



AGENDA

THE UNIVERSITY OF WEST FLORIDA BOARD OF TRUSTEES

**Audit & Compliance Committee Virtual Meeting via Zoom Webinar
February 16, 2023**

**University of West Florida
11000 University Pkwy. Pensacola, FL
Crosby Hall, Bldg. 10, Rm 224**

*To join this virtual public board meeting, please follow these Zoom Webinar instructions:
<https://uwf.zoom.us/j/81509583350?pwd=TUVmeCtpcWZFSU4zTU1rTEt1YkdaUT09>
Passcode: 849955*

Call to Order/Roll Call

Dick Baker, Committee Member

Greeting

Dick Baker

Action Items:

1. Acceptance of UWF Internal Audit Reports Issued: Industrial Resilience and Diversification Fund Program #22-23 005; Performance Based Funding Integrity 2022 #22-23 002; Carryforward Compliance Funding #22-23 004
2. Acceptance of Internal Auditing PCard Audit Reports Quarter 2 Update (October-December 2022)
3. Acceptance of External Audit of Financial Statements of Direct Support Organization – UWF Foundation, Inc.
4. Acceptance of NCAA Agreed-Upon Procedures Engagement of Intercollegiate Athletics
5. Acceptance of External Audit: WUWF-FM Financial Statement Audit for Fiscal Year Ending June 30, 2022

6. Acceptance of Financial Statement Audit: Florida Institute for Human and Machine Cognition for Fiscal Year Ending June 30, 2022

Information Items:

1. Internal Auditing and Management Consulting Update on Activities
2. Office of Compliance & Ethics Update on Activities

Other Committee Business

Adjournment

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 16, 2023

Issue: UWF Internal Auditing Reports Issued

Proposed action: Acceptance

Background information:

Internal Auditing & Management Consulting completed three audits between November 1, 2022, and January 31, 2023: Industrial Resilience and Diversification Fund Program, Performance Based Funding Data Integrity 2022, and Carryforward Funding Compliance.

Industrial Resilience and Diversification Fund Program #22-23_005

Our audit period was July 1, 2020, through September 30, 2022. The audit was part of the approved work plan for 2022/23. We issued the audit report on January 18, 2023. The audit's objectives were to determine whether internal controls over the following were adequate and effective:

- Compliance with State laws, regulations, and University policies and procedures;
- Compliance with contractual agreements;
- Vetting of potential subrecipients;
- Any administrative costs charged to the grant funding;
- Processing of collections;
- Retention of grant-related documentation in a centralized file; and
- General effectiveness and efficiency.

Results:

We found that internal controls over all processes were generally adequate and effective. We made two recommendations. We recommended that standards be developed for the documentation of financial assessments made by the SBDC or external consultants and that RAE formalize in writing the process for communicating between RAE Accounting and the Director the amount of funds available to award.

Performance Based Funding Data Integrity 2022 #22-23_002

Our audit period was as of September 30, 2022. The audit was part of the approved work plan for 2022/23. We issued the audit report on January 19, 2023. The audit's objectives were to:

- Evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and

- Provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the *Performance Based Funding – Data Integrity Certification*, to be filed with the Board of Governors by March 1, 2023.

Results:

We found that internal controls over the processes used to collect and submit data to the BOG were strong. We made no recommendations.

Carryforward Compliance Funding #22-23_004

Our audit period was July 1, 2021, through September 30, 2022. The audit was part of the approved work plan for 2022/23. We issued the audit report on January 25, 2023. The audit's objectives were to:

- Evaluate the adequacy and effectiveness of controls related to carryforward budgeting and expenditures;
- Evaluate the accuracy of carryforward expenditure reporting; and
- Review compliance with applicable laws, rules, and regulations.

Results:

We found that internal controls over the activities reviewed were generally adequate and effective. We made one recommendation. We recommended that the Controller's Office collaborate with Division budget managers to ensure that they have developed an effective methodology for readily tracking expenditures to the associated project on the Carryforward Spending Plan.

Recommendation: Acceptance of the Internal Auditing reports.

Implementation: None.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Supporting documents

22-23_005 Industrial Resilience and Diversification Fund Program audit report

22-23_002 Performance Based Funding Data Integrity 2022 audit report

22-23_004 Carryforward Funding Compliance audit report

Prepared by: Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 474-2638

Presenter: Cindy Talbert



SCOPE AND OBJECTIVES

We audited the Industrial Resilience and Diversification Fund Program for the period of July 1, 2020, through September 30, 2022. This audit was included as part of our 2022/23 audit work plan, determined by our annual risk assessment. Our objectives were to determine whether internal controls over the following are adequate and effective:

- Compliance with State laws, regulations, and University policies and procedures;
- Compliance with contractual agreements;
- Vetting of potential subrecipients;
- Any administrative costs charged to the grant funding;
- Processing of collections;
- Retention of grant-related documentation in a centralized file; and
- General effectiveness and efficiency.

Audit fieldwork began on October 12, 2022, and ended on November 16, 2022. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

BACKGROUND

The State of Florida Department of Economic Opportunity (DEO) executed a grant agreement with the UWF Office of Economic Development and Engagement (OEDE) in 2011, to provide \$30 million in funding over a three-year period. In accordance with the enabling legislation¹, this agreement was created to promote research and development,

commercialization of research, economic diversification, and job creation in the eight Florida counties disproportionately affected by the 2010 Deepwater Horizon oil spill.² \$1.5 million of the funding was earmarked for administrative costs of managing the grant.

In 2011, OEDE launched the first of several initiatives to coordinate the expenditure of funds. Although they were unable to identify qualified candidates for all of the grant funding, the results from these initiatives helped OEDE gain insight into modifications that could be made to improve the sub-contracting award processes.

State funding for the operation of OEDE was discontinued for fiscal year 2020/21. OEDE responsibilities were subsequently re-assigned by UWF administration to other departments. The Office of Research Administration and Engagement (RAE) took over these grant-related duties during 2020 and the “Industrial Resilience and Diversification Fund Program” was launched, in a continuing effort to distribute the remaining DEO funding to qualified applicants.

RAE attempts to identify potential subcontractors through several different methods, but primarily they are found through contact with local and regional Economic Development Organizations. Projects submitted by applicants for funding consideration are expected to invest resources of their own, with the grant providing the remaining funds needed for the project.

¹ Section 20.60, Florida Statutes.

² Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Walton, and Wakulla counties.



A Request for Participation was issued in December 2020 that detailed an application process for potential subcontractors, followed by another in July 2022. Highlights of the requirements embedded in the application process are:

- A comprehensive description of the project and how it aligns with the DEO criteria;
 - Level of funding requested;
 - Pro forma financial statements;
 - A business plan;
 - Résumés for the management team;
 - A list of investors that hold 5% or more interest; and
 - A list of customers that represent more than 10% of annual sales.
- The companies must maintain their corporate identity in Florida. Project assignment is not allowed without permission.
 - Program participants must submit annually their Florida Department of Revenue Employer’s Quarterly Report, invoices and other materials that demonstrate that the company has hired workers, maintained jobs, met salary requirements and made their required capital investments.
 - The company must agree to claw-back terms in some cases.
 - Projects cannot be in the tourism/hospitality industry. IRDF targets aviation/aerospace, corporate headquarters, security, financial and professional services, information technology, life sciences, cleantech, manufacturing and logistics/distribution.
 - Independent financial review and a letter of credit are necessary for award payments made upfront.

These documents are routed through the local Economic Development Organization. Other requirements include:

- The project must add or retain at least 10 jobs in one of the eight counties disproportionately affected by the oil spill.
- The jobs added must be new to the State.
- The new jobs must pay wages greater than the county average.
- The company must maintain the jobs for at least three years.

Once a project has been recommended by the Economic Development Organization and all requested documentation has been submitted and checked for completeness, the RAE “Initial Review Committee” performs an evaluation and ultimately either recommends or rejects the project. Return on Investment is computed, with a minimum of 150% required. A financial review independent of RAE is obtained.³ If results are positive, a recommendation to fund the project is forwarded to the RAE Associate Vice President, the Provost, and the President. All three sign the contract, using a

³ For advanced funding, a second review by a financial analyst is obtained.



template that has been reviewed by the General Counsel.

Most contracts are of the “pay-for-performance” type, while a few receive advanced payments.

The status of grant funds as of the report date:

Disbursed to subcontractors	\$18,558,646
Disbursed for other costs	\$222,442
Contractual commitments	\$5,460,000
Contracts under negotiation	\$758,912
Uncommitted	\$3,500,000
	<u>\$28,500,000</u>

Eight contracts have been executed since 2020. Two contracts are in negotiation.

The UWF Controller’s Office invests available grant funds along with other UWF funds, and a prorated share of income is provided to RAE and to the IRDF budget. These investments have yielded interest revenue that is utilized to support administrative costs. Interest earned in 2021/22 was significantly lower than in previous years, as was expected due to market conditions. A summary of interest revenue:

FY 2019/20	\$209,210
FY 2020/21	\$160,601
FY 2021/22	\$47,013

All but approximately \$60,000 of the earmarked funding for administrative costs has been spent. As the invested balance gradually decreases over time due to subcontractor disbursements, even less interest revenue will be available to support the payroll associated with the IRDF. The RAE Associate Vice President noted that he is prepared to provide other RAE funding in support of the IRDF

going forward. Monitoring of subcontractor compliance for existing contracts will extend until at least 2030.

RAE employs a Director who devotes approximately 70% of his time to IRDF activities. Another part-time staff member works as the compliance manager for the contracts that have been executed. Other RAE staff provide accounting support.

Notable Strength

The process that has been developed over time to vet potential projects seems thorough and sound in principle. It takes into consideration all of the stated goals of the DEO in distributing the grant funding. Extensive documentation reviewed by multiple people with a variety of professional backgrounds helps to ensure that proper conclusions are reached. Although it may not always be possible to predict outcomes of projects, the RAE methodology seems quite effective.

AUDIT METHODOLOGY

We reviewed written policies and procedures, departmental website information, procurement documents, job descriptions and grant ledgers. We interviewed key personnel in Research Administration and Engagement. We reviewed relevant laws and regulations. Audit testing was performed on conflicts of interest, documentation collection, reporting accuracy, payroll charges, administrative costs, expenditures, and fund balance.

KEY OBSERVATIONS

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



1. Financial assessments of information provided by the Economic Development Organizations on behalf of potential awardees are conducted by the UWF Small Business Development Center (SBDC) and/or external consultants. The documentation of these financial assessments should be consistent between projects and should identify the person who performed the work, to ensure that objectivity and independence can be validated in the future, if necessary.

We examined 16 financial assessments. Of the 16, 10 had somewhat complete headings, although there was no identification of who performed the assessment (like “SBDC” or the person’s name). The remaining 6 had no dates, were much less comprehensive, and one did not identify the project being reviewed.

Discussion with RAE staff indicated that the consultant at the UWF Small Business Development Center who had been responsible for many of the financial assessments had left their position. This resulted in RAE using other consultants that may not have utilized as rigorous a methodology for documenting their assessments.

A lack of complete documentation creates the risk that critical information may not be available in the event that the results of the financial assessments are challenged in the future, for example, for consistency and objectivity. It might also raise the question as to whether or not a thorough evaluation was completed.

2. Amounts obligated through contractual agreements with subcontractors must stay within the amount funded by the DEO grant, or approximately \$28.5 million.

The Director who negotiates with subcontractors with a goal to execute IRDF contracts maintains a list of projects, their status, and the amount committed for future disbursement. RAE Accounting maintains the financial ledger and has direct knowledge of historical transactions and the amount of grant funding not yet disbursed. Communication between these two areas is essential.

We were informed that RAE Accounting has provided the Director with an email noting the amount of grant funds available for obligation, when requested by the Director. A process had not been established and formalized in writing, to ensure that the Director is kept informed regarding grant funds available. Although informal communications seem to have worked effectively in the past, due to the significant amount of dollars involved and potential future turnover of staff, it seems prudent to formalize this process.

Recommended Management Actions

1. We recommend RAE require persons who prepare the project financial assessments to include at a minimum their name, date of assessment, and project name, along with other standardized content as determined by RAE.
2. We recommend that RAE formalize in writing the process for communicating between RAE Accounting and the Director the amount of funds available to award.



Internal Auditing & Management Consulting
Audit: Industrial Resilience and Diversification Fund Program
Report # UWF22-23_005
Date: January 18, 2023

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

Respectfully submitted,

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

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

REPORT PROVIDED TO THE FOLLOWING:

Dr. Martha Saunders, President
Suzanne Lewis, Chair BOT
Dick Baker, Audit & Compliance Committee
Jill Singer, Audit & Compliance Committee
Betsy Bowers, Vice President of Finance and Administration
Dr. Michelle Williams, Vice Provost
Dr. Matthew Schwartz, Associate VP Research Administration and Engagement
Jeffrey Djerlek, Associate VP and Controller
Matt Packard, Compliance and Ethics Officer
Jaime Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Julie Leftheris, BOG Inspector General
Rebecca Luntsford, BOT Liaison



MANAGEMENT RESPONSES TO RECOMMENDATIONS

Recommendation #1

Management Response:

IRDF management will develop a template to be used by all financial reviewers attached to the IRDF program. This template will contain basic elements for the review, including the reviewer's name, date of assessment, and project name, as well as standard required review fields to ensure that review documentation is consistent. This template will be documented in a secure IRDF Program Operations Confluence page.

Responsible Party:

Dr. Matthew Schwartz, Associate VP – Research Administration

Targeted Implementation Date:

February 24, 2023

Recommendation #2

Management Response:

The director who oversees the IRDF application-review process will notify the relevant Office of Research Administration and Engagement accounting official in writing (via email or intraoffice memorandum) of any IRDF funding requests and of the level of funding the initial review committee finds appropriate for the proposal. The director will await confirmation from the accounting officer that requested funds are available. This will be done after the initial review committee has reached its determination regarding funding and before the director presents the committee's recommendation to the principal investigator for review and approval. This activity has been the working procedure for the IRDF staff and will be documented in a secure IRDF Program Operations Confluence page.

Responsible Party:

Dr. Matthew Schwartz, Associate VP – Research Administration

Targeted Implementation Date:

February 24, 2023



SCOPE AND OBJECTIVES

We audited Performance Based Funding Data Integrity as of September 30, 2022. This audit was included as part of our 2022/23 audit work plan, conducted in accordance with a Board of Governors (BOG) directive to State universities. Our specific objectives were to:

- Evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and
- Provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the *Performance Based Funding – Data Integrity Certification*, to be filed with the Board of Governors by March 1, 2023.

Audit fieldwork began on September 19, 2022, and ended on January 13, 2023. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

BACKGROUND

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

Currently, the metrics common to all institutions are:

1. *Percent of Bachelor’s Graduates Employed (Earning \$30,000+) or Continuing their Education;*
2. *Median Wages of Bachelor’s Graduates Employed Full-time;*
3. *Average Cost to the Student (Net Tuition and Fees per 120 Credit Hours for Resident Undergraduates);*
4. *Four Year Graduation Rate (Full-time FTIC);*
5. *Academic Progress Rate (Second Fall Retention Rate with at Least a 2.0 GPA for Full-time FTIC students);*
6. *Bachelor’s Degrees Awarded within Programs of Strategic Emphasis;*
7. *University Access Rate (Percent of Undergraduates with a Pell Grant);*
8. *Graduate Degrees Awarded within Programs of Strategic Emphasis;*
- 9a. *Two-Year Graduation Rate for Florida College System Associate in Arts Transfer Students; and*
- 9b. *Six-Year Graduation Rate for Students Who are Awarded a Pell Grant in Their First Year.*

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



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

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

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

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

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

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

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

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

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

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

Classifications 5 and 8 are not yet in use at UWF.

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

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



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

AUDIT METHODOLOGY

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

Audit testing was conducted on data submitted to the BOG in order to evaluate accuracy and completeness. We used data based on academic years or semesters, according to the time periods identified as part of the UWF Accountability Plan for 2022; if this information was not yet available, data

in the last file submitted was used for testing purposes.

We conducted audit testing focused on Metrics 4, 5, 7, and cohort adjustments.

NOTABLE STRENGTH

The submission of accurate and complete data underlying the metrics is a shared responsibility of the functional user areas. During the audit process, we noted extensive collaboration and communication between the functional user areas, which facilitated accurate reporting and the resolution of potential issues.

OBSERVATIONS

We found that internal controls over the processes used to collect and submit data to the BOG were strong. Data underlying the computations of Metrics 4, 5, and 7 were tested and were determined to be highly accurate. We make no recommendations.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Cynthia Talbert". The signature is written in a cursive, flowing style.

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



REPORT PROVIDED TO THE FOLLOWING:

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



SCOPE AND OBJECTIVES

We audited Carryforward Funding Compliance for the period of July 1, 2021 through September 30, 2022. This audit was included as part of our 2022/23 audit work plan, determined by our annual risk assessment. Our objectives were to:

- Evaluate the adequacy and effectiveness of controls related to carryforward budgeting and expenditures;
- Evaluate the accuracy of carryforward expenditure reporting; and
- Review compliance with applicable laws, rules, and regulations.

Audit fieldwork began on October 31, 2022, and ended on December 9, 2022. Our audit conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

BACKGROUND

Universities in the State University System of Florida are primarily funded through appropriations provided by the State Legislature. After a month's-long budgeting process that occurs each spring, the State Board of Governors communicate the final "Education and General" (E&G) budget to each university. UWF administrators and budget managers allocate this E&G budget amount to our many departments and activities. During the first week of August, the Controller's Office prepares a detailed "Operating Budget File," which is electronically submitted to the Board of Governors (BOG).

Expenditures are made from the E&G budgets to conduct University business throughout the year. On June 30 the budget year ends for E&G funding. For most State agencies, unspent and unencumbered¹ funds are swept and returned to the State; however, an exception to this rule has been made for universities. As of July 1, all unspent and unencumbered funds are transferred from an E&G budget to an E&G "Carryforward" budget, and retained at the university.

In 2019, the State Legislature established more definitive restrictions on the type of expenditures that could be made from Carryforward Funding by passing Section 1011.45, Florida Statutes. It states:

"Each university shall maintain a minimum carry forward balance of at least 7 percent of its state operating budget...Each university that retains a state operating fund carry forward in excess of the 7 percent minimum shall submit a spending plan for its excess carry forward balance. The spending plan shall be submitted to the university's board of trustees for review, approval, or, if necessary, amendment by September 30, 2020, and each September 30 thereafter. The Board of Governors shall review, approve, and amend if necessary by November 15, 2020 and each year thereafter...A university's carry forward spending plan shall include the estimated cost per planned expenditure and a timeline for completion of the expenditure."

The Statute goes on to clarify the types of expenditures that are authorized (summarized for brevity):

¹ Funds are "encumbered" when a purchase order with an external vendor exists.



- Commitment of funds to a public education capital outlay project for which an appropriation has previously been provided that requires additional funds for completion;
- Completion of a renovation, repair, or maintenance project, up to \$5 million per project and replacement of a minor facility that does not exceed 10,000 gross square feet in size up to \$2 million;
- Completion of a remodeling or infrastructure project, including a project for a developmental research school, up to \$10 million per project;
- Completion of a repair or replacement project necessary due to damage caused by a natural disaster for buildings included in the building inventory;
- Operating expenditures that support the university mission and that are nonrecurring;
- Any purpose specified by the university Board of Trustees or in the General Appropriations Act; and
- A commitment of funds to a contingency reserve for expenses incurred as a result of a state of emergency declared by the Governor pursuant to Florida Statute 252.36.

BOG Regulation 9.007 provides additional guidance on the type of expenditures on which Carryforward funding can be spent. E&G Carryforward balances

may only be used for *nonrecurring* E&G activities, unless otherwise provided by law. *Non-recurring* is defined as expenditures that are not generally expected to extend to subsequent years. Non-recurring expenditures have distinct elements:

- Time-limited in nature, where an end date to a given contract or activity is known;
- There is no promise or guarantee of future funding;
- May cross multiple years, but the above two provisions apply; and
- May address financial challenges resulting from external factors.

Common examples of non-recurring expenditures from Carryforward funds include salary for temporary employment, repairs and maintenance, student financial aid payments, and equipment purchases.

Each UWF Division² prepares a report of their planned Carryforward spending and provides it to the Controller's Office. A consolidated report is then created for review and approval by the Board of Trustees (BOT). The Controller also provides semi-annual updates to the BOT to discuss any changes in the Carryforward project cost estimates or timelines (which are usually due to supply or contractor delays).

The Carryforward Spending Plan prepared as of July 1, 2021 showed Carryforward funds of \$21,283,447, including the required 7% reserve of \$9,077,947.

² President's Office, Finance and Administration, Academic Affairs, Academic Engagement & Student Affairs, and University Advancement.



UWF staff involved in the preparation and submission of the Carryforward Spending Plan are in the Budget area within the Controller's Office and the budget managers employed in each of the five Divisions.

Notable Strength

During our audit work, we noted that the five Division budget managers were very familiar with the authorized uses of Carryforward funds. No instances of questionable expenditures were discovered during our audit testing. The Controller has established an effective process for ensuring that they are knowledgeable of restrictions, generally through routine meetings that he holds to discuss relevant issues.

