,476	-	-	987,476
Total alternative investments	16,137,314	-	-	16,137,314
Cash surrender value of insurance policies	81,287	-	81,287	-
Funds held in trust by others	310,263	-	-	310,263
Total assets	62,061,718	44,602,252	1,011,889	16,447,577
Funds held in trust - liabilities	202,782	-	-	202,782
Total	$ 61,858,936	$ 44,602,252	$ 1,011,889	$ 16,244,795

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	31,274,024	31,274,024	-	-
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	10,061,125	9,195,098	866,027	-
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	12,208,148	-	-	12,208,148
Private equity investments	1,112,071	-	-	1,112,071
Real estate investment trust	1,057,770	-	-	1,057,770
Total alternative investments	14,377,989	-	-	14,377,989
Cash surrender value of insurance policies	53,009	-	53,009	-
Funds held in trust by others	310,627	-	-	310,627
Total assets	56,076,774	40,469,122	919,036	14,688,616
Funds held in trust - liabilities	200,360	-	-	200,360
Total	$ 55,876,414	$ 40,469,122	$ 919,036	$ 14,488,256

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 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, therefore included in Level 2.

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.

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.

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

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.

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.

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, 2013:

	Fund of Fund Hedge Funds	Private Equity	Real Estate	Funds Held in Trust by Others	Total
Assets:					
Beginning balance	$ 12,208,148	$ 1,112,071	$ 1,057,770	$ 310,627	$ 14,688,616
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total gains or losses:					
Included in change in net assets	1,536,831	161,556	153,249	18,959	1,870,595
Purchases, issuances, sales, and settlements:					
Purchases	-	276,979	-	20,000	296,979
Sales	-	-	-	-	-
Settlements	-	(145,747)	(223,543)	(39,323)	(408,613)
Total assets	13,744,979	1,404,859	987,476	310,263	16,447,577
Liabilities:					
Beginning balance	-	-	-	200,360	200,360
Transfers into Level 3	-	-	-	30,060	30,060
Transfers out of Level 3	-	-	-	(16,538)	(16,538)
Total gains or losses:					
Included in change in net assets	-	-	-	28,457	28,457
Purchases, issuances, sales, and settlements:					
Purchases	-	-	-	9,262	9,262
Settlements	-	-	-	(48,819)	(48,819)
Total liabilities	-	-	-	202,782	202,782
Total	$ 13,744,979	$ 1,404,859	$ 987,476	$ 107,481	$ 16,244,795

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

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the level three investments as of June 30, 2013, excluding investments valued using the practical expedient or the net asset value ("NAV").

Investment Type	Fair Value	Valuation Technique(s)	Unobservable Input	Range (weighted average)
Real Estate Investment Trust:				
Real Estate Partnership Interest	$ 89,179	Independent Appraisal	Capitalization Rate	7.19%
Real Estate Partnership Interest	$ 753,466	Direct Capitalization	Capitalization Rate	7.97%
Real Estate Partnership Interest	$ 144,832	Market Transactions (a)	N/A	N/A
Private Equity Investments:				
Preferred Partnership Interest	$ 100,927	Market Approach	LTM EBITDA Mulitple (6.9X)	N/A
Member or Partnership Interest	$ 366,151	Market Approach; Recent Transaction Price (b)	LTM EBITDA Mulitple (8.6X); Discount for lack of marketability	N/A; 15%
Portfolio Fund Interest	$ 51,894	Liquidity Analysis	N/A	N/A

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

(b) Investment is valued based on pending transactions with an expected close date after valuation date.

NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The following table lists investments in hedge funds and investment limited partnerships by strategy as of June 30, 2013:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fund of Fund Hedge Funds:				
Directional, hedged equity	$ 4,334,229	$ -	Quarterly	90 Days
Non-Directional absolute return	2,742,063	-	Quarterly	90 Days
Equity market neutral	6,668,687	-	Quarterly to Semi-annual	95 Days
Private equity investments	1,404,859	1,373,887	N/A*	N/A*
Real estate investment trust	987,476	43,219	N/A*	N/A*
Funds held in trust by others	310,263	-	N/A**	N/A**
	$ 16,447,577	$ 1,417,106		

* These funds are in private equity structures, with no ability to be redeemed.
** These funds are in trust that have no identifiable redemption period.

