



Board of Trustees Finance Committee

Monday, February 21, 2022
10:30am – 12:00pm
Microsoft Teams Virtual Meeting

Trustees: Michael Griffin, Chair; Michael Carrere, N. Rogan Donnelly, Shilen Patel, Melissa Seixas,
Will Weatherford
Foundation Board Liaison: Chip Newton

A G E N D A

- I. Call to Order and Comments Chair Michael Griffin
- II. Public Comments Subject to USF Procedure Chair Griffin
- III. New Business – Action Items
 - a. [Approval of November 16, 2021 Meeting Notes](#) Chair Griffin
 - b. [Approve Revisions to USF BOT Investment Policy](#) University Treasurer Fell Stubbs
 - c. [Expenditure Authorization Requests](#) Vice President/CFO Nick Trivunovich
- IV. New Business – Information Items
 - a. [USF 2021 Audited Financial Statements](#) University Controller Jennifer Condon
 - b. [DSO Mid-Year Forecasts](#) University Treasurer Fell Stubbs/DSO CEOs & CFOs
 - 1. University Medical Services Assoc., Inc. & USF Medical Services Support Corp.
 - 2. USF Foundation, Inc.
 - 3. USF Research Foundation, Inc.
 - 4. USF Health Professions Conferencing Corp.
 - c. [Annual DSO Investment Reports](#) University Treasurer Fell Stubbs/DSO CFOs
 - 1. [USF Foundation](#) Brian Keenan/Rob Fischman/Ken Souza
 - 2. [University Medical Services Assoc., Inc.](#) Rich Sobieray/Alisha Ozmeral
 - 3. [USF Research Foundation, Inc.](#) Nick Trivunovich/Patricia Gamble

- d. [Budget Update](#) Interim SrVP/COO Rich Sobieray
- e. INTO Update Provost Ralph Wilcox
- V. Adjournment Chair Griffin



**USF Board of Trustees
Finance Committee
NOTES
November 16, 2021
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Michael Griffin at 9:37am. Chair Griffin asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Michael Griffin, Mike Carrere, Shilen Patel, John Ramil, Melissa Seixas, Will Weatherford and Chip Newton. A quorum was established.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of August 10, 2021 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Griffin requested a motion for approval, it was seconded and the August 10th meeting notes were unanimously approved as submitted by all committee members present.

b. 2022-23 USF Parking System Budget

Fell Stubbs, University Treasurer, presented the 2022-23 USF Parking System Operating Budget and requested approval at this time to meet a February filing requirement by the Board of Governors (BOG). This is the University's annual approval of the Parking System Operating Budget for FY 2022-23. The Parking System supports the Series 2016A parking bonds and is a strong credit rated system. The bonds were issued by the Florida Division of Bond Finance, who requires the approval and submission of a detailed operating budget to the BOG at least ninety (90) days before the beginning of the fiscal year which means a filing deadline in February of the coming year.

The FY 2022-2023 Operating Budget for the USF Parking Facilities Revenue Bonds reflects increased revenue in FY 2021-2022, primarily due to the \$1.825M of federal funds (CRRSAA) provided to cover lost revenues in FY 2020-21 related to the pandemic. FY 2022-2023 operations are still affected by a modest recovery in permits/decals revenue. The estimated FY 2021-2022 unrestricted funds of \$15M does provide support for AA credit ratings. A voluntary disclosure was recently provided to bondholders and rating agencies describing current operating conditions.

Mr. Stubbs noted that the student Transportation Access Fee was last increased in 2009 (twelve years ago) from \$2.25 per credit hour to \$3.00 per credit hour.

Parking System actuals for FY 2020-21 were presented, along with an estimated operating

budget for FY 2021-22 and a projected operating budget for FY 2022-23. Expecting a decrease in operating cash in FY 2021-22 due to a significant decline in parking permits/decals sold. Used operating cash to support debt service payment in 2021 resulting in a debt service coverage ratio of 0.45x coverage. Cash flow is estimated to turn positive in 2022 due to the federal funds contribution of \$1.8M to cover the lost revenues due to the pandemic resulting in a debt service coverage ratio of 1.92x coverage. Projected cash flows in FY 2023 are still under pressure due to the slow recovery of permit sales at approximately 78% of 2019's pre-pandemic level, resulting in a debt service coverage ratio of 1.34x coverage.

Chair Griffin clarified that the increase in revenue is not associated with an increase in fees. Mr. Stubbs confirmed this.

A motion was made to approve the 2022-23 Operating Budget for USF Parking Facilities Revenue Bonds, Series 2016A. The motion was seconded and approved by all committee members present.

c. Revised St. Petersburg CITF List

David Everingham, Regional Vice Chancellor, presented a revision to the CITF project list for the St. Petersburg Campus. St. Petersburg's CITF list currently has two projects. First is a Co-Curricular & Wellness Facilities project dating back to 2017. This project is fully funded at \$2.1M. This project was originally intended to modify spaces in Heller Hall which surround the existing swimming pool and restroom, locker room, office space and check-in areas utilized by Campus Recreation. While the purpose of the project remains the same today in support of student wellness, St. Peterburg is now seeking approval to revise the details and location of the project. The second project on the list is a remodel in the University Student Center. This will provide needed enhancements and improved utilization of existing space. The project total of \$1.5M is 59% funded as of FY22 and the remaining request is included in 5-Year Capital Improvement Plan. Hoping to have the project fully funded in the next year or two based on the level of appropriations received in recent years. No changes requested for this project.

Over the years as funds were being accumulated for the Wellness project, circumstances have changed quite a bit, including the condition of existing facilities and developments in the layout of the campus with the addition of a new dining and residence hall. Seeking approval today to revise the Co-Curricular & Wellness Facilities project with consideration of the current circumstances. This project continues to be the most important with regard to student spaces on campus. The revised plan now includes replacement of the dilapidated 84-year-old swimming pool (with prohibitive repairs and maintenance costs) and relocation to Pelican Apartments and Student Life Center (improve accessibility due to proximity to fitness center and housing; enhance student wellness, life and engagement). The project is advocated by Student Government and Student Success as top priority and is recommended by St. Petersburg Campus Board. Estimated completion is Spring 2023. Trustee Seixas stated that this is a critical part of St. Petersburg's overall plan to enhance student life and is an important part of recruitment and overall campus plan. This remains the number one priority for students. Chair Griffin asked if St. Petersburg is confident that \$2,055,429 for the project is sufficient in the current environment for materials, labor, etc., and the project will stay within that number. Mr. Everingham responded yes and they will be doing design/build for this project so they can stay within that budget. Chair Griffin stated that it is his expectation that they stay within that number and do not come back through this process. Chair Griffin supports this project as long as the project stays within that number and they do not ask for an increase in funding.

A motion was made to approve the revised St. Petersburg CITF list as presented. The motion was seconded and approved by all committee members present.

d. Energy Savings Contract and Award to Siemens

Mr. Stubbs presented the agenda item. This item is requesting approval of an award of the energy performance contract agreement to Siemens Industry, Inc. The Siemens contract will replace the Tampa Campus central plant heating system that is in a current state of failure. We are currently renting boilers at a cost of \$200K per year. The central plant heating system supports 2.4M square feet of campus research buildings, medical buildings, academic buildings, residence halls, and the Marshall Student Center. The Siemens scope of work to renew the Tampa Campus heating system consists of the installation of five boilers, two heat exchangers, base lighting, the northwest plant optimization and demand flow technology, construction commissioning, and design and engineering costs to meet 95.5% of the campus base heating load, with a current estimated cost of \$9.4M and a not to exceed cost of \$9.9M. The contract will guarantee energy savings to the university of approximately \$15.6M over 20 years, which is guaranteed to exceed the costs of the heating system and the cost of the financing. The contract will also provide a guaranteed maximum price (GMP) and 100% public construction bond. USF conducted a competitive RFP process for lease purchase financing for the central plant upgrades and received seven proposals. The University's financing payments are subject to annual appropriations. The University expects to complete negotiations with Siemens in the next one to two months and select and negotiate the financing for the energy savings project in the next month. The energy savings project with Siemens is expected to produce a reduction in university energy costs of \$15.6M, which is required to exceed the acquisition, construction, installation and financing costs of the project.

Chair Griffin was pleased to see the number of responses to this procurement.

Trustee Carrere asked if the fuel source for the new system would be natural gas. Mr. Stubbs responded that it would be combination of gas and electric, but mainly natural gas. Trustee Carrere asked how Siemens can guarantee the savings with the price of natural gas increasing. Trustee Ramil explained that the savings is based on what old equipment would have cost versus new, more efficient equipment in its place. He urged that since we will be operating the facility, we agree upfront in contract to how we are going to operate it and stick to it. That is where we can get in trouble with Siemens because if the savings don't happen, finger pointing starts as to whose fault it is and we want to make sure we cover the risks for ourselves since we are the ones operating it. He is comfortable that this is the right way to do this replacement but as we negotiate the details we need to be sure to cover the risk of operations for the University.