AUDIT METHODOLOGY

Key requirements of the Florida Statutes and BOG Regulations related to Carryforward funds were identified. We reviewed written policies and procedures, departmental website information, and job descriptions. We interviewed key personnel, including each UWF Division budget manager. Controls were assessed and appropriate audit testing designed based on these risks.

We verified that UWF's Carryforward Spending Plan was properly certified and approved by the BOT and submitted timely. We selected certain Carryforward projects to determine if they were allowable under BOG requirements. We reviewed a sample of expenditures from Carryforward funds to determine if they were charged to the correct Carryforward project and were allowable and appropriate. We reviewed the Carryforward project timelines for reasonableness. We also recalculated the minimum 7% reserve balance to verify compliance.

KEY OBSERVATION

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

1. Effective accountability and monitoring of University Carryforward expenditures requires the maintenance of detailed accounting records. Staff members in each University Division manage their own Carryforward spending and are given the discretion to design their own methodology for tracking expenditures within each project. Their methodology should provide the ability to trace to all of the expenditures made within a project, thus demonstrating that they used their funding in accordance with the plan submitted to and approved by the BOG.

We examined the methodology in use by each Division. Two of the five Divisions had established processes that made it difficult to readily track expenditures from the project to specific transactions recorded in the University accounting system. We acknowledge that the tracking processes were more difficult to design in these two Divisions, because project expenditures were booked on the accounting system in sometimes widely divergent budget numbers and general ledger accounts.

Recommended Management Action

1. We recommend that the Controller's Office collaborate with Division budget managers to ensure that they have developed an effective methodology for readily tracking expenditures to the associated project on the Carryforward Spending Plan.



Internal Auditing & Management Consulting
Audit: Carryforward Funding Compliance
Report # UWF22-23_004
Date: January 25, 2023

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

Respectfully submitted,

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

REPORT PROVIDED TO THE FOLLOWING:

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Dick Baker, Audit & Compliance Committee
Jill Singer, Audit & Compliance Committee
Dr. Greg Tomso, Vice President, Academic Engagement and Student Affairs
Howard Reddy, Vice President, University Advancement
Betsy Bowers, Vice President, Finance and Administration
Dr. Michelle Williams, Vice Provost
Jeffrey Djerlek, Associate Vice President of Finance and Controller
Janet Davis, Business Manager, President's Division
Sharon Jordan, Associate Controller of Reporting
Daniel Lucas, Associate Vice President, University Advancement
Angela Wallace, Budget Director, Division of Finance and Administration
Pamela Cadem, Director of Budgets, Division of Academic Engagement & Student Affairs
Shelly Blake, Associate Vice President, Budgets and Financial Planning for Academic Affairs
Dezie Peters, Director of Academic Budgets
Jaime Hoelscher, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Julie Leftheris, BOG Inspector General
Rebecca Luntsford, BOT Liaison



MANAGEMENT RESPONSE TO RECOMMENDATION

Recommendation #1

Management Response:

The Budget Office within the Controller's Office and the Division budget managers will discuss the various ways to track expenditures within the Banner ERP and what options would work best for each division for future Carryforward reporting.

Responsible Parties:

Mr. Jeffrey A. Djerlek, Associate Vice President of Finance & Controller
Ms. Janet Davis, Business Manager for the President's Division
Ms. Sharon Jordan, Associate Controller of Reporting
Mr. Daniel Lucas, Associate Vice President Advancement
Ms. Angela Wallace, Budget Director for the Division of Finance and Administration
Ms. Pamela Cadem, Director of Budgets for the Division of Academic Engagement & Student Affairs
Ms. Shelly Blake, Associate Vice President, Budgets and Financial Planning for Academic Affairs
Mr. Dezie Peters, Director of Academic Budgets

Targeted Implementation Date:

June 30, 2023

UWF Board of Trustees Meeting
 Audit & Compliance Committee
 February 16, 2023

Issue: Internal Auditing PCard Audit Reports
 Quarter 2 Update (October - December 2022)

Proposed action: Acceptance

Purpose

To provide UWF senior leadership an overview of audit results for the PCard reviews completed during the quarter, including any issues or findings requiring action.

Background

Internal Auditing & Management Consulting has been charged with auditing PCard holder and approver activity as well as departmental activities and internal controls. The objectives of these audits were to determine if departments complied with UWF PCard policies and procedures, as well as to evaluate the level of understanding of PCard policies among PCard holders and approvers. UWF presently has approximately 332 PCard holders distributed across 113 departments.

Notable Strengths

The Concur system provided a digital audit trail of the transactions including who accessed the records. Staff were knowledgeable of PCard requirements. Supporting receipts were available for each transaction.

Results - Quarter 2 (October – December 2022)

Four departments encompassing 23 cardholders were examined on a sample basis. Individual reports were distributed to department heads and Procurement & Contracts upon completion of the audits. The totals below show the volume of activity occurring for these departments and the amount tested.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transaction \$ Tested
4	23	612	128 (21%)	\$296,274	\$202,103 (68%)
Audit Opinion for the PCard Audits:					
EXCELLENT	GOOD	FAIR	POOR	Total	
3	1	0	0	4	

Departments Audited 2nd Quarter:	
EXCELLENT	GOOD
Kugelman Honors Program Housing and Residence Life UWF Emerald Coast	Administration and Law

Recommendation: Acceptance of the Internal Auditing PCard Reports for the 2nd Quarter FY 2022-2023.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Prepared by: Elizabeth Mrachek, Internal Auditor, emrachek@uwf.edu, 850-474-2636

Presenter: Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 850-474-2637

Given the nature of the risks involved in the achievement of the unit's objectives, controls reviewed were adequate. The department should continue to ensure compliance with applicable PCard regulations, policies, procedures, and good business practices.

**AUDIT OPINION:
EXCELLENT**

Audit Objective and Scope

To determine whether the Department is conducting its PCard financial and business processes under an adequate system of internal control, as required by University policy and guidelines and good business practice.

We reviewed the key internal controls over PCard financial and operational activities in accordance with UWF policies and procedures including:

- Safeguarding of PCard account information;
- Properly documented transactions, including purchase receipt and business purpose;
- Independent approval of PCard transactions; and
- Timeliness of PCard expense reports.

Procedures and Statistics

We reviewed a judgmental sample of transactions for the period January 1, 2022 through June 30, 2022, and we interviewed selected Cardholders and Approvers regarding PCard procedures in the Department.

AUDIT POPULATION	AUDIT SAMPLE
3 cardholders, 127 transactions, totaling \$108,316.65	22% of Audit Population (28 transactions and \$82,431.99 ~76% of total dollars spent), including 7 transactions over \$999.

Internal Control Strengths and Weaknesses

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Electronic receipts and business purpose required for each transaction processed in Concur. • Required supervisory approval of transactions. • Staff was knowledgeable of the PCard program. 	

Findings

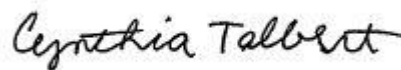
None

Use of Report

Internal Auditing & Management Consulting (IAMC) is a department of the University of West Florida. This report is intended solely for the internal use of the University and the UWF Board of Trustees. It is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

AUDITEE MANAGEMENT TEAM
Dr. Jocelyn Evans, Director
Elizabeth Barrett, Coordinator

INTERNAL AUDITING TEAM
Elizabeth Mrachek, CPA



Cynthia Talbert, CFE, CIA, CPA, CRMA
Chief Audit Executive (ctalbert@uwf.edu)

Given the nature of the risks involved in the achievement of the unit's objectives, controls reviewed were adequate. The department should continue to ensure compliance with applicable PCard regulations, policies, procedures, and good business practices.

**AUDIT OPINION:
EXCELLENT**

Audit Objective and Scope

To determine whether the Department is conducting its PCard financial and business processes under an adequate system of internal control, as required by University policy and guidelines and good business practice.

We reviewed the key internal controls over PCard financial and operational activities in accordance with UWF policies and procedures including:

- Safeguarding of PCard account information;
- Properly documented transactions, including purchase receipt and business purpose;
- Independent approval of PCard transactions; and
- Timeliness of PCard expense reports.

Procedures and Statistics

We reviewed a judgmental sample of transactions for the period January 1, 2022 through June 30, 2022, and we interviewed selected Cardholders and Approvers regarding PCard procedures in the Department.

AUDIT POPULATION	AUDIT SAMPLE
17 cardholders, 333 transactions, totaling \$66,715.76	19% of Audit Population (64 transactions and \$31,960.45 ~48% of total dollars spent), including 11 transactions over \$999.

Internal Control Strengths and Weaknesses

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Supplemental PCard training provided to departmental staff. • Electronic receipts and business purpose required for each transaction processed in Concur. • Required supervisory approval of transactions. 	

Finding

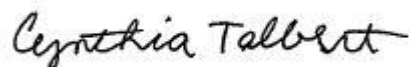
None

Use of Report

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AUDITEE MANAGEMENT TEAM
Leigh Prouty, Director
Dan Motherway, Asst. Director

INTERNAL AUDITING TEAM
Elizabeth Mrachek, CPA



Cynthia Talbert, CFE, CIA, CPA, CRMA
Chief Audit Executive (ctalbert@uwf.edu)

Given the nature of the risks involved in the achievement of the unit's objectives, controls reviewed were adequate. The department should continue to ensure compliance with applicable PCard regulations, policies, procedures, and good business practices.

**AUDIT OPINION:
EXCELLENT**

Audit Objective and Scope

To determine whether the Department is conducting its PCard financial and business processes under an adequate system of internal control, as required by University policy and guidelines and good business practice.

We reviewed the key internal controls over PCard financial and operational activities in accordance with UWF policies and procedures including:

- Safeguarding of PCard account information;
- Properly documented transactions, including purchase receipt and business purpose;
- Independent approval of PCard transactions; and
- Timeliness of PCard expense reports.

Procedures and Statistics

We reviewed a judgmental sample of transactions for the period January 1, 2022 through June 30, 2022, and we interviewed selected Cardholders and Approvers regarding PCard procedures in the Department.

AUDIT POPULATION	AUDIT SAMPLE
2 cardholders, 77 transactions, totaling \$104,249.99.	26% of Audit Population (20 transactions and \$80,459 ~77% of total dollars spent), including 7 transactions over \$999.

Internal Control Strengths and Weaknesses

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Electronic receipts and business purpose required for each transaction processed in Concur. • Required supervisory approval of transactions. • Staff was knowledgeable of the PCard program. 	

Findings

NONE

Use of Report

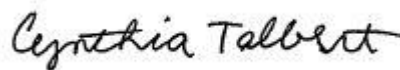
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AUDITEE MANAGEMENT TEAM

Dr. Melinda Bowers, Dean
Andrea Rymer, Administrative Specialist

INTERNAL AUDITING TEAM

Elizabeth Mrachek, CPA



Cynthia Talbert, CFE, CIA, CPA, CRMA
Chief Audit Executive (ctalbert@uwf.edu)

Given the nature of the risks involved in the achievement of the unit's objectives, controls reviewed were adequate. The department should continue to ensure compliance with applicable PCard regulations, policies, procedures, and good business practices.

**AUDIT OPINION:
GOOD**

Audit Objective and Scope

To determine whether the Department is conducting its PCard financial and business processes under an adequate system of internal control, as required by University policy and guidelines and good business practice.

We reviewed the key internal controls over PCard financial and operational activities in accordance with UWF policies and procedures including:

- Safeguarding of PCard account information;
- Properly documented transactions, including purchase receipt and business purpose;
- Independent approval of PCard transactions; and
- Timeliness of PCard expense reports.

Procedures and Statistics

We reviewed a judgmental sample of transactions for the period January 1, 2022 through June 30, 2022 and we interviewed the Cardholder and Approver regarding PCard procedures in the Department.

AUDIT POPULATION	AUDIT SAMPLE
1 cardholder, 75 transactions, totaling \$16,991.11	21% of Audit Population (16 transactions and \$7,252 ~43% of total dollars spent), including 3 transactions over \$999.

Internal Control Strengths and Weaknesses

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Electronic receipts and business purpose required for each transaction processed in Concur. • Staff was knowledgeable of the PCard program. 	

Finding

1. The UWF Expenditure Guidelines specifies the types of expenditures that are allowable under the Education and General (E&G) funding source. During the audit we noted a transaction for \$448 charged to the E&G fund that is disallowed.

Recommendation for Corrective Action

1. We recommend that the department reimburse their E&G budget for the disallowable expenditure, for example, from a Foundation account.

Use of Report

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AUDITEE MANAGEMENT TEAM

Dr. Gil Fried, Chairperson
Linda Hendrieth, Office Administrator

INTERNAL AUDITING TEAM

Elizabeth Mrachek, CPA

Cynthia Talbert

Cynthia Talbert, CFE, CIA, CPA, CRMA
Chief Audit Executive (ctalbert@uwf.edu)

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 16, 2023

Issue: External Audit of Financial Statements of Direct Support Organization—
University of West Florida Foundation, Inc.

Proposed action: Acceptance

Background information:

Pursuant to Florida Statute 1004.28(5)¹, BOG Regulation BOG-9.011(5)², and UWF Regulation 5.016, organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida Board of Trustees. As required, the financial statements of the UWF Foundation, Inc. have been audited by independent certified public accountants for the fiscal year ending June 30, 2022.

A cursory review was performed by IAMC to evaluate compliance with the Florida Statute and BOG Regulation. It was determined that compliance appears to exist regarding the annual financial audit.

Results:

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

Financial Highlights:

- Total assets at June 30, 2022 were approximately \$176 million which represented a \$17 million decrease from prior year primarily due to a decrease in investments.
- Net position at June 30, 2022 was \$135,885,400, a decrease of approximately \$13 million compared to 2021.

Recommendation: Acceptance

Implementation Plan: None

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

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

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

Supporting documents:

- Financial Statement Audit Report for the University of West Florida Foundation, Inc., for fiscal year ending June 30, 2022
- Audit Communication Letter for fiscal year ending June 30, 2022

Prepared by: Internal Auditor Elizabeth Mrachek, emrachek@uwf.edu, (850) 474-2636

Presenter: Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, (850) 474-2638

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
PENSACOLA, FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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(Continued)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of University of West Florida Foundation, Inc. (the "Foundation") (a component unit of the University of West Florida), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

-1-

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of Directors
University of West Florida Foundation, Inc.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedules of Student Housing System Revenues and Expenses, Net Position (Excluding the Student Housing System), Functional Expenses, Receipts, Expenses, and Endowment Balances for the Chairs Under Eminent Scholars Program, Major Gifts Program and Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Pensacola, Florida
October 25, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of West Florida Foundation, Inc. (the “Foundation”) (a component unit of the University of West Florida), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

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

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

Board of Directors
University of West Florida Foundation, Inc.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Pensacola, Florida
October 25, 2022

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(UNAUDITED)

This management’s discussion and analysis (“MD&A”) provides an overview of the financial position and activities of the University of West Florida Foundation, Inc (the “Foundation”) as of and for the years ended June 30, 2022 and 2021.

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

Overview of the Financial Statements

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

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

The Statement of Net Position

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(UNAUDITED)

The Statements of Net Position (Continued)

The following is a summary of the Foundation's statements of net position as of June 30, 2022 and the preceding years.

			2022-2021				2021-2020	
	2022	2021	Dollar	Percentage	2020	Dollar	Percentage	
			Change	Change		Change	Change	
Assets:								
Current assets	\$ 16,447,940	\$ 15,917,152	\$ 530,788	3.3%	\$ 10,013,624	\$ 5,903,528	59.0%	
Noncurrent assets	159,785,165	177,286,394	(17,501,229)	-9.9%	154,551,809	22,734,585	14.7%	
Total Assets	\$ 176,233,105	\$ 193,203,546	\$ (16,970,441)	-8.8%	\$ 164,565,433	\$ 28,638,113	17.4%	
Liabilities:								
Current liabilities	\$ 3,853,146	\$ 4,155,638	\$ (302,492)	-7.3%	\$ 3,763,835	\$ 391,803	10.4%	
Noncurrent liabilities	35,094,448	38,491,441	(3,396,993)	-8.8%	41,181,419	(2,689,978)	-6.5%	
Total liabilities	38,947,594	42,647,079	(3,699,485)	-8.7%	44,945,254	(2,298,175)	-5.1%	
Deferred Inflows of Resources:								
Split-interest agreements	1,400,111	1,904,789	(504,678)	-26.5%	1,409,663	495,126	35.1%	
Net Position:								
Net investment in capital assets	10,533,421	9,998,870	534,551	5.3%	9,281,608	717,262	7.7%	
Unrestricted	3,174,253	3,663,551	(489,298)	-13.4%	1,826,071	1,837,480	100.6%	
Restricted -								
Expendable	50,919,245	68,588,137	(17,668,892)	-25.8%	43,589,586	24,998,551	57.3%	
Nonexpendable	71,258,481	66,401,120	4,857,361	7.3%	63,513,251	2,887,869	4.5%	
Total net position	135,885,400	148,651,678	(12,766,278)	-8.6%	118,210,516	30,441,162	25.8%	
Total Liabilities, Deferred Inflows and Net Position								
Inflows and Net Position	\$ 176,233,105	\$ 193,203,546	\$ (16,970,441)	-8.8%	\$ 164,565,433	\$ 28,638,113	17.4%	

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(UNAUDITED)

The Statements of Net Position (Continued)

The Foundation's assets totaled \$176.2 million as of June 30, 2022. Current assets contribute \$16.4 million and consist primarily of funds available to meet current obligations. Noncurrent assets contribute \$159.8 million and consist primarily of investments expected to be held and net capital assets. This balance reflects a decrease of \$17 million compared to June 30, 2021. The total decrease in assets is primarily related to a decrease in investments.

The Foundation's liabilities total \$38.9 million as of June 30, 2022. This is composed of \$3.9 million in current liabilities including accounts payable and accrued expenses along with current year debt service amounts. Total noncurrent liabilities are \$35.1 million which consists of long-term debt and other obligations extending out more than one year. The amount of total liabilities reflects a decrease of \$3.7 million related primarily to a paydown of bonds for student housing.

Deferred inflows of resources of \$1.4 million represent planned giving donations made under split interest agreements and will be available in future years, net of liabilities owed to other beneficiaries.

Net position totals \$135.9 million and is made up of \$10.5 million of net investment in capital assets and \$3.2 million in unrestricted net assets. It also includes \$50.9 million in restricted expendable net assets and \$71.3 million in restricted nonexpendable net assets. The total net position has decreased by \$12.8 million compared to prior year. The primary contributor to this change was a decrease of restricted expendable net assets by \$17.7 million.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(UNAUDITED)

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

Change in net position is based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the revenues earned and the expenses incurred by the Foundation. Revenue, expenses, and changes in net position of the Foundation for the years ended June 30, 2022 and 2021 are presented in the following table:

			2022-2021				2021-2020	
	2022	2021	Dollar	Percentage	2020	Dollar	Percentage	
			Change	Change		Change	Change	
Operating revenues	\$ 4,581,788	\$ 42,683,596	\$ (38,101,808)	-89.3%	\$ 15,242,479	\$ 27,441,117	180.0%	
Operating expenses	20,239,407	18,076,763	2,162,644	12.0%	18,628,082	(551,319)	-3.0%	
Operating income (loss)	(15,657,619)	24,606,833	(40,264,452)	-163.6%	(3,385,603)	27,992,436	-826.8%	
Nonoperating revenues	467,207	3,027,795	(2,560,588)	100.0%	1,491,625	1,536,170	100.0%	
Other changes in net position	2,424,134	2,806,534	(382,400)	-13.6%	2,845,472	(38,938)	-1.4%	
Change in net position	(12,766,278)	30,441,162	(43,207,440)	-141.9%	951,494	29,489,668	3099.3%	
Net position, beginning of year	148,651,678	118,210,516	30,441,162	25.8%	117,259,022	951,494	0.8%	
Net position, end of year	\$ 135,885,400	\$ 148,651,678	\$ (12,766,278)	-8.6%	\$ 118,210,516	\$ 30,441,162	25.8%	

Operating revenues total \$4.6 million and are primarily composed of (\$14.1) million of net unrealized and realized gain (loss) on investments, \$10.2 million related to the student housing system, and \$6.4 million of contributions.

Operating expenses total \$20.2 million and are primarily composed of \$10.1 million related to the student housing system, \$5.5 million of services to the University, \$1.8 million of scholarships to students, and \$2.1 million in general and administrative expenses.

Operating loss is \$15.7 million, nonoperating revenues are \$467,000, and contributions to endowments are \$2.4 million for fiscal year 2022. As a result, net position decreased by \$12.8 million.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(UNAUDITED)

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

Overall, financial position and operations were challenging with investments showing negative returns by approximately \$12.9 million. Total expenses were up approximately \$2.1 million at \$20.2 million and revenues (operating and nonoperating) decreased by \$40.7 million. The economic outlook looks uncertain with inflation increasing at rates ahead of 8% year over year and the Federal Reserve raising interest rates to combat inflation risking a recession as a result.