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, 2013 AND 2012

	2013	2012
Revenue:		
Rent	$ 11,389,239	$ 9,717,927
Interest	117,862	195,538
Other	227,813	260,423
Total revenue	11,734,914	10,173,888
Operating Expenses:		
Salaries and wages	2,009,235	1,661,337
Administrative and general	835,334	605,023
Maintenance and repairs	1,075,561	916,845
Insurance	188,993	191,012
Utilities	1,267,987	1,103,149
Interest	2,673,387	1,856,121
Depreciation	2,657,621	1,915,971
Amortization	84,569	84,569
Total operating expenses	10,792,687	8,334,027
Excess of Revenue over Expenses	$ 942,227	$ 1,839,861

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, 2013 AND 2012

ASSETS

	2013	2012
Cash and cash equivalents	$ 4,691,317	$ 4,061,803
Restricted cash equivalents	1,600,195	1,632,125
Contributions receivable, net	2,560,380	2,580,949
Other receivables, net	62,577	61,575
Due from student housing system	12,961	-
Prepaid expenses	32,405	16,629
Long-term investments	61,670,168	55,713,138
Property and equipment, net	1,564,403	1,601,693
Assets held under split interest agreements	310,263	310,627
Other assets	127,435	99,159
Total Assets	$ 72,632,104	$ 66,077,698

LIABILITIES AND NET ASSETS

	2013	2012
Liabilities:		
Accounts payable and accrued expenses	$ 256,840	$ 161,621
Liabilities held under split interest agreements	202,782	200,360
Due to related party	816,514	-
Total liabilities	1,276,136	361,981
Commitments and Contingencies	--	--
Net Assets:		
Unrestricted	3,222,617	2,739,225
Temporarily restricted	20,377,939	16,001,026
Permanently restricted	47,755,412	46,975,466
Total net assets	71,355,968	65,715,717
Total Liabilities and Net Assets	$ 72,632,104	$ 66,077,698

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, 2013
(With Comparative Totals for 2012)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2013 Total	2012 Total
Amortization	$ -	$ -	$ 84,569	$ -	$ -	$ 84,569	$ 76,569
Bad debt	-	18,981	(1,476)	-	-	17,505	97,680
Bond expense	-	-	75,614	-	-	75,614	66,206
Depreciation	-	37,285	2,657,621	-	-	2,694,906	1,962,249
Equipment	-	71,513	17,679	95	112	89,399	8,457
Housing administrative and general	-	-	189,743	-	-	189,743	172,030
Insurance	-	66,701	188,993	-	13,910	269,604	204,130
Interest	-	-	2,673,387	-	-	2,673,387	1,856,121
Investment and consultant fees	-	5,125	-	-	318,128	323,253	329,754
Lobbying	-	10,000	-	-	60,150	70,150	70,150
Maintenance and repairs	-	-	1,075,561	-	-	1,075,561	916,845
Miscellaneous	-	62,402	-	8,615	22,945	93,962	117,292
Office	-	120,383	131,959	78,233	65,338	395,913	294,938
Professional development	-	69,041	35,857	10,638	2,530	118,066	78,225
Professional services	-	271,329	17,250	63,908	96,358	448,845	525,796
Public radio program	-	264,946	-	-	-	264,946	247,594
Public relations	-	76,663	-	18,954	24,114	119,731	71,484
Recruitment	-	16,350	2,668	3,785	6,635	29,438	45,661
Rental	-	29,563	-	-	2,048	31,611	31,980
Salaries and wages	-	921,023	2,009,235	161,149	535,064	3,626,471	2,909,848
Scholarships	1,074,260	-	-	-	-	1,074,260	915,862
Service charges and other fees	-	31,603	207,824	2,656	(138,104)	103,979	96,573
Student and staff support	-	2,765	-	-	379	3,144	7,917
Travel and entertainment	-	202,642	158,216	27,188	25,802	413,848	291,622
University support	-	885,030	-	-	-	885,030	362,608
Utilities	-	-	1,267,987	-	-	1,267,987	1,103,149
	$ 1,074,260	$ 3,163,345	$ 10,792,687	$ 375,221	$ 1,035,409	$ 16,440,922	$ 12,860,740