A motion was made to Award Energy Performance Contract Agreement to Siemens Industry, Inc. as presented. The motion was seconded and approved by all committee members present.

e. Oracle Cloud HR/Payroll System

Chair Griffin introduced the agenda item and explained that we are asking the Finance Committee to allow management the opportunity to initiate negotiations with Oracle. Financial impacts and completed negotiations will come back to the Finance Committee. Want to give management authorization without associating a dollar amount yet so as not to

impact negotiations. This is a little different than our normal process.

Mr. Trivunovich explained that a new HR/Payroll System has become a critical need for the University.

Angie Sklenka, Vice President and Chief Human Resources Officer, explained that this new technology implementation links directly back to the President's goals and a focus on internal relations and culture. In support of this, HR has modernized its motto, "People are at the heart of everything we do." This applies to students, faculty and staff. In this focus, HR has realized that some of its processes are not as efficient and effective as we want them to be. With these cumbersome processes, we've learned a lot of our money and our time is being wasted in a very manual and heavy-lifting effort where we could be doing things differently and preserving our funding to focus on our students and our faculty. This is the first ever cultural HR strategy that the institution has had. HR looks at the strategic priorities of an organization and links the cultural priorities to those. In doing so, we don't just keep up with status quo but look to the future in a predictive way. We can look at trends in our people landscape that give us indicators on how we need to focus for the future. Some of the things we look at are turnover, talent availability and the changing demographics of our students and workforce. When we look to the future, we can close gaps to grow in the way we attract, develop, retain and engage people. These are renewal engines for HR. When we focus on these areas proactively and predictively, we can then use our workforce as our competitive advantage. This results in best brand, best place to work at USF, which ultimately helps our student experience be premium and helps us to achieve our goals externally. In order to achieve that framework, we have to have an architecture that is supportive and transformational. The following four pillars can help us achieve this future success: recruitment, onboarding and training, talent planning and performance management. This is a hire to retire strategy. If we hire externally every time we have an initiative, it costs about 2x rather than growing talent from the inside. We want to be mindful when we think about talent and succession planning. In the end, we need to have a pay for performance culture where we are focusing our labor budget on those high performing individuals that can help us achieve greatness in the future. Implementing empty tech will not help us achieve success in the future. HR technology will give us the integrative platform that we need in order to treat our people how they expect to be treated in the modern environment today. USF's current processes are dated. With the modern technology, our processes will improve at about 80% streamlined activity. As we focus on future improvements and continuous effort, we can use our data and systems to target continued growth.

Next, Sidney Fernandes, Vice President and Chief Information Officer, explained that we looked to the marketplace to meet HR's requirements. The good news is we have Oracle/Peoplesoft right now and the upgrade to the Oracle HCM Cloud (another Oracle product) would get us about everything HR is looking for. Oracle and Workday are the leaders in the Gartner magic quadrant with Oracle having about 18% of the education market. Upgrading our existing system will benefit USF and meet HR's goals. We are looking to do an upgrade cycle quickly to get us to the HCM Cloud. This will also help us to increase speed to market. With a cloud-based system, do not have to wait for long upgrade cycles; you essentially get the upgrade when the cloud makes it. It will also give us a time and labor system which we are lacking right now. By doing this upgrade, we will be able to seamlessly move to the modern infrastructure that HR is looking for and at the same time reduce dependency on infrastructure as a service type. USF does have its systems right now in the cloud but it has infrastructure as a service; this will give us software as a service which is eminently faster.

Ms. Sklenka further explained that HR is committed to is measuring outcomes. With this upgrade, we are estimating a cost avoidance of about \$50M over the next several years. Top benefit drivers are improved productivity, reduced turnover, reduce payroll leakage and overtime use as well as eliminating some of the legacy systems that are not effective any longer. Ms. Sklenka has done several of these upgrades at other organizations. She suggests for higher education, and specifically USF, a two-year runway for this process so we can ensure the proper change management techniques are used and that this system is sticky and allows people to understand how their roles are changing so we can recast their efforts in a way that is most meaningful for our organization. Ms. Sklenka presented a proposed timeline, kicking off in April and finishing our implementation in a couple years. First component will be focusing on core and time and labor with payroll then we use the talent management component in the second part of the implementation. Looking to release in phases. Once we get into vendor selection and partner selection, the timeline will be further enhanced and nailed down.

Trustee Ramil explained that costs get out of control when we customize the off the shelf software to match your processes versus changing your business processes to match the software. He asked what we are planning to do. Mr. Fernandes responded that we cannot let current business process and old habits as well as the way we did things drive an ERP process, especially a cloud ERP process. If you do, you will miss the efficiencies of a cloud ERP process. The value of a cloud ERP process is that you are gaining the best practices these cloud vendors provide to gain those efficiencies. Its best to implement as vanilla, run the software for two quarters, and then take a look at enhancements. This is how EPIC was implemented at USF Health. This will help to prevent “stove piping” and keep costs from increasing. Ms. Sklenka indicated that they have been working with the deans and provost on this and are looking forward to changing our habits.

Chair Weatherford stated that he is excited about this project and it is critical to get this right and avoid mission creep. Adopting Cloud will help us to be competitive and live in the 21st century. We will be a much more efficient organization when this is done.

Trustee Carrere asked if the absolute dollar cost of the new software will be more than what we are currently paying for the existing software. Mr. Fernandes explained that the absolute cost of the new software will exceed the cost of the existing software but we will gain efficiencies and cost avoidance. Trustee Carrere stated that we need to careful in managing these soft savings.

Trustee Seixas asked if other SUS institutions already use this system, and if so, what have we learned from their experience. Ms. Sklenka explained that she has talked to several universities outside the SUS and they have echoed the same things the Trustees have said. It is best to take advantage of these best in class processes so that when you implement you are getting the gains you hope to achieve from the implementation. Also, it is important to spend time with the change management component so people will do work differently and understand the value in the future of work that they are facing. Mr. Fernandes responded that Oracle and Workday are the two leading vendors for HCM and finance. The key isn't the technology as both are cloud-based; the key is how we implement and manage. FSU and UF use Oracle. USF will be the first in the SUS to go to Cloud HCM. UCF is looking at Workday for an upgrade.

A motion was made to authorizes the University to initiate negotiations with 1) Oracle on an upgrade to our current HCM system and 2) an appropriate third party implementation partner to assist with the upgrade. The motion was seconded and approved by all Committee

members present.

f. Judy Genshaft Honors College Scope Changes

Chair Griffin explained that the project was previously approved at \$54.5M and any changes need to come back to the Board. What we have today is a request to increase the project budget to \$55.6M.

Jay Stroman gave an update on fundraising for the project. Philanthropy makes up a large percentage of this budget along with state funding which we did receive in the last cycle. The goal was to raise \$43M and we have had success and raised a little over \$44M. Hope to close the fiscal year at closer to \$45M.

Mr. Setteducato stated that the changes in scope were requested by the major donor. The project is on-time to be completed in February 2023. This request will not affect the schedule. The request is for an increase to \$55.6M (an increase of \$1.071M, all in private sources). The increase consists of four components (exterior signage, food and cultural studio enhancements, finishes, and landscape) totally funded through additional philanthropic support.

Mr. Setteducato explained that we are asking for approval for this increase in scope to \$55.6M, funded through philanthropy. Also asking the board to consider if we have similar situations during the course of this project (which will be running for the next year or so) where additional scope changes are generated and funded by donor/philanthropy, that we do not have to come back in advance of these things happening, but we can proceed and report back during periodic updates, so as not to delay the project. Trustee Patel also asked that where there is a 1:1 relationship with these scope changes and philanthropy and no impact to state funds or university funds, is there an opportunity for a streamlined process on the governance side when these types of changes come up.

Trustee Ramil stated that he is not in support of this. He has been an advocate for when we approve major projects, we are approving both the budget and the scope. He explained that we have had issues in the past where scope has been changed to stay within budget and that is not what the board approved. We have been avoiding this recently and need to continue to do so and follow our governance process. Chair Griffin agreed, we have a process in place for approving expenditures and we need to follow that process like we are doing here, particularly with capital projects with significant spend.

Chair Griffin explained that the motion does not include Mr. Setteducato's last suggestion; the motion is only to approve the scope and budget change.