The Statements of Cash Flows

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

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

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

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(UNAUDITED)**

Economics Factors That Will Affect the Future

The economic outlook of the Foundation is affected by several factors, including contributions, return on investments, continued COVID-19 pandemic uncertainty, and the State of Florida legislative changes. Annual contributions and endowments have a direct impact on enhancing University programs. With the exception of the COVID-19 uncertainty, the Foundation is not aware of currently known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2022 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 3,885,661	\$ 4,434,772
Contributions receivable, net	964,882	823,396
Other receivables, net	208,296	1,063,616
Due from University	403,541	3,055,079
Prepaid expenses	159,223	177,537
Investments	10,826,337	6,362,752
Total current assets	16,447,940	15,917,152
Noncurrent Assets:		
Restricted cash reserves	1,565,886	1,429,854
Contributions receivable, net	2,560,695	3,143,886
Investments	106,173,779	120,237,681
Capital assets, net	45,768,096	48,154,304
Assets held under split interest agreements	3,336,664	3,955,132
Other assets	380,045	365,537
Total noncurrent assets	159,785,165	177,286,394
Total Assets	\$ 176,233,105	\$ 193,203,546

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities:		
Accounts payable and accrued expenses	\$ 856,690	\$ 1,277,051
Bonds payable, net	2,996,456	2,878,587
Total current liabilities	3,853,146	4,155,638
Noncurrent Liabilities:		
Liabilities under split-interest agreements	1,820,783	1,934,571
Due to West Florida Historic Trust	1,035,446	1,280,023
Bonds payable, net	32,238,219	35,276,847
Total noncurrent liabilities	35,094,448	38,491,441
Deferred Inflows of Resources:		
Split-interest agreements	1,400,111	1,904,789
Net Position:		
Net investment in capital assets	10,533,421	9,998,870
Unrestricted	3,174,253	3,663,551
Restricted -		
Expendable	50,919,245	68,588,137
Nonexpendable	71,258,481	66,401,120
Total net position	135,885,400	148,651,678
Total Liabilities, Deferred Inflows and Net Position	\$ 176,233,105	\$ 193,203,546

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Contributions	\$ 6,390,128	\$ 5,094,906
Interest and dividend income	1,266,847	965,056
Net unrealized and realized gain (loss) on investments	(14,139,003)	27,587,029
Student housing system	10,196,945	8,234,829
University support - non cash	779,692	722,752
Other operating revenues	87,179	79,024
Total operating revenues	<u>4,581,788</u>	<u>42,683,596</u>
Operating Expenses:		
Scholarships	1,829,737	1,649,038
Other program services	5,452,479	4,826,229
Student housing system	10,133,070	9,033,469
Fundraising services	693,623	593,146
General and administrative	2,130,498	1,974,881
Total operating expenses	<u>20,239,407</u>	<u>18,076,763</u>
Operating Income (Loss)	<u>(15,657,619)</u>	<u>24,606,833</u>
Nonoperating Revenues:		
University support	-	1,876,379
Insurance proceeds net of loss on disposal	563,148	1,151,416
Other nonoperating revenues (losses)	(95,941)	-
Total nonoperating revenues, net	<u>467,207</u>	<u>3,027,795</u>
Net Income (Loss) Before Other Changes in Net Position	(15,190,412)	27,634,628
Other Changes in Net Position:		
Endowed contributions	<u>2,424,134</u>	<u>2,806,534</u>
Change in Net Position	(12,766,278)	30,441,162
Net Position, Beginning of Year	<u>148,651,678</u>	<u>118,210,516</u>
Net Position, End of Year	<u>\$ 135,885,400</u>	<u>\$ 148,651,678</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, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Cash receipts from contributions	\$ 6,831,833	\$ 5,356,156
Interest and dividends received	1,266,847	965,056
Cash receipts from student housing system	10,196,945	8,234,829
Cash receipts from other operating revenues	3,594,037	363,600
Cash paid for operating expenses	(16,634,104)	(14,887,267)
Net cash provided by operating activities	5,255,558	32,374
Cash Flows From Investing Activities:		
Purchase of investment securities	(21,274,480)	(34,545,943)
Proceeds from sales of investment securities	16,735,794	37,465,265
Due to West Florida Historic Trust	(244,577)	330,199
Net cash provided by investing activities	(4,783,263)	3,249,521
Cash Flows From Capital and Related Financing Activities:		
Acquisition of property and equipment	(1,151,897)	(1,509,346)
Bond principal payments	(2,920,759)	(2,822,246)
Proceeds from sale of vehicle	200,000	-
Insurance proceeds	563,148	731,608
Net cash used in capital and related financing activities	(3,309,508)	(3,599,984)
Cash Flows From Noncapital Financing Activities:		
Endowment contributions	2,424,134	2,806,534
Net cash provided by noncapital financing activities	2,424,134	2,806,534
Net Increase (Decrease) in Cash	(413,079)	2,488,445
Cash, Beginning of Year	5,864,626	3,376,181
Cash, End of Year	\$ 5,451,547	\$ 5,864,626
Displayed As:		
Cash and cash equivalents	\$ 3,885,661	\$ 4,434,772
Noncurrent restricted cash reserves	1,565,886	1,429,854
	\$ 5,451,547	\$ 5,864,626

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, 2022 AND 2021
(Continued)

	2022	2021
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Operating income (loss)	\$ (15,657,619)	\$ 24,606,833
Adjustments to reconcile operating income (loss) to		
Net cash provided by operating activities -		
Net unrealized and realized (gain) loss on long-term investments	14,139,003	(27,587,029)
Bad debt expense (recovery)	30,365	(16,493)
Change in fair value of -		
Contributions receivable	221,451	160,341
Cash surrender value of insurance policies	(14,508)	(8,610)
Depreciation	3,242,164	3,124,229
Change in operating assets and liabilities -		
Contributions receivable	204,140	82,190
Other receivables	841,069	59,451
Due from University	2,651,540	(825,482)
Prepaid expenses	18,314	143,655
Accounts payable and accrued expenses	(420,361)	293,289
Net cash provided by operating activities	\$ 5,255,558	\$ 32,374
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 1,346,999	\$ 1,454,809

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, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

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

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

Basis of Accounting:

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

Fund Accounting:

To help ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in the general ledger. For reporting purposes, these funds are combined into one column.

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

Net Investment in Capital Assets - Represents funds that consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any revenue bonds that are attributable to and expended on the acquisition, construction or improvement of those assets net of any related unspent debt proceeds.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued):

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

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

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

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

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

Operating and Nonoperating Activities:

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

Cash and Cash Equivalents:

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued):

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

Noncurrent cash and cash equivalents at June 30, 2022 and 2021, include cash that is restricted or is not expected to be used during the Foundation's next fiscal year.

Restricted Cash Reserves:

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

Investments:

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

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

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

Contributions Receivable:

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets:

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

	<u>Years</u>
Property and improvements	7 - 45
Equipment and software	3 - 10

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

Split-Interest Agreements:

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

Deferred Inflows of Resources:

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Contributions of cash, investments securities or pledges receivable are recognized at fair value when all eligibility requirements have been met and are recognized when funds are received. Property and equipment donated to the Foundation are recorded at their estimated values at the dates of donation. Conditional promises to give are not recognized until the condition has been met. Additions to endowments and other trusts are not recognized until the resources are received and all eligibility requirements have been met.

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

Bond Discounts and Premiums:

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

Compensated Absences:

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

At June 30, 2022 and 2021, accrued compensated absences totaling \$580,973 and \$548,535 were reported as a component of accrued expenses in the accompanying financial statements.

Other Program Services:

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

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

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

Use of Estimates:

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

Retirement Plan and Other Post-Employment Healthcare Benefits:

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

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

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications:

Certain accounts in the 2021 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2022 financial statements.

Recent Accounting Pronouncements:

In June 2017, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 87, *Leases* (“GASB 87”), which addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases and recognized as inflows of resources or outflows of resources. GASB 87 establishes the lessee’s requirement to recognize a lease liability and an intangible right-to-use asset. GASB 87 was effective for the Foundation for the year ended June 30, 2022. Adoption of GASB 87 did not have a significant impact on the Foundation’s financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2022 and 2021, unrestricted cash and cash equivalents consisting of bank demand accounts were as follows:

	2022	2021
Foundation cash on deposit	\$ 3,790,977	\$ 3,967,576
Housing cash on deposit	94,684	467,196
	\$ 3,885,661	\$ 4,434,772

At June 30, 2022 and 2021, restricted cash and cash equivalents were as follows:

	2022	2021
Housing operating reserves	\$ 1,121,294	\$ 976,449
Housing replacement reserves	444,374	453,350
Housing bond service accounts	218	55
	\$ 1,565,886	\$ 1,429,854

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's deposits may not be returned to it. It is the Foundation's policy to monitor deposits on account to avoid deposits that are not covered by depository insurance or are uncollateralized. The Foundation's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At June 30, 2022 and 2021, the Foundation's uninsured cash balance at financial institutions totaled approximately \$836,000 and \$697,000, respectively.

Additional financial instruments that potentially subject the Foundation to custodial credit risk consist of cash deposits at brokerage firms. These accounts are not insured by the FDIC. At June 30, 2022 and 2021, the Foundation maintained cash and cash equivalent balances at these institutions totaling approximately \$4,633,000 and \$5,026,000, respectively.

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

Investments:

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

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued):

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

	Cost	Fair Value	Unrealized Gain (Loss)
June 30, 2022:			
Certificates of deposit	\$ 573,550	\$ 573,550	\$ -
Equity securities -			
Common stock and mutual funds	47,886,357	60,299,773	12,413,416
Debt securities	19,210,349	18,712,330	(498,019)
External investment pool -			
SPIA	7,655,874	7,257,004	(398,870)
Alternative investments -			
Fund of fund hedge funds	6,660,500	9,350,727	2,690,227
Private equity investments	12,870,617	15,790,575	2,919,958
Real estate investment trust	4,432,766	5,016,157	583,391
	<u>\$ 99,290,013</u>	<u>\$ 117,000,116</u>	<u>\$ 17,710,103</u>
June 30, 2021:			
Certificates of deposit	\$ 511,408	\$ 511,408	\$ -
Equity securities -			
Common stock and mutual funds	44,002,385	76,583,322	32,580,937
Debt securities	20,343,376	21,504,895	1,161,519
External investment pool -			
SPIA	6,466,210	6,362,752	(103,458)
Alternative investments -			
Fund of fund hedge funds	6,660,500	8,953,462	2,292,962
Private equity investments	7,978,966	8,371,283	392,317
Real estate investment trust	3,981,961	4,313,311	331,350
	<u>\$ 89,944,806</u>	<u>\$ 126,600,433</u>	<u>\$ 36,655,627</u>

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

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NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued):

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

	2022	2021
Certificates of deposit	\$ 573,550	\$ 511,408
Mutual funds	170,796	158,828
	\$ 744,346	\$ 670,236

At June 30, 2022 and 2021, housing maintained contingency and improvement reserves which consisted of investments in the amount of \$6,037,866 and \$3,305,675, respectively. See Note 7 for further discussion of these reserves.

At June 30, 2022 and 2021, the fair market value of all endowed investments was at a level above the minimum required by donor stipulations, totaling \$12,546,609 and \$31,322,328, respectively. However, individual donor-restricted endowment funds were deficient, totaling \$709,248, where the fair value of the investments at June 30, 2022, was less than the level required by the donor stipulations. There were no deficient individual donor-restricted endowment funds at June 30, 2021. See Note 9 for further discussion of endowments.

The net return on investments was as follows:

	Total Unrestricted	Total Expendable
Year Ended June 30, 2022 -		
Dividends and interest	\$ 3,059	\$ 1,263,788
Net realized gain on investments	10,966	4,432,252
Unrealized gain (loss) on investments	1,267,989	(19,850,210)
Total return on investments	\$ 1,282,014	\$ (14,154,170)
Year Ended June 30, 2021 -		
Dividends and interest	\$ 2,376	\$ 962,680
Net realized gain on investments	8,319	3,401,358
Unrealized gain on investments	1,182,343	22,995,009
Total return on investments	\$ 1,193,038	\$ 27,359,047

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments:

Custodial risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2022 and 2021, excluding mutual funds, alternative investments, and the external investment pool are uninsured and registered with securities held by the Foundation's agent in the Foundation's name. Mutual funds and alternative investments do not have specific securities, are uninsured and are held in the book entry form. The external investment pool consists of the Foundation's pro-rata ownership in the pool itself, not in the underlying securities. The pool is invested in a combination of short-term liquid instruments and intermediate term fixed income securities and is uninsured.

Concentration of Credit Risk:

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

Disclosure of any issuer of investments that in the aggregate is 5% or more of the portfolio is required to be disclosed as a concentration of credit risk (investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools and other pooled investments are exempt). As of June 30, 2022 and 2021, there were no concentrations of credit risk.

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022 and 2021, the credit quality ratings of the Foundation's debt securities were as follows:

<u>Standard and Poor's Credit Rating</u>	<u>2022</u>	<u>2021</u>
AAA	\$ 7,842,665	\$ 8,992,230
AA	672,208	1,145,374
A	2,279,500	3,140,800
BBB	4,161,741	3,749,826
BB	3,095,789	3,463,338
B	539,959	518,918
Below B	120,468	107,336
Unrated	-	387,073
	<u>\$ 18,712,330</u>	<u>\$ 21,504,895</u>

As of June 30, 2022 and 2021, the external investment pool was rated at AA-f by Standard and Poor's.

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

Interest Rate Risk:

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

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

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

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued):

As of June 30, 2021, the Foundation's debt securities had the following weighted average maturities:

Total Fair Value	Less than 1 year	1-5 years
\$ 21,504,895	\$ 9,372,172	\$ 12,132,723

As of June 30, 2022 and 2021, the external investment pool has an effective duration of 2.66 and 2.60 years, respectively.

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

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. It is the Foundation's policy to limit its exposure to foreign currency risk by limiting the asset allocation in international investments in accordance with the established targets in the approved investment policy. As of June 30, 2022 and 2021, the Foundation did not have any direct investments subject to this risk. As of June 30, 2022 and 2021, the Foundation's assets were held in U.S. currency. The currency risk on international and global assets is absorbed by the underlying investments managers.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements:

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

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

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

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

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

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

The inputs used to measure the fair value of contributions receivable are categorized as Level 3.

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

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

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

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The fair value of the Foundation's assets and liabilities at June 30, 2021 is as follows:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value -				
Equity securities-Domestic & International	\$ 76,583,322	\$ 75,505,518	\$ 1,077,804	\$ -
Debt securities	21,504,895	15,264,600	6,240,295	-
External investment pool	6,362,752	-	-	6,362,752
Alternative investments:				
Private equity investments	2,414,537	-	-	2,414,537
Real estate investment trust	4,313,311	-	-	4,313,311
Total alternative investments	6,727,848	-	-	6,727,848
Funds held in trust by others	3,955,132	3,955,132	-	-
Contributions receivable, net	3,967,282	-	-	3,967,282
Total assets measured at fair value	119,101,231	94,725,250	7,318,099	17,057,882
Assets measured at net asset value (NAV) -				
Fund of fund hedge funds	8,953,462			
Private equity investments	5,956,746			
Total assets measured at NAV	14,910,208			
Total assets	134,011,439			
Liabilities:				
Funds held in trust	1,934,571	-	-	1,934,571
Due to WFHT	1,280,023	-	1,280,023	-
Total liabilities	3,214,594	-	1,280,023	1,934,571
Total	\$ 130,796,845	\$ 94,725,250	\$ 6,038,076	\$ 15,123,311

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

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

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

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

External investment pool - Investments in the Special Purpose Investment Account (“SPIA”) of the Florida Treasury Pool are classified as Level 3. Participants contribute to this Treasury Pool on a dollar basis. These funds are commingled, and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed, and a total pool fair value is determined. A fair value factor is calculated by dividing the pool’s total fair value by the pool participant’s total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant’s pool balance. At June 30, 2022 and 2021, the unaudited fair value factor was 0.9479 and 0.9840, respectively. The factor is determined by an independent pricing service which uses quoted market prices as well as multifactor models for securities which have no quoted market prices. Additional information may be found in Note 2 to the State of Florida Comprehensive Annual Financial Report (“CAFR”) and at the Treasury’s website, www.fltreasury.org.

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

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

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

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

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

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

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

	Private Equity	Real Estate	SPIA	Contributions Receivable, net	Funds Held in Trust by Others	Total
Assets:						
Beginning balance	\$ 2,414,537	\$ 4,313,311	\$ 6,362,752	\$ 3,967,282	\$ -	\$ 17,057,882
Total gains or losses:						
Included in change						
in net assets	475,030	835,264	(295,413)	-	-	1,014,881
Purchases, issuances, sales, and settlements:						
Purchases	2,231,879	1,085,387	4,873,344	-	-	8,190,610
Settlements	(444,705)	(1,217,805)	(3,683,679)	-	-	(5,346,189)
New pledges, payments, write-offs, and change in fair value:						
New pledges	-	-	-	1,305,722	-	1,305,722
Payments	-	-	-	(1,509,847)	-	(1,509,847)
Write-offs	-	-	-	(16,129)	-	(16,129)
Change in fair value	-	-	-	(221,451)	-	(221,451)
Transfer out	-	-	-	-	-	-
Total assets	4,676,741	5,016,157	7,257,004	3,525,577	-	20,475,479
Liabilities:						
Beginning balance	-	-	-	-	1,934,570	1,934,570
Adjustments	-	-	-	-	479,680	479,680
Total gains or losses:						
Included in change						
in net assets	-	-	-	-	(408,907)	(408,907)
Settlements	-	-	-	-	(184,560)	(184,560)
Total liabilities	-	-	-	-	1,820,783	1,820,783
Total	\$ 4,676,741	\$ 5,016,157	\$ 7,257,004	\$ 3,525,577	\$ (1,820,783)	\$ 18,654,696

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following table presents a reconciliation of the statement of net position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Private Equity	Real Estate	SPIA	Contributions Receivable, net	Funds Held in Trust by Others	Total
Assets:						
Beginning balance	\$ 2,175,468	\$ 2,679,222	\$ 7,677,940	\$ 4,228,532	\$ -	\$ 16,761,162
Total gains or losses:						
Included in change in net assets	193,200	255,208	(103,458)	-	-	344,950
Purchases, issuances, sales, and settlements:						
Purchases	980,529	1,858,315	6,670,100	-	-	9,508,944
Settlements	(341,403)	(479,434)	(7,881,830)	-	-	(8,702,667)
New pledges, payments, Write-offs:						
New pledges	-	-	-	366,750	-	366,750
Payments	-	-	-	(448,940)	-	(448,940)
Write-offs	-	-	-	(18,720)	-	(18,720)
Change in fair value	-	-	-	(160,340)	-	(160,340)
Transfer out	(593,257)	-	-	-	-	(593,257)
Total assets	2,414,537	4,313,311	6,362,752	3,967,282	-	17,057,882
Liabilities:						
Beginning balance	-	-	-	-	2,033,988	2,033,988
Adjustments	-	-	-	-	(520,127)	(520,127)
Total gains or losses:						
Included in change in net assets	-	-	-	-	605,270	605,270
Settlements	-	-	-	-	(184,560)	(184,560)
Total liabilities	-	-	-	-	1,934,571	1,934,571
Total	\$ 2,414,537	\$ 4,313,311	\$ 6,362,752	\$ 3,967,282	\$ (1,934,571)	\$ 15,123,311

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

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

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

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund III:				
Common Securities	\$ 112,874	Market Comparable	EBITDA Multiple	3.2x-21.9x
Limited Partnership Interest	\$ 83,449	Market Comparable	EBITDA Multiple	N/A
Common Securities	\$ 86,929	Cost (Recent Transaction)	N/A	N/A
Limited Partnership Interest	\$ 48,477	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 399,510	Cost (Recent Transaction)	N/A	
Debt Securities	\$ 1,313,087	Cost (Recent Transaction)	N/A	
Debt Securities	\$ 394,901	Relative Value Analysis	Yield to Maturity	
Private Equity Investments - Golub Capital Partners International:				
Debt Securities	\$ 1,800,000	Market rate approach	Market interest rate	4.30%

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JUNE 30, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following tables set forth a summary of valuation techniques and quantitative information utilized in determining the fair value of the Level 3 assets and liabilities as of June 30, 2021, excluding investments valued using the practical expedient or the net asset value (“NAV”).

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Real Estate Investment Trust - Harbert V:				
Real Estate Partnership Interest	\$ 369,040	Independent Appraisal	Capitalization Rate	6.91%
Real Estate Partnership Interest	\$ 227,152	Direct Capitalization	Capitalization Rate	6.26%
Real Estate Investment Trust - Harbert VI:				
Real Estate Partnership Interest	\$ 380,044	Independent Appraisal	Capitalization Rate	6.22%
Real Estate Partnership Interest	\$ 1,118,476	Direct Capitalization	Capitalization Rate	6.16%
Real Estate Partnership Interest	\$ 486,211	Market Transactions (a)	N/A	N/A
Real Estate Investment Trust - Harbert VII:				
Real Estate Partnership Interest	\$ 1,016,939	Market Transactions (a)	N/A	N/A
Real Estate Partnership Interest	\$ 527,263	Direct Capitalization	Capitalization Rate	4.63%
Real Estate Partnership Interest	\$ 188,186	Independent Appraisal	Capitalization Rate	5.25%
Private Equity Investments - Portfolio Advisor Credit Opportunities Fund II:				
Common Securities	\$ 85,279	Market Comparable Companies	EBITDA Multiple (11.4x)	7.7x - 24.4x
Common Securities	\$ 10,336	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 27,159	Market Comparable Companies	EBITDA Multiple (9.4x)	1.3x - 24.26x
Debt Securities	\$ 46,409	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 393,429	Relative Value Analysis	Yield to Maturity 10.12%	7.71% - 15.45%

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

<u>Asset or Liability Type</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range (weighted average)</u>
Equity				
Common Securities	\$ 56,760	Cost (Recent Transaction)	N/A	N/A
Preferred Securities	\$ 36,869	Cost (Recent Transaction)	N/A	N/A
Limited Partnership Interest	\$ 23,650	Cost (Recent Transaction)	N/A	N/A
Debt Securities	\$ 534,646	Cost (Recent Transaction)	N/A	N/A
Private Equity Investments - Golub Capital Partners International:				
Debt Securities	\$ 1,200,000	Market rate approach	Market interest rate	4.20%
External Investment Pool				
SPIA	\$ 6,362,752	Factor times cost	Value of \$1 contributed multiplied by Treasury determined by fair value factor	0.98%
Contributions receivable, net	\$ 3,967,282	Discounted present value	Discounted present value of expected cash flows at a risk-adjusted discount rate applicable at the time promises are received	N/A
Funds Held in Trust - Liabilities	\$ 1,934,571	Factor times Annuity	Value of \$1 paid every year discounted for both mortality and interest multiplied by the annual amount paid to annuitant(s)	N/A

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

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

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

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

The following table lists investments in hedge funds and investment limited partnerships by strategy, excluding investments measured at fair value, as of June 30, 2021:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Fund of Fund Hedge Funds:				
Equity market neutral	\$ 8,953,462	-	Quarterly to Semi-annual	95 Days
Private equity investments	<u>5,956,746</u>	<u>6,809,639</u>	N/A*	N/A*
	<u>\$ 14,910,208</u>	<u>\$ 6,809,639</u>		

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2022 and 2021, the Foundation records unconditional promises to give using fair value adjusted for the current year-end at discount rates, ranging from 0% to 40% based on the prevailing five-year Treasury constant maturities. As of June 30, 2022 and 2021, the fair value adjustment to contributions revenue was \$381,792 and \$160,340, 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 2022 and 2021, there were no transfers of contributions receivable into or out of Level 3.

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

	2022	2021
In one year or less	\$ 986,517	\$ 829,968
Between one and five years	2,177,171	2,474,849
Greater than five years	785,294	851,789
Total contributions receivable, gross	3,948,982	4,156,606
Less discounts to net fair value	381,792	160,340
Less allowance for doubtful accounts	41,613	28,984
Net contributions receivable, fair value	\$ 3,525,577	\$ 3,967,282
Current contributions receivable, net	\$ 964,882	\$ 823,396
Noncurrent contributions receivable, net	2,560,695	3,143,886
Total contributions receivable, net	\$ 3,525,577	\$ 3,967,282

Time-restricted and endowment contributions receivable (gross) not recognized in the statement of net position under the provisions of GASB No. 33 were \$4,762,647 and \$5,063,222 at June 30, 2022 and 2021, respectively.

Conditional promises to give for state matching funds from the State of Florida Major Gifts Trust Fund amounted to \$2,438,052 at June 30, 2022 and 2021. The funds will be forwarded to the Foundation in the event that future appropriations are made by the state legislature.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Student loan fund	\$ 68,340	\$ 68,340
Rent, less allowance of \$249,405 in 2022 and \$235,154 in 2021	121,623	69,673
Insurance proceeds	-	909,908
Other	<u>18,333</u>	<u>15,695</u>
Net other receivables	<u>\$ 208,296</u>	<u>\$ 1,063,616</u>

The Student Loan Fund, established through contributions, provides low-interest, short-term loans to students. All transactions are conducted through the University's cashiers' office. The Student Loan Program is made up of accounts receivable for loans to students, funds held at the University available for loans to students, and funds invested in a quasi-endowment at the Foundation. As of June 30, 2022 and 2021, the Foundation held \$266,075 and \$313,494, respectively, that was invested in a quasi-endowment. Earnings in the quasi-endowment are transferred to the University, as needed, to support the Student Loan Program.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 - CAPITAL ASSETS

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

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

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JUNE 30, 2022 AND 2021

NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Capitals assets not being depreciated:</i>					
Land	\$ 3,059,483	\$ -	\$ -	\$ -	\$ 3,059,483
Construction in progress	449,871	1,509,346	-	-	1,959,217
Works of art and historical treasures	1,393,070	-	-	-	1,393,070
Total capital assets not being depreciated	<u>4,902,424</u>	<u>1,509,346</u>	<u>-</u>	<u>-</u>	<u>6,411,770</u>
<i>Capitals assets being depreciated:</i>					
Student Housing System	77,694,666	-	(931,546)	-	76,763,120
Timeless Tanglewood property	5,595,202	-	-	-	5,595,202
Office equipment and software	515,872	-	-	-	515,872
Idle property	1,191,002	-	-	-	1,191,002
Total capital assets being depreciated	<u>84,996,742</u>	<u>-</u>	<u>(931,546)</u>	<u>-</u>	<u>84,065,196</u>
Less accumulated depreciation for:					
Student Housing System	37,531,118	2,948,980	(441,445)	-	40,038,653
Timeless Tanglewood property	420,572	168,230	-	-	588,802
Office equipment and software	497,186	7,019	-	-	504,205
Idle property	1,191,002	-	-	-	1,191,002
Total accumulated depreciation	<u>39,639,878</u>	<u>3,124,229</u>	<u>(441,445)</u>	<u>-</u>	<u>42,322,662</u>
Total capital assets being depreciated, net	<u>\$ 50,259,288</u>	<u>\$ (1,614,883)</u>	<u>\$ (490,101)</u>	<u>\$ -</u>	<u>\$ 48,154,304</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,242,164 and \$3,124,229, respectively.

The University's Student Housing System consists of the following: the Villages Phase I (West) and II (East), completed in 1997 and 1999, respectively; the first (Martin Hall), the second (Pace Hall), and the third (Argo Hall) portions of Phase III completed in 2000, 2001, and 2004, respectively; and the first (Heritage Hall) and the second (President's Hall) portions of Phase IV completed in 2010 and 2012, respectively. The buildings are depreciated over their estimated useful lives of 30 years, and the furniture, fixtures, and equipment are depreciated over their useful life of 5 - 10 years. At June 30, 2022 and 2021, depreciation for the Student Housing System totaled \$3,073,936 and \$2,955,999, respectively. See Note 11 for further disclosure.

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NOTE 5 - CAPITAL ASSETS (Continued)

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

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

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

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

NOTE 6 - RELATED PARTY TRANSACTIONS

At June 30, 2022 and 2021, the Foundation and the University jointly determined an amount for the Foundation to deposit with the University to be used to manage and pay expenses for the Foundation's operations. Payroll, other University departments, and program expenses that are funded from the Foundation are paid through the University utilizing these funds. At June 30, 2022 and 2021, the cash balances held by the University were \$403,541 and \$3,055,079, respectively, and were included in due from University.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - RELATED PARTY TRANSACTIONS (Continued)

In March of 2013, the Foundation entered into a Memorandum of Understanding with the University of West Florida Historic Trust (“WFHT”), another DSO of the University, where WFHT may transfer current cash assets to the Foundation to invest on their behalf. These funds are invested as a Quasi-Endowment with the Foundation and will be part of the overall investment pool subject to spending and investment policies of the Foundation as agreed to in the memorandum. Funds invested by WFHT in the Foundation’s investment pool totaled \$1,035,446 and \$1,280,023 at June 30, 2022 and 2021, respectively, and are included in due to WFHT.

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

As a direct support organization, the Foundation received support from the University in performance of its mission. Salaries and benefits of University employees providing such support total approximately \$768,000 and \$723,000 in 2022 and 2021, respectively, and are included in general and administrative expenses. The University also provides centralized payroll processing and IT support that the Foundation estimates as immaterial to these financial statements.

At June 30, 2021, the Foundation’s housing system recognized insurance recoveries from the State of Florida in the amount of \$563,148 and \$1,641,517, respectively. These funds were transferred from the University to replace roofs damaged during Hurricane Sally. In 2021, the Foundation’s housing system also recorded a related loss on disposal of \$490,101 for these damaged roofs. This resulted in \$1,151,416 of insurance recoveries, net of loss on disposal.

Due to the Coronavirus Disease 2019 (“COVID-19”) pandemic, as discussed in Note 12, the Foundation’s housing system received financial support of \$1,876,379 in 2021. In 2021, the Foundation’s housing system received support from the University for estimated lost revenues. The funding source of these lost revenues was federal stimulus monies received by the University under the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”). This support was recognized as an increase in nonoperating revenue. No such support was received in 2022.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 - BONDS PAYABLE

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

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - BONDS PAYABLE (Continued)

The table below presents information about revenue bonds at June 30, 2021, including a schedule of changes for the year then ended:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Publicly issued revenue bonds:					
\$28,000,000 Dormitory Refunding Revenue Bonds, Series 2016A, due in annual installments of \$720,000 to \$1,780,000, from June 1, 2017 through June 1, 2040 with interest ranging from 3.375% to 5.00% due semiannually, June 1 and December 1	\$ 23,450,000	\$ -	\$ (1,265,000)	\$ 22,185,000	\$ 1,325,000
Unamortized premiums	843,444	-	(42,173)	801,271	-
Publicly issued revenue bonds payable, net of unamortized premiums	24,293,444	-	(1,307,173)	22,986,271	1,325,000
Direct placement revenue bonds:					
\$8,635,000 Dormitory Refunding Revenue Bonds, Series 2016B, due in annual installments of \$618,500 to \$830,500, from June 1, 2017 through June 1, 2028 with an interest rate of 2.75% due semiannually, June 1 and December 1	6,060,500	-	(688,000)	5,372,500	705,000
\$13,683,344 Dormitory Refunding Revenue Bonds, Series 2016C, due in annual installments of \$731,544 to \$1,120,171, from June 1, 2017 through June 1, 2031 with an interest rate of 3.10% due semiannually, June 1 and December 1	10,623,736	-	(827,073)	9,796,663	848,587
Direct placement revenue bonds payable	16,684,236	-	(1,515,073)	15,169,163	1,553,587
Total bonds payable, net of unamortized premiums	\$ 40,977,680	\$ -	\$ (2,822,246)	\$ 38,155,434	\$ 2,878,587

Interest of \$106,436 and \$115,764 was accrued on the bonds as of June 30, 2022 and 2021, respectively.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - BONDS PAYABLE (Continued)

Maturities of the publicly issued revenue bonds are as follows:

<u>For the year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,390,000	\$ 871,481	2,261,481
2024	1,450,000	801,981	2,251,981
2025	1,525,000	729,481	2,254,481
2026	1,595,000	653,231	2,248,231
2027	1,670,000	573,481	2,243,481
2028-2032	5,755,000	2,066,019	7,821,019
2033-2037	4,390,000	1,183,019	5,573,019
2038-2041	3,085,000	258,019	3,343,019
	<u>\$ 20,860,000</u>	<u>\$ 7,136,712</u>	<u>\$ 27,996,712</u>

Maturities of the direct placement revenue bonds are as follows:

<u>For the year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,606,456	\$ 405,747	2,012,203
2024	1,649,469	358,491	2,007,960
2025	1,697,152	309,968	2,007,120
2026	1,752,408	260,036	2,012,444
2027	1,800,289	208,471	2,008,760
2028-2031	5,109,802	359,622	5,469,424
	<u>\$ 13,615,576</u>	<u>\$ 1,902,335</u>	<u>\$ 15,517,911</u>

These bonds are all secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120% of annual debt service. The debt service ratio for the year ended June 30, 2022 and 2021, respectively, was 123% and 164%, respectively.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 - BONDS PAYABLE (Continued)

In addition, the Foundation must reserve 10% of prior year audited revenues in the Housing operating reserves account (separately stated in Note 2). The Foundation must also make an annual deposit of \$200 per available bed into the Housing replacement reserves account. Any remaining reserves are considered Housing contingency and improvement reserves, which totaled \$6,037,866 and \$3,305,675 at June 30, 2022 and 2021, respectively. The Trust indenture clarifies how and in what order each reserve account can be utilized.

The Foundation was not aware of any violations of the covenants at June 30, 2022 or 2021.

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

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

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

NOTE 8 - NET POSITION

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

	2022	2021
Scholarships, student awards and loan funds	\$ 11,350,643	\$ 20,639,398
Faculty support, professorships and chairs	5,380,529	8,642,988
Foundation reserve fund	4,527,320	4,062,314
Programs and other	29,660,753	35,243,437
Total expendable net position	\$ 50,919,245	\$ 68,588,137

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 - NET POSITION (Continued)

Nonexpendable net position consists of endowment fund assets to be held in perpetuity, with only the income to be expended. The following is a summary of nonexpendable net position at June 30, 2022 and 2021, categorized by the purpose for which the income is expendable:

	2022	2021
Scholarships, student awards and loan funds	\$ 38,381,283	\$ 34,281,843
Faculty support, professorships and chairs	11,763,613	11,763,613
Programs and other	21,113,585	20,355,664
 Total nonexpendable net position	 \$ 71,258,481	 \$ 66,401,120

NOTE 9 - ENDOWMENTS

The Foundation’s endowments consisted of 339 and 316 individual funds at June 30, 2022 and 2021, respectively, and were established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As discussed in Note 6, the Foundation acts as a steward of PMA’s cultural endowment program. As of June 30, 2022 and 2021, the endowment of \$744,346 and \$670,236, respectively, which excludes cash and cash equivalents of \$39,488 and \$179,706, respectively, does not follow the Foundation’s spending policy. All income from the endowment will provide support to PMA’s mission.

Interpretation of Relevant Law -

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - ENDOWMENTS (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Florida UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as a loan from unrestricted net assets. For the period ending June 30, 2022 and 2021, the amount of the loan was \$709,248 and \$1,804, respectively. The loan considers donor-restricted endowments where the fair value of the investments was less than donor stipulations plus amounts available for spending. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board.

Return Objectives and Risk Parameters -

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

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

Strategies Employed for Achieving Objectives -

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - ENDOWMENTS (Continued)

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

The Foundation's spending rate is calculated on a three-year average of the market value of the endowments as of June 30. Spending is awarded for endowments greater than \$25,000 after a one year waiting period. The approved spending rate was 4.00% for fiscal years ended June 30, 2022 and 2021.

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

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

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

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - ENDOWMENTS (Continued)

Changes in balances for donor and board restricted endowments by net position class as of June 30, 2021 are as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment Balance, July 1, 2020	\$ 1,393,449	\$ 9,728,362	\$ 63,513,251	\$ 74,635,062
Restricted contributions	-	38,141	2,859,382	2,897,523
Investment income	78,907	4,326,209	-	4,405,116
Net appreciation	437,690	23,002,849	-	23,440,539
Other changes	(30,599)	(1,774,460)	28,487	(1,776,572)
Amounts appropriated for expenditures	-	(3,088,323)	-	(3,088,323)
Endowment Balance, June 30, 2021	<u>\$ 1,879,447</u>	<u>\$ 32,232,778</u>	<u>\$ 66,401,120</u>	<u>\$ 100,513,345</u>

The earnings from investments, and expenditures from those earnings, related to nonexpendable balances for the years ended June 30, 2022 and 2021 are classified as expendable balances.

As of June 30, 2022 and 2021, \$1,164,922 and \$2,488,110, respectively, of net assets have been designated as quasi-endowment funds to support the missions of the University. The quasi-endowments resulting from internal designations are classified as unrestricted net position. The quasi-endowments resulting from donor designations are classified as expendable net position.

NOTE 10 - RETIREMENT PLAN

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

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

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 - RETIREMENT PLAN (Continued)

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. The University, as an employer participating in the Plan, paid an amount between 11.91% to 31.57% and 10.82% to 29.01% for 2022 and 2021, 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 2022 and 2021, employees paid an amount of 3.00% into the Plan. Retirement expense for employees participating in this plan was \$134,747 and \$102,042 for the years ended June 30, 2022 and 2021, respectively.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefits payments while continuing employment with an FRS employer. An employer may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Employees participating in this plan did not incur any expenses for the year ended June 30, 2022. Retirement expense for employees participating in this plan was \$837 for the year ended June 30, 2021.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. Employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. Retirement expenses for employees participating in this plan were \$58,513 and \$43,346 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 totaled \$94,600 and \$96,234, respectively.

The University has established a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), that is a governmental plan as defined under Code Section 414(d), to provide retirement benefits to eligible employees. Retirement expenses paid by the Foundation in 2022 and 2021 for the University President participating in the plan totaled \$77,923 and \$77,935, respectively.

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 - STUDENT HOUSING SYSTEM

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

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

The terms of the sublease require the Foundation to pay the University rents of \$10 per year plus variable rent equal to 100% of the Surplus Earnings from the Student Housing System. Surplus Earnings represent cash flows after payment of the operating costs, debt service and reserves. No variable rent was due for either 2022 or 2021. The sublease agreement was signed in 1998 and ends August 31, 2038. The sublease was amended September 30, 2018, in order to transfer six South Side units back to the University for non-housing use. See Note 5 for further explanation regarding the South Side units.

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

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

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

For the fiscal year ended:

2023	\$ 388,237
2024	\$ 406,847
2025	\$ 436,142
2026	\$ 456,993

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 - IMPACT OF COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. During this time, the University closed its campus and dormitories. This closure resulted in a decision to refund a pro-rated amount of housing fees to students no longer living on campus. In 2021, the University made the decision to continue classes online and gave students with signed housing contracts an option to opt-out due to COVID-19 concerns. These decisions resulted in financial support, discussed in Note 6.

From the time of the closure through June 30, 2021, initiatives were developed to assist the students and local communities in need. The Foundation raised approximately \$60,000 to help support students and expended approximately \$30,000 of those funds during fiscal year 2020. During fiscal year 2021, the remaining funds raised for student support were expended entirely.

The Foundation no longer anticipates adverse effects of this pandemic to be within the student housing system. The Foundation's housing system is expected to exceed occupancy goals and replenish reserves in the upcoming fiscal year.

The Foundation has also evaluated the impact of COVID-19 on its investments and no longer believes the pandemic will directly and negatively impact the fair value of the Foundation's investments.