A motion was made to approve the increased scope of project and associated budget (as presented) only. The motion was seconded and approved by all Committee members present.

g. MDD Buildout

Dr. Lockwood explained that this request is for the buildout on the 8th floor and core facilities of the 6th and 7th floors. This is the next iteration of the building's completion. Beyond that, will be looking for additional support to build out the 10th floor (not part of this request) which is administrative space. Once built out, we be able to decant current administrative space present in clinical facilities and allow us to turn that into revenue generating space. On the 11th and half of the 12th floor is space allocated to the future Taneja College of Pharmacy

which will require some additional identification of funding sources. On the 9th and the other half of the 12 floor is the space that TGH is leasing from us and together we will come up with a plan for that space (such as cardiology, pulmonology, research space, clinical trials).

Rich Sobieray explained that this request is for approval of \$14.6M to complete the 6th and 7th floors and the complete buildout of the 8th floor. Totally funded from the Dean's fund; no state funds for this. The Dean's fund is accumulated through taxing (5%) clinical revenues, which generates about \$14M per year. This sits in the Practice Plan. Dr. Lockwood does not spend all of this each year, so funds are accumulating (about \$4M per year). Will be using cash reserves for this project.

A motion was made to approve the buildout of floors 6, 7 and 8 of MDD at a project cost of \$14.63M in support of the research mission for USF Health. The motion was seconded and approved by all Committee members present.

h. Expenditure Authorization Requests

Nick Trivunovich, Vice President for Business & Finance and CFO, presented five expenditure authorization requests for approval by the Finance Committee. USF's expenditure policy requires Finance Committee approval for all expenditures in excess of \$2M.

- Waste Collection Services/Tampa Campus

This request is for a new contract in the amount of \$3.83M over 8.67 years for waste collection services (and potentially recycling services), inclusive of rental of various size containers (temporary and fixed), pull charges, and lawful disposal fees for the Tampa Campus. The University is required to select one of the three providers that the county has awarded, and we normally engage our selected provider for the same contract period as the county. In addition, we are able to piggyback off the county's contract as a starting point for further negotiations in order to achieve the lowest cost possible.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

- Door Access System

This request is to issue a new ITN to select vendors to provide installation, support and maintenance of the USF Door Access System, with an estimated spend of \$3.5M over 5 years. This contract would be for a 3-year period with two possible one-year renewals. This contract does not obligate us to spend the entire \$3.5M, but rather establishes the costs and requirements of various services. While we use one software system for our card readers which is purchased from one vendor, we normally engage a couple of vendors through this ITN to do the installation and servicing.

Trustee Seixas asked about the plan on how we would prioritize the upgrade. Mr. Trivunovich explained that housing facilities are first for security purposes, and then academic buildings and we would prioritize within those.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

- Elsevier ScienceDirect Ejournal Renewal Agreement

This request is for the renewal of the Elsevier ScienceDirect ejournal package and book series. This renewal extends USF's participation under the Elsevier ScienceDirect Master Agreement, negotiated at the state level by the University of Florida for and on behalf of the universities of the State University System of Florida, through 12/31/2024. This request is for \$3.49M over 3 years. This contract has already been negotiated with no increase for FY2022 and 3% increases for the next two years.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

- Springer Nature Ejournal Renewal Agreement

This request is for the upcoming renewal of Springer, Nature, and Palgrave ejournal content. This anticipated 3-year agreement is currently being negotiated at the state level by the University of Florida for and on behalf of the universities of the State University System of Florida for the 2022-2024 period. The total for the three years is estimated not to exceed \$3M for both the Tampa and Health Sciences libraries. The estimate is based on history as well as estimated cost increases.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

- Greek Village HVAC

This request is for the Greek Village HVAC replacement and upgrade. Estimated cost is \$2.65M and is based on a comprehensive assessment by a third party engineering firm of all areas associated with the HVAC system (attic, duct work, AHU, etc.) in Greek houses 1-14. The Greek Village was built in 2003, so the air handling units are at the end of their useful life. In performing our due diligence, we've also found additional construction deficiencies that contribute to excess humidity and less than optimal environmental controls in the buildings. Expected deliverables for this project are a properly balanced system that controls humidity and maintains a comfortable environment for the residents. We are planning for this project to be executed in Summer 2022. Therefore with the long lead times on materials and equipment, we are asking for approval at this meeting in order to meet our schedule.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Draft 2021 Financial Statements

Jennifer Condon, University Controller, provided highlights of the draft FY 2021 financial statements. Ms. Condon reviewed significant items on the income statement and the balance sheet. GASB Accounting for Pension & Other Post Employment Benefits (OPEB) are actuarially estimated liabilities of promises to retirees which are out of USF control and significantly impacted by annual investment returns, covered payroll proportions, and various other actuarial assumptions. Even though the State of Florida pays the contributions,

USF must record the liability and cannot record the offsetting receivable. This is an issue for every public higher education institution. OPEB and GASB continue to impact net operating results and net position. Our Unadjusted Net Operating Results for FY2021 is (\$41M). After adding back the annual expenses booked for pension and other post employment benefits, we get a more reflective picture of a surplus of \$40.3M. This is an increase over the prior year's deficit. The \$88M year over year variance (from FY20 to FY21) in net operating results is primarily caused by increases of \$36M in noncapital grants & donations (CARES institutional funds) and \$32M in net investment income; a decrease of \$42M in services & supplies expense; and offset by a \$23M decrease in auxiliary sales & services revenue. Significant deficits have accumulated in our Unadjusted Unrestricted Net Position. For FY2021, this number is (\$381.4M). After adding back many hundreds of millions of dollars of accumulated liabilities and net deferrals for pensions and other post employment benefits to yield Adjusted Unrestricted Net Position of \$487.7M for FY 2021. Again, this is happening all over the country because GASB requires state agencies account for these liabilities, but at this point USF is only making contributions on the net pension liability. The State of Florida is covering the other benefits which is why the credit rating agencies are currently adjusting for them.

Ms. Condon then explained variances between 2020 and 2021 in excess of \$10M and 10% as well as variances in excess of \$20M. This year, as expected and with limited exception, most of these variances resulted from the COVID19 pandemic. The most significant change on the balance sheet was in cash & investments balances. Our FY2021 yearend balances have almost returned to the FY2019 and pre-pandemic level. 3 additional accounts fit the criteria on the balance sheet, including Net Receivables which increased \$22M and 25% due to CARES and other federal grant and award receivables and increases in affiliated hospital receivables for our medical resident program. Increases are caused by year end timing and these receivables have since been collected. 7 accounts fit the criteria on the income statement. The most significant cause of variance on the income statement was COVID-19. FY2021 saw a decrease in auxiliary sales and service revenue of \$23M or 18% which was partially offset by a \$13M or 32% decrease in auxiliary expenses in the other non-operating category. There was also a university-wide decrease in travel and consulting expenses. COVID-19 was also responsible for an \$18M increase in Federal & State Financial Aid and an offsetting increase of \$30M in scholarships, fellowships & waivers expense. Capital appropriations decreased \$12M or 62% as we received our last installment for the USF Health Morsani COM & Heart Institute in FY2020. Net Investment Income increased \$32M or 770% in FY2021. This category combines real investment income and unrealized gains and losses. A graph of Net Investment Income was provided which showed investment income and unrealized gains/losses separately over the past three years. Investment income was constant from year to year. Unrealized gains and losses accounted for the entire variance (\$23M in gains in FY2019, \$14M in losses in FY2020, and \$18M in gains in FY2021).

Chair Zimmerman thanked Ms. Condon for an excellent presentation. He asked how this information ties into strategic realignment/renewal and are we seeing any savings now. Mr. Trivunovich explained that strategic realignment/renewal gives us a roadmap for how we want to use our resources.

In closing, Ms. Condon noted that the audit is closing out and the exit conference has been scheduled in the next week or two, and the official financial report should be issued right before the holidays.

Chair Griffin thanked Ms. Condon for her comprehensive presentation.

b. Budget Planning Project

Mr. Sobieray gave an update on the proposed process for addressing resource challenges and a new budget process. He spent the first five weeks in his new role as Interim Sr. Vice President and COO meeting constituents and getting feedback. He stressed the fact that we have been listening and addressing their concerns with the budget process over the past few years. The impressions are not surprising and are consistent: all want a transparent and predictable budget model; all campuses want to ensure they're respected, and needs are addressed; the Deans want back some local control of their respective Colleges; all believe that the Colleges and some support areas are severely under-resourced; all want to ensure we don't lose sight of quality, cross-college investments, and performance-based expectations; all agree that any changes in budget process and resource allocation should be tied to the developing strategic plan; and all agree that a strong linkage needs to exist between authority and accountability. In the end, we all want a process that people are engaged in, that they feel they have some input, that senior leadership and trustees are listening to their needs; and we come up with an allocation model of resources that is both fair and consistent in support of our mission of teaching, research, even clinical care, but ultimately to impact the strategic plan and strategic vision and mission of this organization.