The Foundation, along with the University, is continually monitoring the potential impacts of the COVID-19 pandemic and its effects on the financial statements. The extent to which the COVID-19 pandemic impacts the Foundation going forward will depend on numerous evolving factors, which the Foundation cannot reliably predict.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF STUDENT HOUSING SYSTEM REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Rent	\$ 9,847,476	\$ 7,943,805
Interest	54,329	106,237
Net unrealized and realized loss on investments	(110,300)	(53,750)
Other	295,140	184,787
Total revenues	<u>10,086,645</u>	<u>8,181,079</u>
Operating Expenses:		
Salaries and wages	1,708,935	1,723,627
Administrative and general	374,247	263,513
Maintenance and repairs	1,906,016	1,667,459
Insurance	173,728	197,666
Utilities	1,559,472	779,380
Interest	1,337,671	1,445,825
Depreciation and amortization	<u>3,073,936</u>	<u>2,955,999</u>
Total operating expenses	<u>10,134,005</u>	<u>9,033,469</u>
Operating Loss	<u>(47,360)</u>	<u>(852,390)</u>
Nonoperating Revenues:		
University support	-	1,876,379
Insurance proceeds net of loss on disposal	563,148	1,151,416
Other nonoperating losses	<u>(15,941)</u>	<u>-</u>
Total nonoperating revenues, net	<u>547,207</u>	<u>3,027,795</u>
Excess of Revenues Over Expenses	<u>\$ 499,847</u>	<u>\$ 2,175,405</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULES OF NET POSITION
(EXCLUDING THE STUDENT HOUSING SYSTEM)
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 3,765,471	\$ 3,942,058
Contributions receivable, net	964,882	823,396
Other receivables, net	83,182	84,035
Due from University	20,500	92,781
Prepaid expenses	75,867	106,201
Investments	10,826,337	6,362,752
Total current assets	15,736,239	11,411,223
Noncurrent Assets:		
Restricted cash reserves	25,522	25,518
Contributions receivable, net	2,560,695	3,143,886
Investments	103,178,053	110,865,509
Capital assets, net	9,010,725	9,458,953
Assets held under split interest agreements	3,336,664	3,955,132
Other assets	380,045	365,537
Total noncurrent assets	118,491,704	127,814,535
Total Assets	\$ 134,227,943	\$ 139,225,758

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities:		
Accounts payable and accrued expenses	\$ 608,981	\$ 640,015
Noncurrent Liabilities:		
Liabilities under split-interest agreements	1,820,783	1,934,571
Due to West Florida Historic Trust	1,035,446	1,280,023
Total noncurrent liabilities	2,856,229	3,214,594
Deferred Inflows of Resources:		
Split-interest agreements	1,400,111	1,904,789
Net Position:		
Net investment in capital assets	9,010,725	9,458,953
Unrestricted	(1,825,829)	(10,981,850)
Restricted -		
Expendable	50,919,245	68,588,137
Nonexpendable	71,258,481	66,401,120
Total net position	129,362,622	133,466,360
Total Liabilities, Deferred Inflows and Net Position	\$ 134,227,943	\$ 139,225,758

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	Scholarships	Other Program Services	Student Housing System	Fundraising	General & Administrative	2022 Total	2021 Total
Bad debt expense (recovery)	\$ -	\$ 16,114	\$ 14,251	\$ -	\$ -	\$ 30,365	\$ (16,493)
Bond expense	-	-	11,825	-	-	11,825	11,825
Depreciation and amortization	-	168,228	3,073,936	-	-	3,242,164	3,124,229
Equipment	-	72,724	1,853	-	-	74,577	26,780
Housing administrative and general	-	-	57,355	-	-	57,355	51,988
Insurance	-	30,952	173,728	-	20,407	225,087	248,822
Interest	-	-	1,337,671	-	-	1,337,671	1,445,825
Investment and consultant fees	-	6,097	-	-	296,396	302,493	254,536
Lobbying	-	30,000	-	-	90,000	120,000	120,000
Maintenance and repairs	-	-	1,906,016	-	-	1,906,016	1,667,459
Miscellaneous	-	266,223	-	20,146	61,382	347,751	454,826
Office	-	238,105	49,525	154,441	38,826	480,897	425,493
Professional development	-	102,184	8,708	31,193	7,150	149,235	154,608
Professional services	-	434,766	22,667	23,556	89,925	570,914	647,304
Public radio program	-	155,035	-	-	-	155,035	258,774
Public relations	-	85,710	-	28,775	23,116	137,601	117,236
Recruitment	-	18,155	-	93	567	18,815	1,776
Rental	-	48,473	-	3,915	5,725	58,113	25,878
Salaries and wages	-	2,681,839	1,708,935	399,108	1,596,699	6,386,581	5,695,936
Scholarships	1,829,737	-	-	-	-	1,829,737	1,649,038
Service charges and other fees	-	65,180	147,239	2,510	(122,303)	92,626	105,344
Travel and entertainment	-	291,106	59,889	29,886	22,608	403,489	61,765
University support	-	741,588	-	-	-	741,588	764,434
Utilities	-	-	1,559,472	-	-	1,559,472	779,380
	<u>\$ 1,829,737</u>	<u>\$ 5,452,479</u>	<u>\$ 10,133,070</u>	<u>\$ 693,623</u>	<u>\$ 2,130,498</u>	<u>\$ 20,239,407</u>	<u>\$ 18,076,763</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, 2022**

Name of Gift	Beginning Corpus Balance	Beginning Net Balance	Corpus Contributed During the Year	Net Investment Earnings	Expenditures	Other Expenditures and Transfers	Fund Balance Net of Losses , Expense & Transfers	Ending Corpus Balance	Ending Total Balance
William Craig Nystul Chair	\$ 1,210,852	\$ 1,947,226	\$ -	\$ (261,147)	\$ 5,981	\$ 94,285	\$ 1,585,813	\$ 1,210,852	\$ 1,585,813
John C. Pace, Sr., Business Chair	1,000,000	1,602,393	-	(214,901)	4,922	77,588	1,304,982	1,000,000	1,304,982
John C. Pace, Sr., Memorial Eminent Scholar	2,644,500	4,332,509	-	(581,044)	13,307	209,780	3,528,378	2,644,500	3,528,378
John C. Pace, Jr., Distinguished University Professorship	3,966,750	6,498,768	-	(871,566)	19,961	314,671	5,292,570	3,966,750	5,292,570
Mary Ball Washington Chair	<u>1,320,155</u>	<u>1,992,988</u>	<u>-</u>	<u>(267,285)</u>	<u>6,122</u>	<u>96,501</u>	<u>1,623,080</u>	<u>1,320,155</u>	<u>1,623,080</u>
Total - Eminent Scholars Program	<u>\$ 10,142,257</u>	<u>\$ 16,373,884</u>	<u>\$ -</u>	<u>\$ (2,195,943)</u>	<u>\$ 50,293</u>	<u>\$ 792,825</u>	<u>\$ 13,334,823</u>	<u>\$ 10,142,257</u>	<u>\$ 13,334,823</u>

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENSES AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2022

Name of Gift	Beginning	Beginning	Corpus	Investment	Investments	Spending	Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed		& Other		Net of				
	Balance	Balance	During the	Earnings	Expenses	Transfers	Earnings, Expenses	Spending	Transfers	Balance	Balance
			Year				& Transfers				
02040 - Leola S & Lawrence A Alexander, Jr. Memorial Scholarship Endowment	\$ 282,852	\$ 390,666	\$ -	\$ (52,393)	\$ 6,698	13,418	\$ 318,157	\$ -	\$ -	\$ 282,852	\$ 318,157
04150 - Alfred I. duPont Foundation, Inc. Scholarship Endowment	535,000	709,206	50,000	(103,802)	12,905	22,451	620,048	-	-	585,000	620,048
02006 - Bank of America Scholarship Endowment II	150,000	213,890	-	(28,685)	3,667	7,346	174,192	-	-	150,000	174,192
02018 - Baptist Health Care Endowment	170,539	285,037	-	(38,227)	4,887	9,790	232,133	-	-	170,539	232,133
02005 - Banker's Endowment	166,692	291,039	-	(39,032)	4,990	9,996	237,021	-	-	166,692	237,021
02043 - Blue Cross & Blue Shield of Florida Endowed Nursing Scholars	155,673	207,580	-	(27,839)	3,559	7,129	169,053	-	-	155,673	169,053
02041 - C. L. Fountain Family Scholarship Endowment	100,000	137,289	9,805	(19,981)	2,653	4,715	119,745	-	-	109,805	119,745
02030 - Cacilda Prado Pace Library Endowment	150,346	199,139	-	(26,707)	3,414	6,840	162,178	-	-	150,346	162,178
02001 - Chadbourne Foundation Major Gift Scholarship Endowment	216,434	331,971	-	(44,521)	5,692	11,027	270,731	-	-	216,434	270,731
02034 - Chadbourne Foundation Business Ethics Scholarship Endowment	300,000	405,214	-	(54,344)	6,948	13,917	330,005	-	-	300,000	330,005
02037 - Switzer Family Partnership Endowment	198,774	269,738	-	(36,175)	4,625	9,264	219,674	-	-	198,774	219,674
02028 - CHARLOTTE Endowment	150,000	235,535	-	(31,588)	4,038	8,090	191,819	-	-	150,000	191,819
02025 - Dorothy C. Martin Endowment	150,005	235,994	-	(31,650)	4,046	8,105	192,193	-	-	150,005	192,193
02022 - E. W. Hopkins Professorship Endowment	175,343	297,015	-	(39,834)	5,093	10,201	241,887	-	-	175,343	241,887
02004 - Elizabeth R. Woolf Endowment	275,412	436,327	-	(58,517)	7,481	14,986	355,343	-	-	275,412	355,343
02045 - Gulf Power Engineering Scholarship Endowment	152,700	203,458	-	(27,286)	3,488	6,988	165,696	-	-	152,700	165,696
02010 - Pat & Hal Marcus Historical Archaeology Scholarship Endowment	150,000	225,357	-	(30,223)	3,864	7,740	183,530	-	-	150,000	183,530
04101 - Jane G. and Fred K. Seligman Endowed Scholarship	207,251	276,369	-	(37,065)	4,739	9,492	225,073	-	-	207,251	225,073
02027 - John C. Pace, Jr. Academic Development Endowment	8,592,090	13,899,080	-	(1,864,041)	238,313	477,372	11,319,354	-	-	8,592,090	11,319,354
02008 - John C. Pace, Jr. Memorial Endowment	7,740,835	12,613,358	120	(1,691,627)	216,274	433,214	10,272,363	-	-	7,740,955	10,272,363
02036 - John L. Switzer Scholarship Endowment	195,688	265,203	-	(35,567)	4,547	9,109	215,980	-	-	195,688	215,980
02033 - Katharine C. Pace Memorial Endowment	1,700,000	2,197,542	-	(294,718)	37,679	75,476	1,789,669	-	-	1,700,000	1,789,669
02032 - Kerrigan Daughters' Young Women's Scholarship Endowment	340,204	453,012	23,441	(62,912)	8,048	15,559	389,934	-	-	363,645	389,934
04069 - Abe Levin Professorship Endowment	252,032	391,690	560	(52,604)	6,744	13,450	319,452	-	-	252,591	319,452
04070 - Lefferts L. and Margaret M. Mabie Endowment	325,239	495,360	-	(66,434)	8,493	17,013	403,420	-	-	325,239	403,420
02012 - Mattie May Kelly Musical Educational Endowment	163,443	275,779	-	(36,985)	4,728	9,472	224,594	-	-	163,443	224,594
02039 - Maygarden Family Scholarship Endowment	164,820	225,722	15,774	(32,486)	4,120	7,731	197,159	-	-	180,593	197,159
02019 - Medical Center Clinic Endowment	164,306	265,666	-	(35,629)	4,555	9,124	216,358	-	-	164,306	216,358

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, 2022
(Continued)

Name of Gift	Beginning	Beginning	Corpus	Investment	Investments	Spending	Fund Balance	Reclass	Loan from	Ending	Ending
	Corpus	Net	Contributed				Net of				
	Balance	Balance	During the	Earnings	& Other	Transfers	Earnings, Expenses	Spending	Unrestricted	Balance	Balance
			Year		Expenses		& Transfers		Transfers		
04104 - National Defense Inst. Assoc, Gulf Coast Chptr Schp Endowment	150,000	198,090	-	(26,566)	3,396	6,804	161,324			150,000	161,324
02013 - Orville Beckford Endowment for Excellence in Business	150,050	228,916	-	(30,700)	3,925	7,862	186,429	-	-	150,050	186,429
02002 - Pickens Foundation For Education Endowment	162,555	260,261	-	(34,904)	4,462	8,939	211,956	-	-	162,555	211,956
02014 - Pre Professional Endowment	165,338	298,125	-	(39,982)	5,112	10,239	242,792	-	-	165,338	242,792
02015 - Raymond C. Dyson Endowment I	177,422	291,820	-	(39,137)	5,004	10,023	237,656	-	-	177,422	237,656
02016 - Raymond C. Dyson Endowment II	162,282	262,281	-	(35,175)	4,497	9,008	213,601	-	-	162,282	213,601
02035 - Rotary Club of Pensacola Scholarship Endowment	105,000	141,486	-	(18,975)	2,426	4,859	115,226	-	-	105,000	115,226
02020 - Sacred Heart Allied Health Endowment	163,967	280,010	20	(37,555)	4,802	9,617	228,056	-	-	163,987	228,056
02011 - Seymour Gitenstein Endowment	200,000	210,960	-	(28,292)	3,617	7,396	171,655	-	-	200,000	171,655
02038 - Switzer Brothers' Professorship Endowment	581,859	786,040	-	(105,418)	13,477	26,997	640,148	-	-	581,859	640,148
02052 - T. T. Wentworth, Jr. Historical Foundation Museum Curator Endowment	151,240	189,233	-	(25,378)	3,245	6,477	154,133	-	-	151,240	154,133
02047 - Smart Chemistry Seminar Series Endowment	161,579	208,480	-	(27,960)	3,575	7,160	169,785	-	-	161,579	169,785
02007 - Women's Athletic Trust Scholarship Endowment	169,590	269,080	105	(36,104)	4,591	9,224	219,266	-	-	169,579	219,266
Total	\$ 25,826,560	\$ 40,058,018	\$ 99,825	\$ (5,387,018)	\$ 688,417	\$ 1,373,620	\$ 32,708,788	\$ -	\$ -	\$ 25,926,267	\$ 32,708,788

COMPLIANCE SECTION

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

State Grantor		
Pass-through Grantor	CSFA	State
State Program Title	Number	Expenditures
<hr/>		
Florida Department of Education and Commissioner of Education:		
Major Gifts Program	48.074	\$ 1,373,620
Florida Department of Highway Safety and Motor Vehicles:		
University of West Florida License Plate Project	76.036	<u>\$ 67,132</u>
Total State Financial Assistance		<u><u>\$ 1,440,752</u></u>

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

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

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

Report on Compliance for Each Major State Project

We have audited the compliance of University of West Florida Foundation, Inc. (the "Foundation") with the types of compliance requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state project for the year ended June 30, 2022. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major State Project

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2022.

Report on Internal Control Over Compliance

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

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

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

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



Pensacola, Florida
October 25, 2022

**UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

A. SUMMARY OF AUDIT RESULTS

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

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

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

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

None

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022
(Continued)

D. OTHER ISSUES

No Summary Schedule of Prior Year Findings is required since the Foundation did not meet the threshold for a Florida Single Audit in 2021.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of University of West Florida Foundation, Inc. (the “Foundation”), as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated October 25, 2022.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, and Independent Auditor’s Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Saltmarsh Cleaveland & Lund

Pensacola, Florida
October 25, 2022

To Management and 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”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 8, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Foundation’s financial statements were:

Management’s estimate of the fair value and collectability of promises to give is based on signed pledge cards, historical collection rates and an analysis of the collectability of individual promises. Management’s periodic evaluation of this estimate and the underlying assumptions used are based on the Foundation’s experience, various known and inherent risks, and current economic conditions.

Management's estimate of the fair value of investments is based on various methods, which include unadjusted quoted market prices, observable inputs based on both active and inactive markets, and unobservable inputs that are supported by little market activity. Management's periodic evaluation of this estimate is based on the Foundation's experience, various known and inherent risks, and current economic conditions.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of long-term investments, related net return on investments, and fair value measurements in Note 2 to the financial statements.
- The disclosure of endowment fund investment and spending policies under Florida UPMIFA in Note 9 to the financial statements.
- The disclosure regarding the continuing impact of COVID-19 in Note 12 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Appendix A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Foundation’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the following supplementary information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

- a. Schedules of Student Housing System Revenues and Expenses
- b. Schedules of Net Position (Excluding the Student Housing System)
- c. Schedules of Functional Expenses
- d. Chairs Under Eminent Scholars Program - Schedule of Receipts, Expenses and Endowment Balances
- e. Major Gifts Program - Schedule of Receipts, Expenses and Endowment Balances

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Saltmarsh Cleaveland & Bend".

Pensacola, Florida
October 25, 2022

APPENDIX A

**University of West Florida Foundation, Inc.
 Schedule of Uncorrected Misstatements
 As of and for the Year Ended June 30, 2022**

Proposed JE # 301		PY 32	
To record the CY effect of the PY passed audit adjustment #301 (ALT FMV)			
29-42400	UNREALIZED GAIN/LOSS	1,352,328.00	
28-34000	NET ASSETS - TEMP RESTRICTED OTHER		1,352,328.00
Total		<u>1,352,328.00</u>	<u>1,352,328.00</u>

Proposed JE # 302		B-16	
To true-up ALT investments FMV to 6/30 statements.			
10-14730	PA DIRECT CREDIT OPPORTUNITIES FUND II	6,606.00	
10-14731	PA DIRECT CREDIT OPPORTUNITIES FUND III	72,191.00	
10-14735	PA SECONDARY FUND III (OFFSHORE), L.P.	33,122.00	
10-14740	PORTFOLIO ADV X PRIV EQUITY	406,535.00	
10-14745	PA SECONDARY FUND IV (OFFSHORE), L.P.	284,688.00	
10-14700	STEPSTONE PIONEER CAPITAL III, LP		39,993.00
10-14720	PORTFOLIO ADV V PRIV EQUITY		20,758.00
10-14725	PORTFOLIO ADV VII PRIV EQUITY		23,597.00
10-14750	GOLUB CAPITAL PARTNERS		3,702.00
29-42400	UNREALIZED GAIN/LOSS		755,085.00
Total		<u>803,142.00</u>	<u>803,142.00</u>

Proposed JE # 303		PY 32	
To record the CY effect of the PY passed adjustment #301 (SPIA FMV)			
28-42400	UNREALIZED GAIN/LOSS	64,399.00	
97-42400	UNREALIZED GAIN/LOSS	159,029.00	
28-34000	NET ASSETS - TEMP RESTRICTED OTHER		64,399.00
97-33000	NET ASSETS - UNRESTRICTED HSG		159,029.00
Total		<u>223,428.00</u>	<u>223,428.00</u>

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 16, 2023

Issue: NCAA Agreed-Upon Procedures Engagement of Intercollegiate Athletics

Proposed action: Acceptance

Background information:

Once every three years the National Collegiate Athletic Association (NCAA) Bylaws require institutions to have an independent accountant perform certain Agreed-Upon Procedures (AUP) related to the Statement of Revenues and Expenses. It states:

“As mandated under the provisions of NCAA Constitution 6.2.3 (Financial Report), at least once every three years, NCAA Division II member institutions are required to perform an expenses and revenues review related to its intercollegiate athletics programs which is subject to the agreed-upon procedures. The expenses and revenues review shall be performed by a qualified independent accountant and must be presented to the president or chancellor.”

Results:

The independent accountant’s AUP were performed for the Statement of Revenues and Expenses of the UWF Intercollegiate Athletics Program in compliance with the NCAA Bylaw 6.2.3.1 for the year ended June 30, 2022. No exceptions were noted in the Independent Accountant’s AUP report.

Recommendation: Acceptance

Implementation Plan: None

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

Supporting document:

Independent Accountants’ Report on the Application of Agreed-Upon Procedures for the Year Ended June 30, 2022

Prepared by: Elizabeth Mrachek, Internal Auditor, emrachek@uwf.edu, 474-2636

Presenter: Cindy Talbert, Chief Audit Executive, 850-474-2638, ctalbert@uwf.edu

**UNIVERSITY OF WEST FLORIDA ATHLETICS
INTERCOLLEGIATE ATHLETICS PROGRAM**

**INDEPENDENT ACCOUNTANTS' REPORT ON THE
APPLICATION OF AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2022

**UNIVERSITY OF WEST FLORIDA ATHLETICS
INTERCOLLEGIATE ATHLETICS PROGRAM
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JUNE 30, 2022**

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**INDEPENDENT ACCOUNTANTS' REPORT ON THE
APPLICATION OF AGREED-UPON PROCEDURES**

The Board of Trustees,
University of West Florida Athletics:

We have performed the procedures enumerated below on the accompanying Statement of Revenues and Expenses (the Statement, see Exhibit I) of the University of West Florida (the University) Intercollegiate Athletics Program (the Program) in compliance with the National Collegiate Athletic Association's (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2022. The University's management is responsible for the accompanying Statement and the Statement's compliance with those requirements for the year ended June 30, 2022.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the accompanying Statement is in compliance with the NCAA's Bylaw 6.2.3.1 for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Exceptions totaling the lesser of \$100,000 or 10% of the line item total to which an agreed-upon procedure has been applied to, other than exceptions related to internal control procedures of the Program, for which there are no thresholds, have been reported. The procedures and the associated findings are as follows:

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

Procedure	Finding
All Revenue Categories	
<ul style="list-style-type: none">• Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the Program. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.	No exceptions noted.
<ul style="list-style-type: none">• Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.	No exceptions noted.
<ul style="list-style-type: none">• Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.	No exceptions noted and no variations requiring explanation.