The facts are clear: the budget process is viewed as top down and transactional without transparency; the Tampa campus has fronted the investment in its growth with the hope the State of Florida would provide more resources for operations and capital; and the branch campuses (Sarasota/Manatee, St. Petersburg) and Health Sciences have managed their resources independently but effectively. The result has been frustrated Deans and faculty; E&G (Tuition, Lottery and General Funds) resources have been overcommitted; and Deferred Maintenance has not been funded across USF. Bottom line is resources have not kept up with the pace of growth and success of the University.

Two-part process to address this: 1) we need a budget process and to define what that process is going to be in a transparent way and we need to come up with an allocation of resources or a funds flow model that makes sense; and 2) we need to address the structural deficit. To do so we need to implement a Budget Committee which will design a new value driven university-wide budget process and resource allocation model that builds on the diverse, equitable and inclusive culture at USF. We want to be sure this budget process is linked to the strategic plan. We have a very short timeframe in which to do this, but we can do this. The structural deficit has occurred in our E&G or state resources and the utilization and the overcommitment of those resources. The other sources of revenue across the enterprise are what is driving a lot of the margin we saw in the financial statements presentation. But those are not flexible resources (auxiliaries, DSOs). We need to expand our portfolio of resources so we can address some of these issues and take the pressure off the state resources. State resources by themselves will not fix this entire problem. We need to do this through new resource generation, operational excellence, and innovative initiatives. The timeline on this is to develop a 5-year plan by the end of the fiscal year around the balancing of this budget. Success is defined as: 1) a balanced budget within 3 years (worst case scenario) by establishing a sustainable funds flow model with incentives that advance USF's mission of excellence; and 2) a new budget model that balances local autonomy with a strong sense of unity in vision and values, provides decision-makers with increased transparency into USF finances and fosters an information-rich disclosure on college priorities and budget matters, advances and encourages Campus and Health strengths and priorities, aligns authority and accountability, and provides for reasonable transitions and bridging strategies.

Trustee Ramil suggested that the organization take a hard look at spans of control and levels

between the CEO and the front line because these tend to get out of whack from time to time.

Chair Weatherford stressed that getting this right is critical for the future of this university. It is important for us to have a more inclusive, more easily forecastable and data driven budget model to be able to thrive in the future.

Trustee Seixas commented that bridging and transition are an important part of this process as well as the challenges that will be present as this is a significant change that is needed. The internal change management plan around this will be critically important.

Chair Griffin stated that the Finance Committee stands ready to support and assist in any way needed.

c. Federal Funds Update

Mr. Trivunovich provided an updated status of the USF Federal Funds received as a result of the pandemic, to include CARES/CRRSAA/ARPA funding expended to date as well as commitments to be funded in the future. USF has received \$195.3M in federal funding. This funding has come through three allocations: CARES funding of \$34.8M (evenly split between Student Financial Aid funds and institutional funds) which has been fully spent; and CRRSAA and ARPA funding of \$160.5M (\$69M allocated as Student Financial Aid funds and \$91M allocated as institutional funds). Institutional funds were to reimburse the university for any costs associated with the COVID virus. The grant period for the CRRSAA/ARPA funds requires it to be spent by May 25, 2022. Of the \$91M of CRRSAA/ARPA institutional funds, \$42.7M is lost revenue claimed, \$30.4M is for direct COVID expenses, \$2M has been set aside for contingency for unforeseen COVID-related expenses, and \$11.5M is allowable overhead on direct expenses. This overhead is allowed to be spent on administrative and other support costs. After identifying all of our expended or committed costs, there is \$4.4M in institutional funds that is uncommitted and will still need to be allocated. If we reach the end of the grant period with unspent funds, there is an additional \$26M in lost revenue that has been identified as allowable under the grant guidelines that we will draw down to the extent necessary in order to maximize our use of the federal funds. We also still have \$31M in unspent Student Financial Aid funds. These funds will be spent by the May 25, 2022 grant end date.

V. Adjournment

Having no further business, Chair Griffin adjourned the Finance Committee meeting at 11:40am.

Agenda Item: IIIb

USF Board of Trustees
March 8, 2022

Issue: Revisions to USF BOT 06-001 Board of Trustees Investment Policy

Proposed action: Approve Revisions to USF Board of Trustees Investment Policy
USF BOT 06-001

Executive Summary:

The USF Board of Trustees Investment Policy 06-001 was initially approved by the Board of Trustees on December 7, 2006, and last amended on March 3, 2015.

Attached are clean and red-line proposed revisions to the USF Investment Policy. The revisions were developed by the University, Foundation and DSOs. These revisions were promulgated to the University community for comment on October 21, 2021. No comments were received.

The Board of Trustees Investment Policy provides investment governance and guidance for 10 portfolios ranging in size from \$500 thousand to \$800 million, in aggregate, approximately \$2 billion.

These Policy revisions provide for the management of 3 distinct University investment portfolios: A University portfolio, a Foundation endowment portfolio and 8 DSO portfolios.

These Policy revisions authorize DSO Boards to prudently manage the financial assets of the DSO portfolio, adopt a policy statement, declare asset allocations, and provide quarterly investment performance reports to the DSO Board and University. Annual DSO investment reports may be requested by the Board of Trustees.

Once approved by the Board of Trustees, the final USF Board of Trustees Investment Policy 06-001 will be recommended to the DSOs for approval.

Financial Impact:

N/A

Strategic Goal(s) Item Supports: **Goal 5: Strong, Sustainable and Adaptable Financial Base**
BOT Committee Review Date: **Finance - February 21, 2022**
Supporting Documentation Online (please circle): **Yes** **No**
USF or Institution specific: **USF**
Prepared by: **Fell L. Stubbs, University Treasurer, (813) 974-3298**

UNIVERSITY OF SOUTH FLORIDA

INVESTMENT POLICY

Policy & Procedures Manual	Effective Date	Policy Number
INVESTMENT POLICY	12/07/06 – Approved by USF Board of Trustees 3/3/15 – Last Amended 3/3/15 – Last Reviewed <u>10-2021 – Redline Draft</u>	USF BOT 06-001

TABLE OF CONTENTS

	<u>PAGES</u>
1.0 Definitions	1
2.0 Introduction	1
3.0 Statement of Policy	1
4.0 Entities Covered by This Policy	3
5.0 Fund Investment Requirements	4
6.0 Fund Performance Objectives and Investment Report	4
7.0 Fund Asset Allocation	5

8.0	Fund Risk Management	7
9.0	Eligibility Criteria for Fund Investments	9
10.0	Eligible Types of Fund Investments	9
11.0	Fund Concentration Limits	13
12.0	Prohibited Fund Investments and Transactions	13
13.0	Disposal of Ineligible and Prohibited Fund Investments	15
14.0	Valuation of Fund Investment Assets and Liabilities	15
15.0	Related Party Investments	15
16.0	Conflicts of Interest	16
17.0	Exceptions to Policy	17
18.0	Transition Planning	17
	Exhibit A - Definitions	19

1.0 DEFINITIONS

Words and terms used herein shall have the same meanings, for the purpose of this Investment Policy, ascribed to them in Exhibit A attached hereto or elsewhere defined in this Investment Policy unless the context or use clearly indicates a different meaning.

2.0 INTRODUCTION (Purpose and Intent)

Mission of the University

The University of South Florida (the “University”) is a multi-campus national research university that supports the development of the metropolitan Tampa Bay Region, the United States and the world. Building upon unique strengths inherent in Florida’s population, location, and natural resources, the university is dedicated to excellence in:

- Teaching and lifelong learning in a student-centered environment
- Research to advance knowledge and promote social, cultural, economic, educational, health, and technological development
- Service based on academic excellence and the ethic of community responsibility
- Community engagement to build university-community partnerships and collaborations.

Purpose of the Policy

To fulfill its mission, the University will establish an investment program for the investment of funds of the University and of its direct support organizations (DSOs) and component units and units for which the University is legally and financially accountable (CUs) to provide for safety of capital, liquidity matched to needs for funds, and the optimization of investment returns at an acceptable degree of risk and at an acceptable cost.

The purpose of this [University Investment Policy document](#) (the “Policy”) is to establish a framework for active, prudent professional investment management that applies to all types of investment funds of the University and DSOs and CUs. This Policy states the responsibilities of the parties involved in carrying out the investment program to structure and manage investment portfolios, to evaluate returns and risk, and to report investment performance, all as appropriate to their funds.

[The Policy provides for the management of three distinct types of University investment portfolios: A University portfolio, a Foundation endowment portfolio and DSO portfolios.](#)

3.0 STATEMENT OF POLICY

3.1 It is the policy of the University of South Florida that investment management conform to the authority granted by Florida and Federal laws, its Board of Trustees and applicable regulations/policies of the Board of Governors and that the management of investment funds be conducted in such a manner as to promote the interests of the University.