Ticket Sales

- | | |
|---|--|
| 1. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Program in the statement and the related attendance figures and recalculate totals. | As ticket sales represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
|---|--|

Student Fees

- | | |
|---|---|
| 2. Compare and agree student fees reported by the Program in the statement for the reporting to student enrollments during the same reporting period and recalculate totals. | No exceptions noted. |
| 3. Obtain documentation of Institute's methodology for allocating student fees to intercollegiate athletics programs. | An understanding of the University's methodology was gained, and we noted the allocation was in accordance with the University's methodology. |
| 4. If the Program is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals. | No exceptions noted. |

Direct State or Other Governmental Support

- | | |
|---|---|
| 5. Compare direct state or other governmental support recorded by the Program during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals. | As there were no direct state or other governmental support for the year ended June 30, 2022, this procedure was not performed. |
|---|---|

Direct Institutional Support

- | | |
|---|----------------------|
| 6. Compare the direct institutional support recorded by the Program during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals. | No exceptions noted. |
|---|----------------------|

Transfers Back to Institution

- | | |
|--|---|
| 7. Compare the transfers back to the institution with permanent transfers back to the institution from the Program and recalculate totals. | As transfers back to institution represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
|--|---|

Indirect Institutional Support

- | | |
|--|--|
| 8. Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals. | As there was no indirect institutional support for the year ended June 30, 2022, this procedure was not performed. |
|--|--|

Guarantees

- | | |
|---|--|
| 9. Select a sample of settlement reports for away games during the reporting period and agree each selection to the Program's general ledger and/or the statement and recalculate totals. | As guarantees represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
| 10. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the Program's general ledger and/or the statement and recalculate totals. | As guarantees represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |

Contributions

- | | |
|---|----------------------|
| 11. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals. | No exceptions noted. |
|---|----------------------|

In-Kind

- | | |
|--|---|
| 12. Compare the in-kind recorded by the Program during the reporting period with a schedule of in-kind donations and recalculate totals. | As there were no in-kind revenues for the year ended June 30, 2022, this procedure was not performed. |
|--|---|

Compensation and Benefits Provided by a Third-Party

- | | |
|---|---|
| 13. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the Program and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the Program's general ledger and/or the Summary and recalculate totals. | As there was no compensation and benefits provided by a third-party for the year ended June 30, 2022, this procedure was not performed. |
|---|---|

Media Rights

- | | |
|--|--|
| 14. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the Program or through their conference offices as reported in the statement. | As media rights represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
| 15. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the Program's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately. | As media rights represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |

NCAA Distributions

- | | |
|--|--|
| 16. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals. | As NCAA distributions represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
|--|--|

Conference Distributions and Conference Distributions of Football Bowl Generated Revenue

- | | |
|---|--|
| 17. Obtain and inspect agreements related to the Program's conference distributions and participation in revenues from tournaments during the reporting period for relevant terms and conditions. | As conference distributions represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
| 18. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals. | As conference distributions represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |

Program Sales, Concessions, Novelty Sales and Parking

- | | |
|---|---|
| 19. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals. | As program sales, concessions, novelty sales and parking represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
|---|---|

Royalties, Licensing, Advertisements and Sponsorships

- | | |
|--|---|
| 20. Obtain and inspect agreements related to the Program's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period for relevant terms and conditions. | As royalties, licensing, advertisements and sponsorships represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
|--|---|

- | | |
|--|---|
| 21. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals. | As royalties, licensing, advertisements and sponsorships represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
|--|---|

Sports Camp Revenues

- | | |
|--|---|
| 22. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain documentation of the Program's methodology for recording revenues from sports- camps. | As sport camp revenues represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
| 23. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports- camp participants and agree each selection to the Program's general ledger, and/or the statement and recalculate totals. | As sport camp revenues represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |

Athletics Restricted Endowment and Investment Income

- | | |
|---|--|
| 24. Obtain and inspect endowment agreements (if any) for relevant terms and conditions. | As athletics restricted endowment and investment income represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |
| 25. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income deferred within the related endowment agreement and recalculate totals. | As athletics restricted endowment and investment income represent less than 4.0% of total revenues for the year ended June 30, 2022, this procedure was not performed. |

Other

- | | |
|--|----------------------|
| 26. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals. | No exceptions noted. |
|--|----------------------|

Football Bowl Revenues

- | | |
|--|---|
| 27. Obtain and inspect agreements related to the Program's revenues from post-season football bowl participation during the reporting period to gain an understanding of the relevant term and conditions. | As there were no football bowl revenues for the year ended June 30, 2022, this procedure was not performed. |
| 28. Compare and agree the related revenues to the Program's general ledger, and or the statement and recalculate totals. | As there were no football bowl revenues for the year ended June 30, 2022, this procedure was not performed. |

All Expense Categories

- Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4.0% of the total expenses, no procedures are required for that specific category. No exceptions noted.
- Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation. No exceptions noted.
- Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report. No exceptions noted and no variations requiring explanation.

Athletic Student Aid

29. Select a sample of students (10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail, with a maximum sample size of 40, and 20% of total student-athletes for institutions who have not, with a maximum sample size of 60) from the listing of institutional student aid recipients during the reporting period. A sample of 33 student aid recipients was selected.
30. Obtain individual student account detail for each selection and compare total aid in the institution's student system to the student's detail in CA or the institution report that ties directly to the NCAA Membership Financial Reporting System. No exceptions noted.
31. Recalculate totals for each sport and overall. No exceptions noted.

Guarantees

32. Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the Program's general ledger and/or the statement and recalculate totals. As guarantees represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed.
33. Obtain and inspect contractual agreements pertaining to expenses recorded by the Program from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during to the Program's general ledger and/or the statement and recalculate totals. As guarantees represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

- | | |
|---|---|
| 34. Obtain and inspect a listing of coaches employed by the Program and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing. | A listing of all coaches employed by the Program was obtained. A sample of five coaches for two pay periods each was selected, including the men's and women's basketball head coach and the men's football head coach. |
| 35. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Program and related entities in the statement during the reporting period. | No exceptions noted. |
| 36. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period. | No exceptions noted. |
| 37. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals. | No exceptions noted. |

Coaching Other Compensation and Benefits Paid by a Third-Party

- | | |
|--|---|
| 38. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing. | As there were no coaching other compensation and benefits paid by a third-party for the year ended June 30, 2022, this procedure was not performed. |
| 39. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the Program in the statement during the reporting period. | As there were no coaching other compensation and benefits paid by a third-party for the year ended June 30, 2022, this procedure was not performed. |
| 40. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party expenses recorded by the institution in the statement during the reporting period and recalculate totals. | As there were no coaching other compensation and benefits paid by a third-party for the year ended June 30, 2022, this procedure was not performed. |

Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities

- | | |
|--|--|
| 41. Select a sample of support staff/administrative personnel employed by the Program and related entities during the reporting period. | A sample of five support staff/administrative personnel for two pay periods each was selected. |
| 42. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period and recalculate totals. | No exceptions noted. |

Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party

- | | |
|--|---|
| 43. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period. | As there were no support staff/administrative other compensation and benefits paid by a third-party for the year ended June 30, 2022, this procedure was not performed. |
| 44. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the Program in the statement during the reporting period and recalculate totals. | As there were no support staff/administrative other compensation and benefits paid by a third-party for the year ended June 30, 2022, this procedure was not performed. |

Severance Payments

- | | |
|--|---|
| 45. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals. | As there were no severance payments for the year ended June 30, 2022, this procedure was not performed. |
|--|---|

Recruiting

- | | |
|---|---|
| 46. Obtain documentation of the Program's recruiting expense policies. | As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed. |
| 47. Compare and agree to existing institutional- and NCAA-related policies. | As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed. |

48. Obtain general ledger detail and compare to the total expenses reported and recalculate totals. As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed.

Team Travel

49. Obtain documentation of the Program's team travel policies. We obtained and documented an understanding of the Program's team travel policies.
50. Compare and agree to existing institutional- and NCAA-related policies. No exceptions noted and policies are consistent with institutional and NCAA-related policies.
51. Obtain general ledger detail and compare to the total expenses reported and recalculate totals. No exceptions noted.

Equipment, Uniforms and Supplies

52. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. As equipment, uniforms and supplies represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed.

Game Expenses

53. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. No exceptions noted.

Fund Raising, Marketing and Promotion

54. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. As fund raising, marketing, and promotion represents less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed.

Sports Camp Expenses

55. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. As sports camp expenses represents less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed.

Spirit Groups

56. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. As spirit groups represent less than 4.0% of the total expenses for the year ended June 30, 2022, this procedure was not performed.

Athletic Facility Debt Service, Leases and Rental Fees

- | | |
|---|--|
| 57. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements). | As athletic facility debt service, leases and rental fees represent less than 4.0% of the total expenses for the year ended June 30, 2022, this procedure was not performed. |
| 58. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals. | As athletic facility debt service, leases and rental fees represent less than 4.0% of the total expenses for the year ended June 30, 2022, this procedure was not performed. |

Direct Overhead and Administrative Expenses

- | | |
|---|----------------------|
| 59. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | No exceptions noted. |
|---|----------------------|

Indirect Institutional Support

- | | |
|--|--|
| 60. Tested with revenue section- Indirect Institutional Support. | As there was no indirect institutional support for the year ended June 30, 2022, this procedure was not performed. |
|--|--|

Medical Expenses and Medical Insurance

- | | |
|---|--|
| 61. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | As medical expenses and medical insurance represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed. |
|---|--|

Memberships and Dues

- | | |
|---|--|
| 62. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | As memberships and dues represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed. |
|---|--|

Other Operating Expenses and Transfers to Institution

- | | |
|---|----------------------|
| 63. Obtain general ledger detail and compare to the total expenses report. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | No exceptions noted. |
|---|----------------------|

Student-Athlete Meals (non-travel)

- | | |
|---|--|
| 64. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | As student-athlete meals (non-travel) represent less than 4.0% of total expenses for the year ended June 30, 2022, this procedure was not performed. |
|---|--|

Football Bowl Expenses

- | | |
|---|---|
| 65. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | As there were no football bowl expenses for the year ended June 30, 2022, this procedure was not performed. |
|---|---|

Minimum Agreed-Upon Procedures For Other Reporting Items

Excess Transfers to Institution and Conference Realignment Expenses

- | | |
|---|--|
| 66. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | As there were no excess transfers to institution or conference realignment expenses for the year ended June 30, 2022, this procedure was not performed |
|---|--|

Total Athletics Related Debt

- | | |
|---|---|
| 67. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained. | As there were no athletics related debt expenses for the year ended June 30, 2022, this procedure was not performed |
| 68. Agree the total annual maturities and total outstanding athletic related to supporting documentation and the institution's general ledger, if applicable. | As there were no athletics related debt expenses for the year ended June 30, 2022, this procedure was not performed |

Total Institutional Debt

- | | |
|---|----------------------|
| 69. Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements, if available, or the institution's general ledger. | No exceptions noted. |
|---|----------------------|

Value of Athletics Dedicated Endowments

70. Obtain a schedule of all athletics dedicated endowments maintained by the Program, the institution, and affiliated organizations. Agree the fair market value in the schedules(s) to supporting documentations, the general ledger(s) and audited financial statements, if available. No exceptions noted.

Value of Institutional Endowments

71. Agree the total fair market value of institutional endowments to supporting documentation, the institution's general ledger and/or audited financial statements, if available. No exceptions noted.

Total Athletics Related Capital Expenditures

72. Obtain a schedule of athletics related capital expenditures made by the Program, the institution, and affiliated organizations during the reporting period. No exceptions noted.
73. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and validate totals. No exceptions noted.

Agreed-Upon Procedures Related to Affiliated and Outside Organizations

Procedure

1. The Program shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Program has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Program shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

Results

The Department identified the University of West Florida Foundation, Inc. (the Foundation) as the only outside organization acting on behalf of the Department. The Foundation serves as official legal conduits for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Department. Included in the Department's Foundation accounts are the endowments of the Department.

We obtained the statement of changes in net assets of the Foundation accounts held for the Department for the year ended June 30, 2022, which represents revenues and expenditures on behalf of the Department.

Total revenues	\$	781,225
Total expenses	\$	(781,225)

Finding

No exceptions noted.

Procedure

2. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Program's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

Results

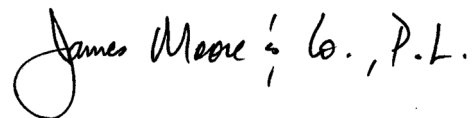
We obtained and read the audited financial statements of the Foundation for the year ended June 30, 2022, and the related reports on compliance and on internal control. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation. In addition, the independent auditors noted no matters involving internal control over financial reporting and its operation that were considered material weaknesses for the Foundation.

Finding

No exceptions noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses (Exhibit I) and the accompanying notes to the statement of revenues and expenses (Exhibit II). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management University of West Florida Intercollegiate Athletics Program, the University of West Florida Board of Trustees, the Florida Board of Governors for the State University System, and the National Collegiate Athletic Association, and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
January 13, 2023

**UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'
REPORT ON APPLYING AGREED-UPON PROCEDURES)**

Revenues	
1 Ticket sales	\$ 293,317
2 Direct state or other government support	-
3 Student fees	5,229,918
4 Direct institutional support	4,285,482
5 Less - transfers to institution	(14,750)
6 Indirect institutional support	-
6A Indirect institutional support - Athletic facilities debt service, lease and rental fees	-
7 Guarantees	101,500
8 Contributions	738,022
9 In-kind	-
10 Compensations and benefits provided by a third party	-
11 Media rights	7,200
12 NCAA distributions	96,070
13 Conference distributions (non media and non bowl)	12,600
13A Conference Distributions of Bowl Generated Revenue	-
14 Program sales, concessions, novelty sales and parking	18,748
15 Royalties, licensing, advertisements and sponsorships	161,390
16 Sports camp revenues	62,087
17 Athletics restricted endowment and investment income	54,204
18 Other operating revenue	114,806
19 Bowl revenues	-
Total operating revenues	<u>11,160,594</u>
Expenses	
20 Athletics student aid	3,165,619
21 Guarantees	13,060
22 Coaching salaries, benefits and bonuses paid by the University and related entities	2,464,774
23 Coaching salaries, benefits and bonuses paid by a third party	-
24 Support staff and administrative salaries, benefits and bonuses paid by the University and related entities	1,685,635
25 Support staff and administrative salaries, benefits and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	81,422
28 Team travel	909,209
29 Sports equipment, uniforms and supplies	456,500
30 Game expenses	654,180
31 Fund raising, marketing and promotion	101,253
32 Sport camp expenses	10,631
33 Spirit groups	6,288
34 Athletic facilities debt service, leases and rental fees	24,765
35 Direct overhead and administrative expenses	673,024
36 Indirect institutional support	-
37 Medical expenses and medical insurance	437,098
38 Memberships and dues	41,877
39 Student-athlete meals (non-travel)	157,796
40 Other operating expenses	587,384
41 Bowl expenses	-
41A Bowl expenses - Coaching Compensation/Bonuses	-
Total operating expenses	<u>11,470,515</u>
50 Excess transfers to institution	-
Deficiency of revenues under expenses	<u>\$ (309,921)</u>
51 Conference realignment expenses	<u>\$ -</u>
52 Total athletics related debt	<u>\$ -</u>
53 Total institutional debt	<u>\$ 35,234,675</u>
54 Value of athletics dedicated endowments	<u>\$ 1,668,248</u>
55 Value of institutional endowments	<u>\$ 86,874,886</u>
56 Total athletic capital expenditures	<u>\$ 233,390</u>

See notes to statement of revenues and expenses.

**UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’
REPORT ON APPLYING AGREED-UPON PROCEDURES)**

(1) **Basis of Accounting:**

The statement of revenues and expenses of the University of West Florida Intercollegiate Athletics Program (the Program) has been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital assets of the Department consist of building structures, furniture, equipment, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Costs to maintain or repair these assets are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets.

- Building Structures – 10 to 50 years
- Furniture and Equipment – 5 to 20 years
- Computer Software – 5 years

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

	Beginning Balance July 1, 2021	Additions	Decreases	Ending Balance June 30, 2022
Capital assets being depreciated:				
Building structures	\$ 494,901	\$ -	\$ -	\$ 494,901
Furniture and fixtures	62,861	-	(5,000)	57,861
Equipment	844,637	233,428	(90,081)	987,984
Total capital assets being depreciated	1,402,399	233,428	\$ (95,081)	\$ 1,540,746
Less: accumulated depreciation	715,199	119,636	(85,616)	749,219
Total capital assets, net	<u>\$ 687,200</u>	<u>\$ 113,792</u>	<u>\$ (9,465)</u>	<u>\$ 791,527</u>

**UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES – VARIATION
ANALYSIS OF THE TOTAL REVENUES AND EXPENSES TO PRIOR PERIOD
AMOUNTS AND BUDGET ESTIMATES FOR THE YEAR ENDED JUNE 30, 2022**

(3) **Contributions:**

The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Program. Contributions of \$738,022 were recognized from the Foundation for the year ended June 30, 2022, and have been included in the accompanying statement of revenues and expenses. Contributions received from the Foundation were the only contributions exceeding 10% of total contributions, as reported in the statement of revenues and expenses for the year ended June 30, 2022.

(4) **Debt:**

As of June 30, 2022, there was no outstanding debt related to the University of West Florida Intercollegiate Athletics Program.

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES
VARIATION ANALYSIS OF THE TOTAL REVENUE AND EXPENSES
TO THE PRIOR PERIOD AMOUNTS AND BUDGET ESTIMATES
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'
REPORT ON APPLYING AGREED-UPON PROCEDURES)

Expenses	<u>2022</u>	<u>2021</u>	<u>\$ Variance</u>	<u>% Variance</u>	<u>Variation Explanation</u>
			-	0%	None noted

Note 1

The budget estimates for the Department are not prepared in a format consistent with the revenue and expense categories specified by the NCAA. Thus, the variance analysis of total revenues and expenses to the budget estimates for the year ended June 30, 2022, could not be performed.

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 16, 2023

Issue: External Audit: WUWF-FM Financial Statement Audit
for Fiscal Year Ending June 30, 2022

Proposed action: Acceptance

Background information:

Annually, a financial audit is conducted of the WUWF-FM, a public telecommunications entity operated by UWF. This is to comply with the Corporation for Public Broadcasting community service grant requirements. The audit of WUWF-FM has been completed for the fiscal year ending June 30, 2022. To ensure compliance with these requirements, we performed a cursory review of these special purpose financial statements and determined that WUWF-FM was in compliance.

Results:

WUWF-FM received a clean unqualified opinion. No deficiencies were identified in the internal controls over financial reporting that were considered to be material weaknesses. Results of testing disclosed no instances of noncompliance or other matters that were required to be reported.

Financial Highlight:

- For the year ended June 30, 2022, operating revenues were \$2,144,456 and operating expenses \$2,329,404, which was consistent with the prior year.

Recommendation: Acceptance

Implementation Plan: None

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

Supporting documents:

WUWF-FM Financial Statements for fiscal year ended June 30, 2022

WUWF-FM Audit Communication Letter for the year ended June 30, 2022.

Prepared by: Elizabeth Mrachek, Internal Auditor III, emrachek@uwf.edu, 474-2636

Presenter: Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 474-2638

**WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE
UNIVERSITY OF WEST FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
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JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
University of West Florida:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of WUWF-FM (the “Station”), a public telecommunications entity operated by the University of West Florida, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Station’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WUWF-FM as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WUWF-FM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WUWF-FM’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WUWF-FM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WUWF-FM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as indicated in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedule of Functional Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

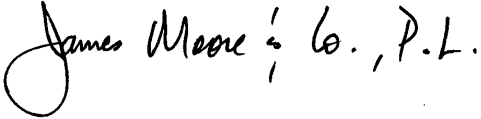
Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, and the changes in financial position and cash flows, of only the Station-related accounts of the University of West Florida that are attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the University of West Florida as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1(p) to the financial statements, the School has adopted the provisions of GASB Statement No. 87, *Leases*. This adoption lead to a restatement of net position as of June 30, 2021. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023 on our consideration of WUWF-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WUWF-FM's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
January 12, 2023

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021

INTRODUCTION AND REPORTING ENTITY

The following discussion and analysis is an overview of the financial position and activities of WUWF Radio Station for the years ended June 30, 2022 and 2021. Management of WUWF Radio Station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section. Our discussion and analysis are required by accounting principles generally accepted in the United States of America in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Governmental Accounting Standards Board has not developed accounting standards for presentation of auxiliary (or departmental) entities. The Station's accounting policies and practices do, however, conform to those permitted or allowed by the Corporation for Public Broadcasting (CPB), which generally follow published Governmental Accounting Standards. The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year.

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

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

With a professional staff of 13, 7-part-time professionals, 4 student employees, and nearly 25 volunteers, WUWF is known for outstanding locally produced news coverage and programming like Unearthing Florida, Acoustic Interlude, 14/59, Big Bands & Jazz, Musical Gumbo, and Radio Live.

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

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

FINANCIAL HIGHLIGHTS

The Station's operating revenues totaled \$2,144,456 an increase of \$30,442 from last year and operating expenses totaled \$2,329,404 which is up \$704 from last year. The increases in operating revenues were mainly attributable to an \$11,000 increase in CPB funds, and a \$12,000 increase in university appropriations. While business and industry support are up \$49,000 compared to the prior year, returning to pre-pandemic activity, individual membership income absorbs most of that gain by a loss of \$55,000 compared to the prior year. The modest increase in operating expenses occurred in management and general and broadcasting as salaries were allocated away from the programming and production category for decreased programming activities and radio programming fees. This decrease is mainly due to NPR moving towards an annual subscription versus a quarterly one, and the related discount for paying the annual amount ahead of time. The total operating expenses didn't change by much, however, amounts were reallocated for salary expenses based on updated information that impacted the major functions, with programming and production going down by \$147K, and management and general increasing by \$133,000.

The Station experienced a decrease of \$230,071 in non-operating revenue due to the prior year's one-time-only additional grants received and a large decline in investment returns through the UWF Foundation compared to the prior fiscal year. During the 2021-22 fiscal year, the Station received debt forgiveness of the Payroll Protection Program Loan of \$220,776. While in the 2020-21 fiscal year the station received the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and American Rescue Plan Act Stabilization grants donated by The Corporation for Public Broadcasting totaling \$235,536. The Station's fair value of investments at the UWF Foundation decreased to (\$76,013) in 2022, while it increased to \$140,611 in 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

WUWF-FM
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THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

CONDENSED STATEMENTS OF NET POSITION
TABLE 1

	June 30, 2022	June 30, 2021 Restated	June 30, 2020
Current assets	\$ 1,403,299	\$ 1,625,581	\$ 1,152,874
Noncurrent assets	<u>561,164</u>	<u>624,858</u>	<u>559,990</u>
Total assets	<u>1,964,463</u>	<u>2,250,439</u>	<u>1,712,864</u>
Current liabilities	122,701	356,711	105,474
Noncurrent liabilities	<u>304,097</u>	<u>322,213</u>	<u>170,567</u>
Total liabilities	<u>426,798</u>	<u>678,924</u>	<u>276,041</u>
Net position			
Invested in capital assets	436,354	482,309	559,990
Restricted	435,435	471,646	313,831
Unrestricted	<u>665,876</u>	<u>617,560</u>	<u>563,002</u>
Total net position	<u>\$ 1,537,665</u>	<u>\$ 1,571,515</u>	<u>\$ 1,436,823</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
TABLE 2

	June 30, 2022	June 30, 2021	June 30, 2020
Revenues			
Operating revenues	\$ 2,144,456	\$ 2,114,014	\$ 2,211,876
Non-operating revenues (expenses)	<u>151,097</u>	<u>381,168</u>	<u>(509)</u>
Total revenues	<u>2,295,553</u>	<u>2,495,182</u>	<u>2,211,367</u>
Expenses			
Total expenses	<u>2,329,404</u>	<u>2,328,700</u>	<u>2,226,270</u>
Increase (decrease) in net position	<u>\$ (33,851)</u>	<u>\$ 166,482</u>	<u>\$ (14,903)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

REQUEST FOR INFORMATION

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

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 907,558	\$ 1,048,952
Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station	459,413	556,449
Accounts and grants receivable	8,951	8,844
Prepaid program costs	27,376	11,336
Total current assets	1,403,298	1,625,581
Noncurrent assets		
Capital assets, net of accumulated depreciation	467,229	514,099
Right-of-use leased asset, net of accumulated amortization	93,936	110,760
Total noncurrent assets	561,165	624,859
Total assets	1,964,463	2,250,440
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	65,129	67,170
Unearned revenue	27,169	26,973
Current portion of compensated absences	11,428	11,391
Short-term lease liability	18,975	17,680
Refundable advance, Payroll Protection Program	-	233,497
Total current liabilities	122,701	356,711
Noncurrent liabilities		
Long-term portion of compensated absences	198,673	197,814
Long-term lease liability	105,424	124,399
Total noncurrent liabilities	304,097	322,213
Total liabilities	426,798	678,924
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	436,354	482,310
Unrestricted	665,876	617,560
Restricted:		
Expendable	285,435	321,646
Nonexpendable - Endowment	150,000	150,000
Total net position	\$ 1,537,665	\$ 1,571,516

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u> <i>(Restated)</i>
Operating revenues		
Community service grants donated by the Corporation for Public Broadcasting	\$ 161,895	\$ 150,276
Community service grants donated by the Florida Department of Education	100,000	99,219
Appropriations from the University of West Florida	691,829	679,817
Business and industry support	257,526	208,541
Membership income	533,242	587,940
Donated facilities and administrative support from the University of West Florida	357,163	368,203
In-kind contributions	12,762	5,716
Other sources	30,039	14,302
Total operating revenues	<u>2,144,456</u>	<u>2,114,014</u>
Operating expenses (Exhibit I)		
Programming and production	1,044,281	1,269,697
Broadcasting	431,122	284,424
Program information and promotion	69,223	63,218
Management and general	466,414	333,715
Fundraising and membership development	163,406	253,747
Underwriting and grant solicitation	154,958	123,899
Total operating expenses	<u>2,329,404</u>	<u>2,328,700</u>
Operating loss	<u>(184,948)</u>	<u>(214,686)</u>
Non-operating revenues (expenses)		
Interest income	6,334	5,021
Net increase (decrease) in fair value of investments	(76,013)	140,611
Payroll Protection Program Loan Forgiveness	220,776	-
CARES ACT Stabilization Funds	-	75,000
American Rescue Plan Funds	-	160,536
Total non-operating revenues (expenses)	<u>151,097</u>	<u>381,168</u>
Increase (decrease) in net position	<u>(33,851)</u>	<u>166,482</u>
Net position, beginning of year	1,571,516	1,436,823
Adjustment to Beginning Net Position	-	(31,789)
Net position, beginning of year, as restated	<u>1,571,516</u>	<u>1,405,034</u>
Net position, end of year	<u>\$ 1,537,665</u>	<u>\$ 1,571,516</u>

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 1,069,750	\$ 1,032,723
Cash paid to suppliers and vendors	(688,147)	(533,981)
Cash paid to employees for salaries and benefits	(519,953)	(612,081)
Net cash used in operating activities	(138,350)	(113,339)
Cash flows from investing activities		
Sales (purchases) of funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station, net of fees	97,037	(137,056)
Investment income (loss)	(69,679)	145,632
Net cash provided by investing activities	27,358	8,576
Cash flows from financing activities		
Proceeds (repayments) from Payroll Protection Program loan	(12,721)	233,497
Payments of lease principal	(17,680)	(16,991)
Net cash provided by (used in) financing activities	(30,401)	216,506
Cash flows from noncapital financing activities		
Proceeds from CARES Act Stabilization Funds	-	75,000
Proceeds from American Rescue Plan Funds	-	160,536
Net cash provided by noncapital financing activities	-	235,536
Net increase (decrease) in cash and cash equivalents	(141,393)	347,279
Cash and cash equivalents, beginning of year	1,048,952	701,673
Cash and cash equivalents, end of year	\$ 907,559	\$ 1,048,952
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (184,948)	\$ (214,686)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	76,735	57,624
Fixed asset appropriations received from the University	(13,041)	(11,733)
(Increase) decrease in certain assets:		
Accounts and grants receivable	(107)	(624)
Prepaid program costs	(16,040)	12,252
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(2,041)	13,196
Compensated absences	896	28,839
Unearned revenue	196	(15,198)
Total adjustments	46,598	84,356
Net cash provided by (used in) operating activities	\$ (138,350)	\$ (130,330)
Supplemental schedule of non-cash investing activities:		
Fixed asset appropriations received from the University	\$ 13,041	\$ 11,733

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

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

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

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

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

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

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

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

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

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

WUWF-FM
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

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

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(t) **Advertising Costs**— Advertising costs are expensed in the period in which they are incurred. As of June 30, 2022, there was \$350 of advertising expenses compared to \$100 as of June 30, 2021.

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

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

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

(2) **Adjustment to Beginning Net Position**

For the year ended June 30, 2021, beginning net position for Net Investment in capital assets for the Radio Station was decreased by \$31,789 due to the implementation of GASB Statement No.87.

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

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

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

The Station has the following recurring fair value measurements for funds held and invested by the Foundation of \$459,413 and \$556,449 as of June 30, 2022 and 2021, respectively. Funds held and invested by the Foundation are recorded at the Station’s ownership of a share of an investment pool, not the underlying securities. These funds are valued at NAV of units held, as reported by the Foundation.

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

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

In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The following table discloses the nature and risk of investments for which fair value has been estimated using the NAV of the investments as a practical expedient as of June 30, 2022 and 2021, respectively.

Investments Measured at NAV as of June 30, 2022				
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	\$ 459,413	\$ -	Quarterly	10 days
Investments Measured at NAV as of June 30, 2021				
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	\$ 556,449	\$ -	Quarterly	10 days

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(4) Capital Assets:

Capital asset activity for the years ended June 30, 2022 and 2021, was as follows:

	July 1, 2021 Beginning Balance	Increases	Decreases	June 30, 2022 Ending Balance
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	750,000	13,041	-	763,041
Right to use asset, lease	127,584	-	-	127,584
Total	<u>2,080,227</u>	<u>13,041</u>	<u>-</u>	<u>2,093,268</u>
Less: Accumulated depreciation	(1,438,544)	(59,911)	-	(1,498,454)
Accumulated amortization	(16,824)	(16,824)	-	(33,648)
Total	<u>(1,455,368)</u>	<u>(76,735)</u>	<u>-</u>	<u>(1,532,103)</u>
Capital assets, net	<u>\$ 624,859</u>	<u>\$ (63,694)</u>	<u>\$ -</u>	<u>\$ 561,165</u>
	July 1, 2020 Beginning Balance	Increases	Decreases	June 30, 2021 Ending Balance
Building	\$ 1,202,643	\$ -	\$ -	\$ 1,202,643
Furniture and fixtures	738,267	11,733	-	750,000
Right to use asset, lease	127,584	-	-	127,584
Total	<u>2,068,494</u>	<u>11,733</u>	<u>-</u>	<u>2,080,227</u>
Less: Accumulated depreciation	(1,380,920)	(57,624)	-	(1,438,544)
Accumulated amortization	-	(16,824)	-	(16,824)
Total	<u>(1,380,920)</u>	<u>(74,448)</u>	<u>-</u>	<u>(1,455,368)</u>
Capital assets, net	<u>\$ 687,574</u>	<u>\$ (62,715)</u>	<u>\$ -</u>	<u>\$ 624,859</u>

(5) State Retirement Plans:

General State Employees' Retirement System

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

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

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

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

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

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

State University System Optional Retirement Program

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

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

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

Disclosures pertaining to the University's retirement plans that are required by Statement No. 68 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2022 and 2021. The Station's contributions to the plans for the years ended June 30, 2022 and 2021 were \$74,930 and \$70,363, respectively.

(6) **Postemployment Benefits**

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

Disclosures pertaining to the University's postemployment benefits are required by Statement No. 75 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2022 and 2021.

(7) **Risk Management Programs:**

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

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

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

(8) **Significant Concentrations:**

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

(a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of this limit are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$907,558 and \$1,048,952 at June 30, 2022 and 2021, respectively.

(b) **Funds held by the Foundation**—The Foundation holds cash/investments for the Station. The amount held by the Foundation for the Station was \$459,414 and \$556,450 at June 30, 2022 and 2021, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Revenues**— The Station received significant revenue from three sources. The CPB provided approximately 8% of operating revenues, the Florida Department of Education provided 5% of operating revenues, and the University provided approximately 49% of operating revenues in cash support and donated facilities during the year ended June 30, 2022. The CPB provided 7% of operating revenues and 62% of non-operating revenues, Florida DOE provided 5%, and the University provided approximately 50% in cash support and donated facilities of the operating revenues for the fiscal year ended June 30, 2021.

(d) **Accounts, grants and pledges receivable**—The Station has grants and accounts receivable of \$8,951 and \$8,844 at June 30, 2022 and 2021, respectively. The Station has no policy requiring collateral or other security to support these amounts.

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(9) **Compensated Absences:**

Compensated absences liability activity for the years ended June 30, 2022 and 2021, was as follows:

<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within 1 Year</u>
\$ 209,205	\$ 130,153	\$ 129,257	\$ 210,101	\$ 11,428
<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within 1 Year</u>
\$ 180,366	\$ 200,698	\$ 171,859	\$ 209,205	\$ 11,391

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

The Radio Station leases a broadcasting tower from an external party which the lease commenced on February 1, 2003 and ended in January 31, 2008, but included four automatic renewal terms of 60 months each. The Radio Station is currently in the third renewal option year. The contract also includes a clause that the lessor may increase the amount of the then, current monthly rent by an amount not to exceed the Consumer Price Index each anniversary of the “commencing” dates, throughout the initial term and each successive term. In accordance with GASB Statement No. 87, the Radio Station records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the station’s incremental borrowing rate. At June 30, 2022 the future rental payment to be made under the lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 18,975	\$ 4,819	\$ 23,794
2024	20,326	4,015	24,341
2025	21,769	3,132	24,901
2026	23,276	2,198	25,474
2027	24,860	1,200	26,060
2028	15,193	211	15,404
Total	<u>\$ 124,399</u>	<u>\$ 15,575</u>	<u>\$ 139,974</u>

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(11) Community Service Grants:

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

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 2022
		2019-20	2020-21	2021-22	
2019-21-Unres	125,616	66,627	58,989	-	-
2019-21-Rest	45,687	-	45,687	-	-
2020-22-Unres	109,746	-	60,559	49,187	-
2020-22-Rest	40,530	-	-	40,530	-
2021-23-Unres	118,814	-	-	68,365	50,449
2021-23-Rest	43,081	-	-	-	43,081
Total	\$ 483,474	\$ 66,627	\$ 165,235	\$ 158,082	\$ 93,530

(12) Nonfederal Financial Support (NFFS):

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

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

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

Reported NFFS for the Station was \$1,917,216 and \$1,899,499 for the years ended June 30, 2022 and 2021, respectively.

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(13) Refundable Advance – Paycheck Protection Program:

On February 26, 2021, the Station received proceeds in the amount of \$233,497 pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, loan proceeds and accrued interest are forgivable if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and the Station maintains its payroll levels as described in the CARES Act during the covered period. Subsequent to June 30, 2021, the full amount of the loan was forgiven in July 2021 and as a result, the balance outstanding of \$233,497 at year-end is presented separately under current liabilities in the statement of financial position. Although the full amount of the loan was forgiven subsequent to year end, the result of an internal audit conducted by the University resulted in a repayment of \$12,721 to the SBA loan provider in November 2021. The net balance of the loan was recognized as debt extinguishment income of \$220,776 in the year ended June 30, 2022.

SUPPLEMENTAL INFORMATION

WUWF-FM
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SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED
INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services				Total Expenses	2021 Total Expenses
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total		
Salaries, payroll taxes and employee benefits	\$ 421,563	\$ 196,536	\$ 52,865	\$ 670,964	\$ 388,256	\$ 48,333	\$ 107,158	\$ 543,747	\$ 1,214,711	\$ 1,147,079
Professional services	19,346	69,524	275	89,145	14,410	2,798	-	17,208	106,353	97,446
Facilities and administrative support from the University of West Florida	176,743	26,072	6,881	209,696	54,187	36,594	47,800	138,581	348,277	375,702
Office supplies	5,980	16,948	465	23,393	536	4,138	-	4,674	28,067	19,898
Telephone and utilities	793	56,280	50	57,123	119	-	-	119	57,242	55,224
Postage and freight	-	469	2,895	3,364	-	2,709	-	2,709	6,073	5,730
Advertising	250	-	80	330	-	20	-	20	350	100
Repairs and maintenance of equipment	-	2,610	-	2,610	-	-	-	-	2,610	2,042
Printing and publications	-	205	128	333	165	10,838	-	11,003	11,336	11,506
Travel and training	6,603	448	5,584	12,635	-	295	-	295	12,930	416
Operating supplies	-	2,203	-	2,203	-	-	-	-	2,203	2,939
Programming	391,000	980	-	391,980	6,305	-	-	6,305	398,285	459,704
Subscriptions and fees	4,030	85	-	4,115	2,436	57,681	-	60,117	64,232	93,290
Depreciation and amortization	17,973	58,762	-	76,735	-	-	-	-	76,735	57,624
	<u>\$ 1,044,281</u>	<u>\$ 431,122</u>	<u>\$ 69,223</u>	<u>\$ 1,544,626</u>	<u>\$ 466,414</u>	<u>\$ 163,406</u>	<u>\$ 154,958</u>	<u>\$ 784,778</u>	<u>\$ 2,329,404</u>	<u>\$ 2,328,700</u>

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

**INDEPENDENT AUDITORS' 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 Trustees,
University of West 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 WUWF-FM (the "Station"), a public telecommunications entity operated by the University of West Florida, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WUWF-FM's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WUWF-FM's internal control. Accordingly, we do not express an opinion on the effectiveness of WUWF-FM'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 Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

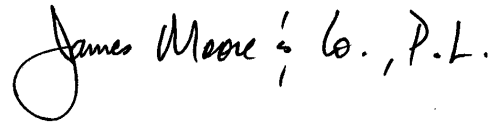
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station'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 Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, prominent initial "J" that loops around the first part of the name.

Tallahassee, Florida
January 12, 2023

January 12, 2023

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

We have audited the financial statements of WUWF-FM, for the year ended June 30, 2022 and 2021, and have issued our report thereon dated January 12, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, other individuals in our firm, and our firm has complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

Our audit standards require we communicate significant risks considered during planning for the audit. We design our audit to address these significant risks and provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, we considered the following significant risks:

- Management override of controls
- Improper revenue recognition and improper classifications for CPB purposes
- Improper journal entry activity to cover up fraudulent disbursements, to record fraudulent revenue items, or to reclassify revenue items improperly for CPB reporting purposes
- Incorrect recording of transactions between WUWF-FM and the University

We designed our audit procedures to address these risks. If during the course of the audit we had any findings related to these or other risks, we would have communicated those findings to you.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by WUWF-FM is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

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

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

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

Financial Statement Disclosures

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

Significant Unusual Transactions

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements for the year ended June 30, 2022.

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

Disagreements with Management

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

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

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

Representations Requested from Management

We have requested certain representations from management which are included in the attached letter dated January 12, 2023.

Management Consultations with Other Accountants

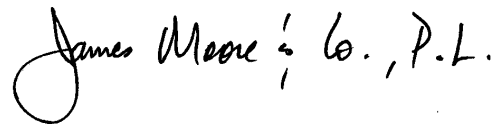
In some cases, management may decide to consult with other accountants about auditing and accounting matters, Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

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

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

Very truly yours,

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

JAMES MOORE & CO., P.L.

January 12, 2023

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

This representation letter is provided in connection with your audit of the basic financial statements of WUWF-FM as of June 30, 2022 and 2021 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of WUWF-FM in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

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

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

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 18, 2022 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

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

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

Information Provided

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

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

Signature: 
 Title: Associate Vice President of Finance & Controller

UWF Board of Trustees Meeting
Audit and Compliance Committee
February 16, 2023

Issue: Financial Statement Audit — Florida Institute of Human and Machine Cognition (IHMC) for Fiscal Year Ending June 30, 2022

Proposed action: Acceptance

Background information:

The Florida Institute for Human and Machine Cognition (IHMC) audit has been completed for fiscal year ending June 30, 2022.

In reference to the IHMC, section 1004.447(9), Florida Statutes provides: "The Board of Trustees of the University of West Florida shall annually certify to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Board of Governors that the corporation and its authorized subsidiaries are complying with the requirements of this section and are acting in the best interests of the state."

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

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

Results:

To ensure compliance with the agreement, we performed a cursory review and determined that compliance regarding the annual financial audit exists.

The independent auditor's report expressed an unmodified opinion. The audit report did not identify any material weaknesses in the internal control system and no instances of non-compliance were noted. The auditor's report on compliance for each major federal award program for IHMC expressed an unmodified opinion.

Financial Highlights:

- Net property and equipment as of June 30, 2022 was \$19,614,607, including construction in progress costs of \$1,711,098 for new robots and a building.
- Long term debt as of June 30, 2022 was \$7,838,106.

Recommendation: Acceptance

Implementation Plan: None

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

Supporting document:

- Financial Statement Audit Report for the Florida Institute of Human and Machine Cognition for fiscal year ending June 30, 2022
- Audit Communication Letter for fiscal year ending June 30, 2022

Prepared by: Elizabeth Mrachek, Internal Auditor, emrachek@uwf.edu, 474-2636

Presenter: Cindy Talbert, Chief Audit Executive, ctalbert@uwf.edu, 474-2638

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IHMC as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IHMC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IHMC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IHMC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IHMC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of IHMC’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHMC’s internal control over financial reporting and compliance.