3.2 The University and its DSOs and CUs may, subject to the Policy and specific authority from their respective Boards, develop supplemental investment policies for the Funds under their control.

3.3 The University and its DSOs and CUs shall, subject to the Policy and specific authority from their respective Boards, appoint Investment Committees and adopt Policy Statements and Investment Guidelines appropriate for the Funds under their control.

3.4 This Policy will be implemented, reviewed and monitored by the University CFO and the University Treasurer (“Treasurer”) and the designated CFO of the DSO and CU on behalf of their respective Boards, appropriate for the Funds under their control.

3.5 Under this Policy and pursuant to a delegation of investment authority by the Board of the University, the University CFO and the Treasurer are authorized to prudently manage the financial assets of the University portfolio invested as Short-Term Funds or Long-Term Funds. The University portfolio contains public funds and shall be structured to prioritize safety of principal and liquidity of funds. The realization of investment returns shall be secondary to the requirements for safety and liquidity (F.S. 218.415).

3.6 Under this Policy and pursuant to a delegation of investment authority by the Foundation Board, the Foundation Investment Committee is authorized to prudently manage the financial assets of the endowment portfolio invested as Long-Term Funds. As stated in the Foundation Endowment Investment Policy, the primary long-term investment objective of the endowment is to preserve the intergenerational equity of endowed gifts while providing a consistent and reliable source of funding to the University.

3.78 Under this Policy and pursuant to a delegation of investment authority by the Board of the DSO or CU, the Investment Committee CFO of the DSO or CU is authorized to prudently manage the financial assets of the DSO or CU portfolio invested as Short-Term Funds or Long-Term Funds.

3.89 Under this Policy, the Board of the DSO or CU is authorized to create a board-designated endowment (i.e., quasi-endowment or fund functioning as endowment) from a portion of funds not needed for liquidity and reserves of the DSO or CU. The designated amount shall not be less than one million dollars and the minimum time period shall not be less than five years. The board-designated endowment will be held as a long-term investment in either the Foundation endowment portfolio or the DSO or CU portfolio. The board-designated endowment shall support the long-term operations of the DSO or CU subject to the spending policy established by the Foundation or the DSO or CU. Only the Board of the DSO or CU may authorize redemptions after the minimum investment period.

3.9 The University Board, the Foundation Board and the DSO Boards and their respective Investment Committees CFO, Treasurer and CFO of the DSO and CU are is responsible for managing the Funds under their respective control in a prudent manner consistent with the “Prudent Person Rule” (F.S. 218.415(4)) and, where applicable to the Fund, the Florida Uniform

Management of Institutional Funds Act (F.S. 1010.10).

3.108 At least annually, the University CFO and CFO of the DSO and CU shall review the Policy, the Policy Statement and the Investment Guidelines, as they relate to their respective organizations, with the respective Board of the Fund.

3.119 If a material change in the Fund occurs, the University CFO or Treasurer or CFO of the DSO or CU shall review the Policy, Policy Statement and Investment Guidelines within 90 days of becoming aware of the change.

3.120 If a review leads to a change in the Policy, Policy Statement or Investment Guidelines, the proposed revisions shall be submitted to and adopted by the Boards of the University or DSO or CU, as appropriate, and submitted by the University CFO or CFO of the DSO or CU to the appropriate auditors in a timely fashion, following its adoption by the Boards of the University or DSO or CU.

3.134 The University CFO or CFO of the DSO or CU shall furnish a copy of the Policy to the appropriate auditor of the University or DSO or CU.

3.142 The Policy requires the Boards of the University and each DSO or CU to adopt a Policy Statement for the Fund which shall:

- (a) Declare the allocation of whether the University portfolio, the Foundation endowment portfolio or DSO or CU's ~~investment~~ portfolio into the is a Short-Term Fund and/or Long-Term Fund;
- (b) Declare Primary and Secondary (if desired) Performance Objectives for the Fund, stated both in terms of gross investment returns and net of fees / expenses, which are consistent with and appropriate for the economic environment and circumstances of the Fund;
- (c) Declare the Asset Allocation and Investment Guidelines for the Fund, consistent with its risk tolerances and return expectations;
- (d) Describe the ~~membership and~~ investment authority of the Investment Committee and/or relevant management;
- (e) Describe the risks and risk tolerances for the Fund;
- (f) State the time horizon of the Fund's assets; and
- (g) Address the liquidity needs of the Fund ~~and the University or DSO or CU~~ and other legal, regulatory or special constraining circumstances affecting the investments of the Fund.

3.153 The preparation, review and revision of the Policy, and the Fund's Policy Statement and Investment Guidelines, shall give due consideration to the

- (a) Type of Fund;
- (b) Management of interest, liquidity, credit and other financial risks to which the Fund is exposed;
- (c) Funding requirements relevant to the type of Fund;
- (d) Economic conditions;
- (e) Expenses;

- (f) Diversification of the investment portfolio by asset classes and within asset classes, and by investment manager and by investment manager style, as applicable and appropriate;
- (g) Use of options, futures and other derivatives;
- (h) Lending of cash or securities;
- (i) Retention or delegation of the voting rights acquired through investments;
- (j) Possible Related Party transactions within the limits established in the Policy for such transactions;
- (k) Any other matter affecting the investment of the Fund that would be appropriate to be considered in the development and preparation of the Policy and the Fund's Policy Statement and Investment Guidelines.

4.0 ENTITIES COVERED BY THIS POLICY

The Policy applies to the University ~~and~~ to DSOs and CUs. DSOs are separate not-for-profit corporations organized and operated exclusively to assist the University achieve its mission. CUs are organizations operated exclusively to assist the University achieve its mission as defined in Exhibit A to this Policy. In accordance with Florida Statutes and Rules, as applicable, and University Regulations and Policies, these organizations receive, hold, invest and administer property and make expenditures to or for the benefit of the University. All University, DSO and CU investment activities, to the extent such activity is allowed by applicable law, require approval by the University, DSO ~~and or~~ CU Boards, and such activities shall be managed by the ~~designated chief financial officer ("CFO")~~ of the University and Investment Committees of the, DSO ~~and or~~ CU.

5.0 FUND INVESTMENT REQUIREMENTS

5.1 The University CFO or Treasurer or Investment Committees ~~CFO~~ of the DSO or CU and investment managers, to the extent that the responsibility for the investment and management of the Fund has been delegated by the Boards, shall prudently invest and manage the assets under their responsibility in a manner consistent with the Policy, Policy Statement and Investment Guidelines and such that the Fund provides benefits to the University or DSO or CU at an acceptable risk and at a reasonable cost.

5.2 In the performance of their duties, the University CFO or Treasurer or Investment Committees ~~CFO~~ of the DSO or CU and investment managers shall:

- (a) Determine whether an investment will be able to provide an adequate return at an acceptable risk so that the University or DSO or CU can achieve its stated objectives;
- (b) Recognize the effects of expenses on investment returns by only incurring such costs that are appropriate and reasonable in amount;
- (c) Ensure that, prior to making an investment, appropriate due diligence has been conducted on the investment to ascertain whether credit worthiness, financial condition, earnings potential and ability to meet the obligations are satisfactory;
- (d) Ensure that any collateral or security is of satisfactory quality and value;

(e) Avoid leaving monies of the Fund idle, except in rare and unavoidable circumstances when cash is required to meet Fund obligations and then not for a period exceeding one month;

5.3 Investments shall be in the sole name of the Trustees of the University or the DSO or CU, or their nominee. For any investment held by way of a nominee, the name of the investment must clearly indicate that the nominee is holding the asset for the Trustees for and on behalf of the University or on behalf of the DSO or CU.

5.4 An investment shall not be made unless approved by the University CFO or Treasurer or Investment Committees ~~CFO~~ of the DSO or CU or by the Fund's investment manager, who has been given that investment discretion by the applicable Board in conformance with this Policy.

5.5 Investment transactions shall be undertaken at arm's length and at rates or prices comparable to those available in the market for similar investment transactions.

5.6 The Fund shall not undertake borrowing without the explicit prior approval of the University CFO or Board ~~CFO~~ of the DSO or CU. The reasons for borrowing and the University CFO or Board ~~CFO~~ of the DSO or CU approval must be appropriately recorded in the Minutes of the Meeting of the next occurring appropriate Board of the University or DSO or CU.

6.0 FUND PERFORMANCE OBJECTIVES AND INVESTMENT REPORTING

6.1 The Primary Performance Objective for the Fund is a total portfolio return which outperforms appropriate market and asset benchmark portfolio returns over a rolling 3 to 5-year time horizon, net of all investment expenses.

(a) The benchmark portfolio return is calculated on a weighted asset class basis and is compared to the appropriate benchmark weighted index returns for each of the major asset classes.

(b) Within the various asset classes, the performance objective is to outperform the relevant, appropriate benchmark index return.

6.2 If established by the Board of the Fund, ~~The~~ Secondary Performance Objective for the Fund is a positive rolling 5-year real total return, net of inflation as defined by the Consumer Price Index (CPI), and net of all Fund investment and operating expenses. ~~(a)~~ For Long-Term Funds, the Secondary Performance Objective is a rolling 5-year total return of greater than the rate of inflation plus 5.0% (3.0% for fixed income), after fees and expenses.

~~(b)~~

6.3 On a quarterly basis, the Treasurer for the University portfolio, the Foundation CFO for the endowment portfolio and the DSO CFOs for all DSO portfolios or CFO of the DSO or CU will provide an -detailed- Investment Report of the portfolio investment performance over 1, 3 and 5 year time periods compared to appropriate benchmark weighted index returns, including Asset Allocations, and compared to the Primary Objective and Secondary Objective, if established, to the Boards or Investment Committees of the Funds. to the University CFO and

~~Board of the University and DSO or CU, at least quarterly of the Fund's Investment Performance, compared to the respective Primary and Secondary Objectives. These quarterly Investment Reports and Asset Allocations will be provided to the Treasurer or University CFO and reviewed by the University Board.~~

6.4—~~At least annually, an Investment Report detailing investment performance for the University portfolio and overview of the DSO portfolios shall be provided by the Treasurer to the Board of the University and by the University CFO or Treasurer to the Board of Trustees of the University. Annual presentations may be requested of DSO Investment Reports to the Board of Trustees of the University.~~

7.0 **FUND ASSET ALLOCATION**

7.1 ~~The University Board and DSO Boards of the Funds shall establish~~ Asset Allocations ~~shall be~~ specific enough to establish a desired investment management framework appropriate for ~~each the~~ Fund. Asset Allocation shall be consistent with the objectives, risk tolerance and constraints of the Fund ~~and the University or DSO or CU~~. Asset Allocation shall provide clear guidance for investment portfolio management, providing the highest probability of meeting or exceeding the Fund's return objectives at the lowest risk, ~~to the University CFO and Treasurer and CFO of the DSO or CU, or investment managers, as and if applicable.~~

7.2 Asset Allocation provides for basic diversification of the Fund's investment portfolio in order to achieve the Performance Objectives with an acceptable exposure to risk. Asset Allocation recognizes that asset classes will, at different points in a market cycle, perform differently and that the combination of these classes will lower the overall volatility ~~of in~~ investment returns.

7.3 ~~Asset Allocations and Investment Guidelines, establishing more limited Asset asset classes Allocation, within the~~ minimum and maximum percent of Fund assets ~~for the Fund asset classes,~~ shall be recommended to the Board of the Fund by the Treasurer ~~for the University Funds~~ or CFO of the DSO or CU ~~and approved by the University and DSO Boards of the Fund.~~

7.4 ~~Asset Allocations and Investment Guidelines will be provided to the investment managers, to the extent that the responsibility for the investment and management of the Fund has been delegated.~~ ~~Asset Allocations and~~ Investment Guidelines will be developed in consideration of the Fund's economic environment, risk tolerances, return expectations and the Fund's liquidity needs.

7.54 ~~Asset Allocations and~~ Investment Guidelines, once adopted by the Board of the Fund, will be reported to the University CFO and reviewed at least annually.

7.65 Appropriate action will be taken to rebalance the Fund, generally on a quarterly basis, by the University Treasurer or CFO of the DSO or CU in order to stay within the Asset Allocations and Investment Guidelines and to maintain proper diversification among individual investment managers. Rebalancing may be accomplished by reallocating funds among asset classes and by managing cash flows into or out of the asset classes by adding funds to underweight asset classes

or by withdrawing funds from overweight asset classes.

7.76 Asset Allocations shall first be made to Short-Term Funds to meet the liquidity needs of the University or DSO or CU.

7.8 Asset Allocations exceeding the liquidity needs of the University and DSO or CU may be allocated to Long-Term Funds.

7.9 The Board of the University and DSO Funds shall approve the Asset Allocation of the Fund's investment portfolio, allocated to asset class targets, within a minimum and maximum percentage of the total portfolio for each asset class, ~~shall be as follows:~~

EXAMPLE OF DSO ASSET ALLOCATION

<u>Short-Term Funds:</u>	<u>Asset Allocation</u>	
<u>Asset Class</u>	<u>Target Percent</u>	<u>Minimum and Maximum Percent of Fund Assets</u>
Domestic Fixed Income Securities and Fixed Income Pooled Funds	<u>30%</u>	0% to <u>90%</u> of <u>Funds</u>
Cash Equivalent and Money Market Funds	<u>70%</u>	0% to <u>100%</u> of <u>Funds</u>
<u>Total Short-Term Funds</u>	<u>100% of Short-Term Funds</u>	
<u>Total Short-Term Funds as % of Total Investment Portfolio</u>		
		<u>80% of Total Investment Portfolio</u>
<u>Long-Term Funds:</u>	<u>Asset Allocation</u>	
<u>Asset Class</u>	<u>Target Percent</u>	<u>Minimum and Maximum Percent of Fund Assets</u>
Domestic Fixed Income Securities and Fixed Income Pooled Funds	<u>30%</u>	15% to <u>40%</u> of <u>Funds</u>
Foreign Fixed Income Pooled Funds	<u>0%</u>	0% to <u>120%</u> of <u>Funds</u>
Domestic Equity and Equity Pooled Funds	<u>70%</u>	25% to <u>850%</u> of <u>Funds</u>
Foreign Equity Pooled Funds	<u>0%</u>	<u>015%</u> to <u>135%</u> of <u>Funds</u>
Mortgage and Asset-Backed Securities and		

Real Estate and Real Asset Pooled Funds	<u>0%</u>	0% to <u>20%</u> of <u>Funds</u>
Alternative and All Other Investments	<u>0%</u>	0% to <u>120%</u> of <u>Funds</u>
<u>Total Long-Term Funds</u>		<u>100% of Long-Term Funds</u>
<u>Total Long-Term Funds as % of Total Investment Portfolio</u>		<u>20% of Total Investment Portfolio</u>

7.7 Where short-term funds may be invested with a long-term horizon, while maintaining the liquidity needs of the Fund, the University Board or Board of the DSO or CU may, to enhance ~~maximize~~ investment returns, invest a portion of such short-term funds in asset classes described as long-term within this Policy

8.0 FUND RISK MANAGEMENT

8.1 Investment risk is commonly described by relating it to the uncertainty or the volatility of potential returns from a portfolio or investment over time. The source, probability and impact of this uncertainty depend on the particular portfolio or investment. Sources of investment risk include financial exposure to changes in interest rates, equity and debt markets, inflation, foreign exchange rates, commodity prices, and other global economic and political conditions. Risk also resides in concentrations of securities by issuer and asset class and in concentrations of investments with investment managers. These risks will be diversified across major asset classes, within asset classes and across investment managers.

8.2 Effective risk management requires an understanding of the objectives of the Fund and the University and the DSO and CU, the tolerance for risk, as well as the types and characteristics of portfolios and invested assets. The Treasurer or CFO of the DSO or CU shall develop and establish risk management processes that effectively assess, control and monitor the risks.

8.3 An effective risk management system is characterized by active supervision of risks. The Treasurer or CFO of the DSO or CU shall monitor the implementation of investment risk strategies, the adequacy and effectiveness of the risk management process, and the investment manager’s performance in achieving its strategic and financial objectives.

8.4 Effective risk management requires that the risks assumed in the investment portfolios be identified and understood. The Treasurer or CFO of the DSO or CU and investment managers for the Fund shall identify the risks and the related means to measure the risks and the necessary controls and monitoring systems. The Treasurer or CFO of the DSO or CU and investment managers shall have access to timely and competent economic analyses and forecasts for the capital markets in which the Fund is investing to enable the Treasurer or CFO of the DSO or CU and investment managers to continually monitor capital market expectations and developments, currency relationships, interest rate movements, commodity prices and expected returns for asset

classes and individual investments. These forecasts and recommendations enable the Treasurer or CFO of the DSO or CU and investment managers to establish appropriate investment guidelines and strategies, select appropriate investments, and manage risk effectively. Annually, the Treasurer shall complete at least 8 hours of continuing professional education related to investment practices and products.

8.5 Risks will vary over time due to changes in the objectives of the University or DSO or CU and the characteristics and objectives of the Fund, composition of the Fund assets, capital markets, economies and political environments. Therefore, the evaluation of the risk assessment, measurement and monitoring systems by the Treasurer or CFO of the DSO or CU shall be ongoing.