Pensacola, Florida
November 10, 2022

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current Assets:		
Cash	\$ 2,725,325	\$ 4,439,584
Restricted cash held by trustee	667,083	654,875
Grants and contracts receivables	4,980,341	4,695,159
Prepaid expenses	101,750	204,561
Total current assets	8,474,499	9,994,179
 Property and Equipment, net	 19,614,607	 17,990,550
Other Assets:		
Deposits	11,522	14,522
 Total Assets	 \$ 28,100,628	 \$ 27,999,251

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current maturities of long-term debt	\$ 757,358	\$ 745,596
Accounts payable	1,569,920	2,529,574
Accrued payroll and related liabilities	986,256	781,687
Accrued interest	71,250	79,875
Refundable advances	357,384	516,426
Total current liabilities	3,742,168	4,653,158
 Long-Term Debt, less current maturities	 6,654,404	 7,406,523
Total liabilities	10,396,572	12,059,681
 Net Assets:		
Without donor restrictions	17,608,003	15,809,468
With donor restrictions	96,053	130,102
Total net assets	17,704,056	15,939,570
 Total Liabilities and Net Assets	 \$ 28,100,628	 \$ 27,999,251

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Change in Net Assets Without Donor Restrictions:		
Support, Revenue and Reclassifications:		
Research and development grants and contracts -		
Federal grants	\$ 3,040,897	\$ 3,607,094
Other grants and contracts	20,765,572	17,742,498
Legislative appropriation	4,039,184	2,739,184
Contributions	75,625	765,754
Other revenue	331,838	156,668
Net assets released from restrictions	79,446	20,239
Total support, revenue and reclassifications	28,332,562	25,031,437
Expenses:		
Program services -		
Research and development grants and contracts	22,942,762	22,145,803
Other program services	77,787	60,000
Total program services	23,020,549	22,205,803
Supporting services -		
Fundraising services -		
Salaries and employee benefits	31,096	-
General and administrative	3,482,382	2,955,860
Total supporting services	3,513,478	2,955,860
Total expenses	26,534,027	25,161,663
Change in net assets without donor restrictions from operating activities	1,798,535	(130,226)

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

	2022	2021
Change in Net Assets With Donor Restrictions:		
Contributions	45,397	30,000
Net assets released from restrictions	(79,446)	(20,239)
Change in net assets with donor restrictions	(34,049)	9,761
Change in Net Assets	1,764,486	(120,465)
Net Assets, Beginning of Year	15,939,570	16,060,035
Net Assets, End of Year	\$ 17,704,056	\$ 15,939,570

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

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

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

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(Continued)

	Program			General and Administrative	Fundraising	2021 Total
	Research and development grants and contract	Other program services	Total program services			
Salaries	\$ 7,578,724	\$ -	\$ 7,578,724	\$ 3,694,873	\$ -	\$ 11,273,597
Payroll taxes	503,755	-	503,755	220,569	-	724,324
Employee benefit programs	1,417,850	-	1,417,850	667,200	-	2,085,050
Subcontract	6,323,115	-	6,323,115	-	-	6,323,115
Travel	208,875	-	208,875	34,164	-	243,039
Meals and entertainment	5,008	-	5,008	5,221	-	10,229
Insurance	-	-	-	289,519	-	289,519
Legal and professional	439,215	60,000	499,215	407,933	-	907,148
Occupancy, including in-kind	-	-	-	571,555	-	571,555
Interest expense	-	-	-	403,726	-	403,726
Repairs and maintenance	-	-	-	15,851	-	15,851
Office expenses	402,930	-	402,930	250,749	-	653,679
Bad debt	-	-	-	54,214	-	54,214
Telephone	-	-	-	81,590	-	81,590
Lobbying costs	-	-	-	152,195	-	152,195
Licenses and fees	112,140	-	112,140	92,799	-	204,939
Memberships and continuing education	815	-	815	36,468	-	37,283
Employee morale and welfare	110	-	110	29,369	-	29,479
Other	5,928	-	5,928	25,848	-	31,776
Depreciation	-	-	-	1,069,355	-	1,069,355
Indirect applied overhead, payroll taxes and employee benefits	5,147,338	-	5,147,338	(5,147,338)	-	-
Total	\$ 22,145,803	\$ 60,000	\$ 22,205,803	\$ 2,955,860	\$ -	\$ 25,161,663

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,764,486	\$ (120,465)
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	912,658	1,069,355
Amortization of debt issuance costs	13,288	5,465
Loss on disposition of property and equipment	218	3,333
Changes in operating assets and liabilities -		
Grants and contracts receivables	(285,326)	(435,530)
Prepaid expenses	102,811	(77,564)
Other assets	3,000	(3,000)
Accounts payable	(959,654)	618,918
Accrued payroll and related liabilities	204,569	140,628
Accrued interest	(8,625)	(8,250)
Refundable advances	(159,042)	(118,078)
Net cash provided by operating activities	1,588,527	1,129,026
 Cash Flows From Investing Activities:		
Purchases of property and equipment	(2,536,933)	(564,539)
 Cash Flows From Financing Activities:		
Principal payments of long-term debt	(765,264)	(713,420)
Proceeds from mortgage refinance	11,619	-
Net cash used in financing activities	(753,645)	(713,420)
 Net Decrease in Cash	(1,702,051)	(148,933)
 Cash at Beginning of Year	5,094,459	5,243,392
 Cash at End of Year	\$ 3,392,408	\$ 5,094,459
 Displayed As:		
Cash	\$ 2,725,325	\$ 4,439,584
Restricted cash held by trustee	667,083	654,875
	\$ 3,392,408	\$ 5,094,459
 Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 374,438	\$ 333,250
 Supplemental Disclosure of Noncash Financing Activities:		
Financing costs paid from long-term debt proceeds	\$ 399,329	\$ -
Refinancing costs paid from long-term debt proceeds	\$ 1,760,934	\$ -

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

NOTES TO FINANCIAL STATEMENTS

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

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

Basis of Accounting:

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

Basis of Presentation:

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

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

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

Use of Estimates:

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

Measure of Operations:

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legislative Appropriation:

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

Contributions:

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

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

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

In-Kind Contributions:

Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IHMC. The computation of value for the contributions is based on the fair value of the contributed occupancy and donated services at the date received. These in-kind contributions are reported as support and expense in the period received.

Grants and Contracts:

Revenue from grants and contracts, awarded to and accepted by IHMC, is recognized as earned, that is, as the related allowable costs are incurred or the performance of milestones is achieved under the grant or contract agreements. Management considers all grants and contracts receivables at June 30, 2022 and 2021 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash:

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

Debt Issuance Costs:

Debt issuance costs are amortized over the term of the debt using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Amortization of debt issuance costs is reported as interest expense in the statements of functional expenses and totaled \$13,288 and \$5,465 for the years ended June 30, 2022 and 2021, respectively.

Property and Equipment:

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

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

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

Refundable Advances:

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs:

Advertising costs are expensed when incurred.

Income Taxes:

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

Upcoming Accounting Pronouncement:

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). The guidance in this topic supersedes the requirements in Accounting Standards Codification Topic 840, *Leases*. The update will require business entities to recognize lease assets and liabilities on the balance sheet and to disclose key information about leasing arrangements. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management does not expect adoption of ASU 2016-02 to have a significant impact on IHMC’s financial statements.

Subsequent Events:

Management has evaluated subsequent events through November 10, 2022, the date on which the financial statements were available for issue.

NOTE 2 - RESTRICTED CASH HELD BY TRUSTEE

Restricted cash is comprised of the following:

	2022	2021
Debt service -		
Note principal	\$ 595,833	\$ 575,000
Note interest	71,250	79,875
	\$ 667,083	\$ 654,875

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2022	2021
Land	\$ 3,316,994	\$ 3,316,994
Buildings	17,651,097	17,134,422
Computers and software	1,182,327	1,182,327
Machinery and equipment	2,125,393	1,435,185
Robotics	1,014,362	963,218
Furniture and fixtures	895,169	771,849
Vehicle	54,197	54,197
	26,239,539	24,858,192
Less accumulated depreciation and amortization	8,495,037	7,582,376
	17,744,502	17,275,816
Art collection	5,950	5,950
Idle equipment, net	153,057	-
Construction in progress	1,711,098	708,784
	\$ 19,614,607	\$ 17,990,550

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$912,658 and \$1,069,355, respectively.

Construction in progress at June 30, 2022 represent costs for new robots and a building.

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

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

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	2022	2021
\$7,700,000 Capital Improvement Refunding Revenue Bonds, Series 2018, due in monthly installments of \$47,638 to \$76,667, from January 1, 2019 through September 1, 2028, with an interest rate of 5%, secured by mortgage and security agreement	\$ 5,700,000	\$ 6,390,000
\$25,000,000 Research and Development Revenue Bonds, Series 2022, due in monthly installments of \$51,061 to \$81,615, from April 1, 2024 through April 1, 2037, with an interest rate of 3.74%, secured by mortgage and security agreement	374,425	-
\$2,000,000 Note, due in monthly installments of \$10,557, from August 21, 2017 through June 21, 2027, with an interest rate of 4%, secured by mortgage and security agreement, refinanced in April 2022	-	1,802,422
\$1,800,000 Note, due in monthly installments of \$9,814, from April 28, 2022 through February 28, 2037, balloon payment due March 28, 2037, with an interest rate of 4.25%, secured by mortgage and security agreement	1,763,681	-
	7,838,106	8,192,422
Less unamortized debt issuance costs	426,344	40,303
	7,411,762	8,152,119
Less current maturities	757,358	745,596
	\$ 6,654,404	\$ 7,406,523

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 - LONG-TERM DEBT (Continued)

Scheduled maturities on long-term debt are as follows:

<u>Year ending June 30,</u>	
2023	\$ 757,358
2024	891,289
2025	1,098,300
2026	858,183
2027	897,325
Thereafter	<u>3,335,651</u>
	<u>\$ 7,838,106</u>

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

During 2022, Florida Development Finance Corporation (“FDFC”) issued a not-to-exceed \$25,000,000 Revenue Bond to provide financial assistance to IHMC to finance the construction of a new building. The note is payable to Smartbank Corporation (“Smartbank”) as lender, solely from the payments received from the underlying financing agreement. IHMC executed and delivered a promissory note to Smartbank, who is assigned all rights to receive payments from IHMC related to these agreements. FDFC has no obligation in any manner for repayment of the note. As of June 30, 2022, construction had not yet begun and total proceeds disbursed totaled \$375,000 for bond issuance costs. IHMC will make interest-only payments through April 2024, at which point in time the total outstanding principal and interest payments begin.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 - PAYCHECK PROTECTION PROGRAM

On April 15, 2020, IHMC received loan proceeds in the amount of \$1,658,300 under the PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The PPP loan’s principal and accrued interest were forgivable to the extent that the proceeds were used for eligible purposes, subject to certain limitations, and that IHMC maintained payroll levels over a twenty-four-week period following the loan date. During 2020, IHMC incurred eligible forgivable expenses totaling \$1,025,629 and recognized a contribution in that amount. During 2021, IHMC incurred additional expenses totaling \$632,671 and recognized a contribution in that amount. In June 2021, IHMC received a forgiveness notice from the Small Business Administration.

NOTE 6 - NET ASSETS

Net assets with donor restrictions include contributions for specific purposes that have not yet been accomplished and unconditional promises to give with payments due in future periods to be used for the activities of IHMC. Net assets with donor restrictions at June 30, 2022 and 2021 are presented as follows:

	2022	2021
Educational Outreach Youth Programs	\$ 79,917	\$ 67,514
Research projects	-	58,714
Other	16,136	3,874
	\$ 96,053	\$ 130,102

NOTE 7 - RETIREMENT PLANS

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

The plan covers substantially all employees except part-time and leased. IHMC contributes 11% of eligible employee’s compensation on a bi-weekly basis. Contributions to the plan amounted to \$1,218,839 in 2022 and \$1,070,446 in 2021.

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

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 - RETIREMENT PLANS (Continued)

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

NOTE 8 - RELATED PARTY TRANSACTIONS

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk - Uninsured Cash Balances:

IHMC maintains cash balances with two banks. In addition to the FDIC coverage provided by the two banks, the demand deposit accounts held at one bank are also protected under Chapter 280, Florida Statutes, Public Deposits Trust Fund. At June 30, 2022, IHMC had cash balances in excess of insured limits of approximately \$769,000.

Lines of Credit:

IHMC has two revolving, unsecured, lines of credit, each totaling \$2,000,000 with two financial institutions. Both lines of credit carry interest of 2.5% over the one-month LIBOR rate and expire on February 23, 2023, and March 10, 2023. IHMC had no amounts outstanding as of June 30, 2022 and 2021 under the lines of credit.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments:

IHMC is renting office equipment and office space under operating leases expiring through September 2023. Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2023	\$ 25,336
2024	22,356
2025	<u>6,832</u>
	<u>\$ 54,524</u>

Rental expense for operating leases for the years ended June 30, 2022 and 2021 was \$21,170 and \$23,940, respectively.

Contingencies:

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

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

COVID-19:

IHMC is continually monitoring the potential impact of the COVID-19 pandemic and its effects on the financial statements. The extent to which the COVID-19 pandemic impacts IHMC going forward will depend on numerous evolving factors, which the organization cannot reliably predict. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 - LIQUIDITY

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

Cash and cash equivalents	\$ 2,725,325
Grants and contracts receivable	<u>4,980,341</u>
	<u>\$ 7,705,666</u>

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

SUPPLEMENTARY INFORMATION

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Expenditures	Transfer to Subrecipients
<u>Research and Development Cluster:</u>				
<u>Office of Naval Research</u>				
Human Fuel for Optimizing Cold Water Performance	12.300	N00014-18-1-2115	\$ 11,032	\$ -
High Speed Humanoid Behaviors for Urban Operations	12.300	N00014-19-1-2023	261,324	-
Michigan State	12.300	N00014-20-1-2005	151,241	-
Human Glymphatic Function in Extreme Environments	12.300	N00014-20-1-2463	412,640	372,161
Development of an Underwater Oculometric Assessment Tool	12.300	N00014-20-1-2340	178,476	3,430
Validation of an Underwater Oculometric Assessment Tool	12.300	N00014-20-1-4002	107,127	9,604
Evaluating the Benefits of Intranasal Oxytocin Administration on Human Performance and Metabolism Under Extreme Conditions	12.300	N00014-21-1-2201	835,714	65,424
Machine Learning Approach to Identifying Hypercapnia Through Breath Sounds in Mask Worn Breathing Systems	12.300	N00014-21-1-2667	471,396	-
Total Office of Naval Research			<u>2,428,950</u>	<u>450,619</u>
<u>Department of the Air Force,</u>				
<u>Air Force Research Laboratory</u>				
Naturalistic Decision Making Foundations of Explainable AI	12.910	FA8650-17-2-7711	326,833	209,406
<u>National Science Foundation</u>				
Collaborative Research: RI: Small: Modeling and Learning Ethical Principles for Embedding into Group Decision Support Systems	47.070	2008011	111,673	-
<u>National Institutes of Health</u>				
<u>Passed through Cornell University</u>				
A Personalized Health Behavior System to Promote Well-Being in Older Adult	93.866	184000-01	130,096	-
Total Research & Development Cluster			2,997,552	660,025
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	43,345	-
Total Expenditures of Federal Awards			<u>\$ 3,040,897</u>	<u>\$ 660,025</u>

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

OTHER REPORTS AND SCHEDULE

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Pensacola, Florida
November 10, 2022

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Florida Institute for Human and Machine Cognition, Inc.'s (“IHMC”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IHMC’s major federal programs for the year ended June 30, 2022. IHMC’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, IHMC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

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

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

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

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



Pensacola, Florida
November 10, 2022

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

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

Federal Program

Research and Development Cluster:

Basic and Applied Scientific Research	CFDA No. 12.300
Research and Technology Development	CFDA No. 12.910
Computer and Information Science and Engineering	CFDA No. 47.070
Aging Research	CFDA No. 93.866

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022
(Continued)

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

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

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

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

To the Management and the Audit Committee
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

We have audited the financial statements of Florida Institute for Human and Machine Cognition, Inc. (“IHMC”) for the year ended June 30, 2022, and have issued our report thereon dated November 10, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by IHMC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by IHMC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Depreciation Expense:

Management’s estimate of depreciation expense is based on the estimated useful life of an asset. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statements users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of grants and contracts in Note 1 to the financial statements. Facilities and administrative costs recovered on grants and contracts are recorded at rates established by IHMC with its Federal cognizant agency.
- The disclosure of the bond payable in Note 4 to the financial statements.
- Additional disclosure of the contingency on the Defense Contract Audit Agency finding, referenced above, in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit:

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the following material misstatements detected as a result of audit procedures were corrected by management:

- To record payments made to Escambia County under the loan agreement as restricted cash and accrued bond interest.
- To record restricted contributions and the current year release of restrictions.

Disagreements with Management:

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations:

We have requested certain representations from management that are included in the management representation letter dated November 10, 2022.

Management Consultations with Other Independent Accountants:

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to IHMC’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues:

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as IHMC’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of IHMC’s audit committee, Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Pensacola, Florida
November 10, 2022

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 16, 2023

Issue: Internal Auditing and Management Consulting - Update on Activities
Proposed action: Informational

Purpose: To provide the Committee with an overview of activities within Internal Auditing & Management Consulting, as required by the department Charter.

1. Status of internal audits in progress
2. Status of advisory/consulting activities
3. External audits in progress
4. Audit follow up
5. Miscellaneous items

Recommendation: Information only
Implementation: None
Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Supporting Documents:
Audit Recommendations Status 1/31/23

Prepared by: Cindy Talbert, Associate VP/Chief Audit Executive, 474-2638, ctalbert@uwf.edu
Presenter: Cindy Talbert

**Internal Auditing
Audit Recommendations
Status as of February 1, 2023**

Overdue Implementation Dates	Rec #	Topic	Report Date	Initial Implement Date	Current Implement Date

Future Implementation Dates					
21-22_002 Utilities Operations	1	Billing Issues	4/20/2022	7/01/2023	7/01/2023
21-22_002 Utilities Operations	2	Staff Turnover	4/20/2022	7/01/2023	7/01/2023
22-23_003 Center for Fine and Performing Arts	1	Written Policies and Procedures	10/31/2022	5/01/2023	5/01/2023
22-23_003 Center for Fine and Performing Arts	2	Fire Safety	10/31/2022	3/01/2023	3/01/2023
22-23_003 Center for Fine and Performing Arts	3	Timely Journal Entries	10/31/2022	3/01/2023	3/01/2023
22-23_004 Carryforward Funding Compliance	1	Carryforward Expenditure Tracking	1/25/2023	6/30/2023	6/30/2023
22-23_005 IRDF Program Grant	1	Standards for Financial Assessments	1/18/2023	2/24/2023	2/24/2023
22-23_005 IRDF Program Grant	2	Communication of Funds Remaining to Commit	1/18/2023	2/24/2023	2/24/2023

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 16, 2023

Issue: Office of Compliance & Ethics - Update on Activities
Proposed action: Informational

Background Information:

Compliance and Ethics Activities and Board Oversight: This information provides the Audit and Compliance Committee with a broad overview of the activities of the UWF Compliance and Ethics function and highlights contemporary compliance and ethics trends/issues. In doing so, this provides the Audit and Compliance Committee and University President with the essential knowledge necessary to carry out its responsibility¹ to “*exercise oversight with respect to the implementation and effectiveness*” of UWF’s Compliance and Ethics function.

Payment Card Industry Data Security Standards (PCI-DSS): In order for UWF to accept credit card payments and avoid significant penalties, the university must adhere to the requirements established in the Payment Card Industry Data Security Standards (PCI-DSS). Since 2016, oversight and administration of the university’s PCI DSS program has been delegated to CCO, Matt Packard. PCI DSS compliance entails a variety of activities including, but not limited to; training employees, securing and vulnerability testing of UWF’s payment networks, maintaining device inventories, maintaining physical security of payment areas, and annually completing the PCI DSS industry’s Self-Assessment Questionnaire (SAQ) requirement for each one of the six (6) UWF merchant accounts².

Risk Assessment/ Enterprise Risk Management: Each year the University conducts a system-wide risk assessment to determine the potential impact, likelihood, and residual risk ratings³ for the approximately 140 unique risks that make up UWF’s current risk profile. The forthcoming 2022-2023 risk assessment exercise will incorporate the added component of following up on previous year’s internal control data to help determine the efficacy of UWF’s existing control structures.

Recommendation: Informational Item

Implementation: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

Prepared by: Matthew Packard, 857-6070, mpackard@uwf.edu

Presenter: Matthew Packard

¹ Per [Florida Board of Governors Regulation 4.003, SUS Compliance and Ethics Programs](#)

² A “merchant account” is an industry term used to identify a separate and unique area of credit card activities. For example, UWF’s “E-Market” is restricted to areas that only offer an online payment option.

³ Residual risk is the total risk presented to the university after we take into account the overall effectiveness of the existing mitigating control structures.



UNIVERSITY *of*
WEST FLORIDA

Compliance and Ethics Update

Audit and Compliance Committee

February 16, 2023

Annual Risk Assessment

- Annual 3-5 month process
- Risk and Compliance Council
- Risk data derived from senior leaders & subject matter experts
- System-wide approach

Credit Card Compliance

- Annual re-certifications
- Credit Card Processor (CCP) training
- Increasing Call Center Capacity (Donor Outreach)

Compliance Partners

- Keeping Communication Lines open
 - Meetings held w/ Provost; Vice Provost; Title IX; Procurement; Facilities; RAE; SAR; CLTL; and ITS
 - Addressing Accountability
 - Raising Risk Awareness

Florida SUS System

- 5-Year Program Evaluation Results
 - Continued focus on Research Integrity/ Foreign Influence
 - UWF met all requirements w/o exception
 - FSU has been Peer Review Postponed

UWF Accessibility Initiatives

- Campus Accessibility Advisory Group (CAAG) Formed
- Over 270 Digital Accessibility reviews conducted to date
- Closed Captioning Campaign

Red Flag Compliance

- RE: Identity Theft
- Compliance Audit
- Policies are solidly in place
- Considering targeted training to boost program effectiveness

Integrity Helpline

- ITS set to incorporate Helpline into annual security training
- Slight uptick in false reporting
 - @UWF Newsletter Communications

Higher Edu Opportunity Act Compliance

- OCE responsible for *UWF Consumer Information Site*
- 42 unique areas require public disclosure(s)
 - Evaluated quarterly

BOG Regulatory Changes

- Proposed changes to 39 BOG regulations from Jan. 2022 – Jan. 2023
- Trend expended to continue at same pace
- Working w/ Vice Provost & Risk and Compliance Council

Payment Card Compliance (PCI DSS)

PCI DSS or Payment Card Industry Data Security Standards

Applies to UWF Merchant Accounts

- E-Market (online payments only)
- Student Health
- Recreation
- Continuing Education
- Foundation/ WUWF
- Theatre/ Ticket Office

OCE coordinates UWF recertification process

Each account is required to re-certify PCI DSS status annually via a PCI DSS Self-Assessment Questionnaires (SAQ)

OCE administers Credit Card Processor training (approx. 70 employees currently certified as CCPs)