~~8.6 — An Investment Report, detailing Investment Performance for the Fund, shall be provided by the Treasurer to the Board of the University, and by the CFO of the DSO or CU to the Board of the DSO or CU, on a quarterly basis. An Investment Report of the Investment Performance for all Funds of the University and DSO and CU shall be provided to the Board of Trustees of the University, by the University CFO, on at least an annual basis.~~

~~8.67~~ Delegation of investment and management authority to third-party fiduciary managers, to the extent that the responsibility for the investment and management of the Fund has been delegated, is a critical element in the Fund's risk management. Consideration of third-party fiduciary managers shall include, at a minimum, the Treasurer's and the CFO's for the DSO or CU, as applicable, annual review of the firm's investment and business practices, professional resources, client reporting capabilities, financial strength, historic performance, regulatory history, personnel turnover, comparative fees, and other relevant factors. The Treasurer or CFO of the DSO or CU shall review the firm's approved written policies and standards that support its risk management practices, operating procedures and control processes. The Treasurer or CFO of the DSO or CU shall review the investment manager's risk management system to ensure that it is supportive of the Fund's investment objectives. The Treasurer and the CFO for the DSO or CU, as applicable, shall review the investment manager's performance quarterly, and meet with the investment manager to review performance and independently evaluate the performance of the investment manager at least annually for the respective Board of the Fund.

~~8.78~~ Selection of investment managers for Alternative Investments should be based on, but not limited to, the following criteria: tenure and track record of management team, expertise in targeted areas of investment, diversification strategy, policies for valuation and market value reporting, lockup requirements, liquidity of investments, level of general manager investment, fees, potential conflicts of interest, audited financial statements and performance relative to other similar investments.

~~8.89~~ Third-party investment managers, depositories, custodians, broker/dealers and investment consultants shall be appointed by the Board of the University or DSO or CU, as appropriate, in accordance with applicable law.

~~8.910~~ Investment managers will receive a written letter of instruction outlining investment instructions ~~and asset allocation parameters in writing~~. Investment managers will only invest in

the securities class(es) for which they were retained to manage ~~and will be responsible for making decisions on a fully discretionary basis, including buy, hold, sell and timing decisions.~~ A manager's Investment Management Agreement or other subscription documents that detail the manager's strategy and execution of the strategy will satisfy this requirement.

8.10~~4~~ All securities purchased by the University, DSO or CU, or its investment managers, shall be designated as an asset of the University, DSO or CU, or its nominee, and held in safekeeping by a third-party custodial bank or other third-party custodial institution. No withdrawal of securities, in whole or part, shall be made from safekeeping except by those designated in an Investment Management and Custodial Agreement.

8.11~~2~~ Sales, purchases and exchanges, competitively bid when feasible and appropriate, should be effected through well-capitalized nationally-known financial institutions, recognized as being major participants in the equity and fixed income markets, in accordance with appropriate investment practices.

8.12~~3~~ The University, DSO, CU and investment managers, if applicable, shall maintain master repurchase agreements and require all approved institutions and dealers transacting repurchase agreements to adhere to the requirements of the master repurchase agreement.

9.0 ELIGIBILITY CRITERIA FOR FUND INVESTMENTS

9.1 Eligibility of an investment is to be determined at the date of its acquisition.

9.2 An investment shall be regarded as eligible for purchase or acquisition by the Fund if it
(a) Meets the applicable requirements of the Policy and applicable Statutes;
(b) Is not then in default in any respect;

9.3 The percentage of assets that the Fund has invested in an investment or security shall be determined by the following:
(a) Adding the value of the Fund's proportionate holding of the investment or security by each type of asset in which the Fund is invested, to the value of the asset held in the Fund's remaining investment holdings, then
(b) Dividing the sum calculated under paragraph (a) by the total value of the Fund's assets.

9.4 The calculated amount of assets that the Fund has invested in an asset class shall not exceed the maximum and minimum Asset Allocation for the specific asset class, which has been approved by the Board of the Fund or Investment Committee and described by the Policy and Policy Statement and more specifically described by the Investment Guidelines for the Fund. Calculations of all percentage limitations shall be done on a market value basis.

10.0 ELIGIBLE TYPES OF FUND INVESTMENTS

10.1 The University CFO and Treasurer or CFO of the DSO or CU and investment managers, to the extent that the responsibility for the investment and management of the Fund has been delegated, may invest the Fund's assets in any type of investment permitted by applicable Statutes and the Policy. If a conflict concerning eligible investments arises between the Statutes and the Investment Policy, the eligible investments described in the Statutes shall apply.

10.2 Eligible Investments – SHORT-TERM FUNDS

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (b) United States Treasury Obligations: Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United State of America with a remaining maturity at the time of purchase of 5 years or less.
- (c) United States Agency Obligations: Direct obligations of the federal agencies which are fully guaranteed by the full faith and credit of the United States of America with a remaining maturity at the time of purchase of 5 years or less.
- (d) Direct obligations of Federal Agencies, whose obligations are guaranteed by the implied full faith and credit of the United States of America, with a remaining maturity at the time of purchase of 5 years or less,
- (e) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.
- (f) U.S. dollar denominated certificates of deposit, deposit accounts and bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any- domestic commercial bank provided that such bank's short-term certificates of deposit are rated "P-1" by Moody's and "A-1" or better by S&P (not considering holding company ratings).
- (g) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase in the highest classification, "P-1" by Moody's and "A-1" or better by S&P.
- (h) Investments in a Securities and Exchange Commission registered money market fund rated "AAAm" or "AAAm-G" by S&P or "First Tier" consistent with SEC Rule 2a-7 if not rated and being no-load funds.
- (i) Pooled Fund investments in a U.S. registered and professionally managed fixed income indexed or actively managed mutual fund with an effective duration of 5 years or less comprised of securities with an average weighted rating of "A" by S&P.
- (j) Municipal Obligations or direct, general obligations of any state of the United States of America or any subdivision or agency thereof, whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P with an original or remaining maturity at the time of purchase of 5 years or less.
- (k) Corporate notes or other direct obligations issued, assumed or guaranteed by an institution with a minimum credit rating when purchased of "A" or equivalent with an

original or remaining maturity not to exceed five years.

(l) Mortgage-backed pass through securities guaranteed by the U.S. Government or a Federal Agency, including securities collateralized by the same (CMO). Investments in CMOs shall be limited to PACs (planned amortization class), NAC (non-accelerated class) or VADM (very accurately defined maturity) securities. The effective duration of these securities shall not exceed 5 years.

(m) Asset-backed securities with credit ratings of “A” or better. The remaining maturity at the time of purchase of these securities shall not exceed 5 years.

(n) The State of Florida’s [Local Government Surplus Funds Trust Fund](#), [Intergovernmental Investment Pool](#), ~~Treasury and~~ State Board of Administration Investment Pool(s), [and the State Treasury Investment Pool](#).

(o) Repurchase agreements, fully secured and collateralized at 102%, which collateral must be held by a third party, whose underlying instruments are securities or obligations of governments with a credit rating of “A” or equivalent, and securities and obligations of the U.S. Government. All agreements will be in compliance with Federal Reserve Bank guidelines.

(p) Securities lending must be fully secured and collateralized by obligations authorized under this Policy. Such collateral must be held by a third party. All agreements will be in compliance with Federal Reserve Bank guidelines.

(q) Where short-term funds may be invested in investments with a long-term horizon while maintaining the liquidity needs of the Fund, the University Board or Board of the DSO or CU may, to ~~enhance~~[maximize](#) investment returns, invest a portion of such short-term funds in asset classes described as long-term within this Policy.

[\(r\) Loans to University departments, auxiliaries and institutes where authorized by the University Board of Trustees or Board of Directors of the DSO or CU.](#)

[\(s\) Investments as specifically authorized by the University Board of Trustees or Board of Directors of the DSO or CU.](#)

10.3 Eligible Investments – LONG-TERM FUNDS

(a) Corporate notes or other direct debt obligations issued, assumed or guaranteed by an institution with a minimum credit rating when purchased of “A” or equivalent.

(b) Direct commercial paper or promissory notes which have been guaranteed by a domestic commercial bank or life insurance company and the term of which note or paper is not greater than the term of the guarantee, with a minimum credit rating when purchased of “A” or equivalent.

(c) Direct stocks and equity shares of institutions whose securities are listed on a recognized stock exchange of the United States.

- The Fund may invest in the shares of a company offering shares in an initial public offer where the company intends to list on a recognized U.S. stock exchange of a recognized jurisdiction and where the initial public offer meets the requirements of the Securities Acts,

- The Fund may invest in preferred or guaranteed shares, other than ordinary shares, of any institution to which this provision applies.

(d) Pooled Funds [investments](#) which are professionally managed [indexed or actively](#)

managed mutual funds ~~and~~ registered with the Securities and Exchange Commission and invested in the following securities authorized by this Policy:

- U.S. Equity Pooled Funds ~~—Indexed and Actively Managed Pooled Funds,~~
- U.S. Fixed Income Pooled Funds ~~—Indexed and Actively Managed Pooled Funds,~~
- Foreign Equity and Foreign Fixed Income Pooled Funds ~~—Indexed and Actively Managed Pooled Funds~~ (traded as U.S. dollar denominated American Depository Receipts (ADR's) on U.S. exchanges),
- Real Asset Pooled Funds ~~— real estate Estate funds Pooled Funds and real estate investment trusts, and commodities, Real Asset Pooled Funds (timber and natural resources funds) used to diversify and enhance the return of the Fund, containing publicly traded instruments such as real estate investment trusts, commodities, inflation linked notes, etc.; also private real asset partnerships investing in real estate and natural resources,~~

(e) Loans and mortgages subject to the following provisions:

- Invested in loans, mortgages or deeds of trust collateralized by real property located in Florida for the sole benefit of the University, provided that adequate collateral is pledged,
- Loans secured by a pledge of securities or evidences of debt Eligible for Investment,
- Loans granted under these provisions must not exceed 80 percent of the remaining value of the collateral at the date of grant and specify a repayment date and schedule for repayment. For the purposes of these provisions, the remaining value of the collateral is determined by subtracting the total outstanding balance of loans, charges, pledges or liens which rank *pari passu* (equal to) or higher than the loan being considered from the fair market value of the collateral,
- The total value of loans or mortgages to any single related party must not exceed 1 per cent of the fair market value of the Fund's total assets.

(f) Real Property subject to the following provisions:

- Buildings and other improvements located on mortgaged premises shall be kept insured against loss or damage from fire in an amount not less than the unpaid balance of the obligation or the insurable value of the property, whichever is greater, and
- Developed real property must be kept insured for its insurable value against loss or damage from fire.

(g) Mortgage-backed pass through securities guaranteed by the U.S. Government or a Federal Agency, including securities collateralized by the same (CMO). Investments in CMOs shall be limited to PACs (planned amortization class), NAC (non-accelerated class) or VADM (very accurately defined maturity) securities. The effective duration of these securities shall not exceed 5 years.

(h) Asset-backed securities with credit ratings of “A” or better. The effective duration of these securities shall not exceed 5 years.

(i) Alternative ~~and All Other~~ Investments.

- The Alternative All Other Investments asset class includes all other

Eligible investments, loans and securities, plus all other investments, loans and securities that have not been specifically identified as Eligible in the Policy but have been individually or as a class approved by the Board of the University, DSO, or CU, as applicable, which collectively shall not exceed ~~20~~25 percent of the fair market value of the Fund's assets.

- The Alternative Investments asset class, used to diversify and enhance the return of the Fund, includes, but is not limited to, the following: venture capital, private equity partnerships, real estate partnerships, mezzanine, distressed ~~or high yield~~ debt, private credit, pooled funds not registered with the SEC and hedge funds.
- Each Alternative investment will be approved by the appropriate governing body of the Fund.
- Hedge fund investments will only be made that would comprise less than 10% of any individual partnership's assets, unless specifically approved by the Board of the University, DSO, or CU, as applicable.

(j) Hedging Transactions subject to the following provisions:

- The Fund may use *bona fide* hedging transactions and derivative instruments for the sole specific objective of altering the risk profile of its investment portfolio,
- In all cases, the Fund may not use derivatives for the primary purpose of generating income or to speculate on securities or commodity prices,
- For the purposes of this provision, *bona fide* hedging transactions are those which pertain to securities otherwise eligible for investment including but not limited to financial futures contracts, warrants, options, calls and other rights of purchase; and puts and other rights which require another person to purchase the securities, and
- Provided in all cases that the official responsible for making investment decisions concerning eligible derivative products must have a sufficient understanding of derivative products and the expertise to manage them.

(k) Securities lending must be fully secured and collateralized by obligations authorized under this Policy. Such collateral must be held by a third party. All agreements will be in compliance with Federal Reserve Bank guidelines.

11.0 FUND CONCENTRATION LIMITS

11.1 Subject to the provisions of the Policy, the Fund shall not hold, acquire or purchase, any combination of investments in or loans upon the security of the obligations, property, and securities of any one issuer exceeding 5 percent of the market value of the assets of the Fund. Direct investments in securities of the U.S. Government, Government Agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of U.S. Government Securities are not subject to these restrictions.

11.2 The Fund may not, either by itself or in conjunction with any related party, acquire, hold or control, without the prior approval of its appropriate governing body, in excess of 5 percent of

the voting shares in a corporation or interest in any company.

11.3 Limitations based upon the fair market value of the assets of the Fund shall relate to the Fund's assets as declared in the financial statements of the University or DSO or CU filed with the Auditor General of the State of Florida at the end of the previous fiscal year.

- 11.4 The limits imposed by the paragraph 11.1 do not apply:
- (a) If it can be shown to the satisfaction of the Boards of the University or DSO or CU that the sole cause for the limit being exceeded is as a result of the market appreciation of the investment;
 - (b) To the acquisition by the Fund of other or additional securities or property by way of dividend or as a lawful distribution of assets, or pursuant to a lawful and bona fide agreement of merger, or consolidation.

12.0 PROHIBITED FUND INVESTMENTS AND TRANSACTIONS

12.1 The Fund shall not engage in short selling.

12.2 The Fund shall not directly invest in or loan its funds upon the security of, or hold the following:

- (a) Ineligible investments or loans under the Statutes or provisions made thereunder;
- (b) Derivative obligations which are not Hedging Transactions, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (c) Foreign equities and foreign fixed income securities and Pooled Funds traded in foreign currencies and on foreign exchanges.
- (d) Fixed income obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date. These prohibited securities are not intended to exclude otherwise permitted inflation protected securities;
- (~~e~~) Securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index, or securities whose future coupon may be suspended because of the movement of interest rates or an index;
- (~~f~~) Tranches of collateralized mortgage obligations (CMO) which receive only the interest or principal from the underlying mortgage securities, commonly referred to as IOs or POs;
- (~~g~~) Reverse repurchase agreements;
- (~~h~~) Securities issued by an insolvent institution;
- (~~i~~) Unsecured loans or leases;
- (~~j~~) Speculative investments such as investments which expose the Fund to extraordinary risk;
- (~~k~~) Loans and investments in entities related to the auditors or accountants of the Fund, University, DSO or CU;
- (~~l~~) Mortgages for properties located outside of Florida, except when approved by the University CFO, or Board of the DSO or CU; and
- (~~m~~) Any investment or security which is designed to evade any prohibitions under the Statutes or provisions made thereunder.

12.3 The Fund shall not participate in the underwriting or the marketing of securities in advance of their issuance or enter into any transaction for such underwriting for the account of the Fund jointly with any other person. The Fund may subscribe to the securities when issued or enter into any agreement to withhold from sale any of its property or to repurchase any property sold by it, except repurchase agreements held pursuant to the provisions contained herein for eligible repurchase agreements.

12.4 The Fund shall not increase its holdings in securities or assets, as prescribed in this Policy, to an amount more than the prescribed Asset Allocation limits or other Investment Guidelines except with the approval permitted in paragraph 17.0.

12.5 The assets of the Fund shall not be directly or indirectly invested in securities or investments which are not traded on a recognized United States stock exchange, except when specifically approved by the University CFO or Board of the DSO or CU, as applicable. This restriction shall not apply to Alternative Investments and securities received as a gift, which securities should be liquidated within 1 year of receipt.

12.6 These restrictions do not apply to assets acquired by means of an intellectual property agreement.

13.0 DISPOSAL OF INELIGIBLE AND PROHIBITED FUND INVESTMENTS

13.1 In instances where the prescribed investment limits in the Policy have been exceeded, the Fund shall dispose of such assets or make such investments as are necessary to bring the Fund's investments within the prescribed limits or shall obtain the approval permitted in paragraph 17.0.

13.2 Any investments acquired by the Fund pursuant to defaults on loans, mortgages, liens, judgments, or other debts shall be disposed of within 1 year after the date of acquisition. The University CFO or CFO of the DSO or CU may extend the time for any such disposal for a definite additional period or periods upon application and reasonable showing that a forced sale of the investments would be inimical to the Fund. Any such investment held by the Fund without the consent of the Board of the University or DSO or CU beyond the time permitted for its disposal shall not be carried or allowed as an asset of the Fund.

14.0 VALUATION OF FUND INVESTMENT ASSETS AND LIABILITIES

14.1 Assets and liabilities of the Fund shall be valued at fair market value.

14.2 An independent external appraiser approved by the University CFO or CFO of the DSO or CU shall:

(a) Determine the valuation of real property, excluding Real Estate Pooled Funds, upon the

(i) Making of a mortgage loan;

- (ii) Purchase or acquisition of real property, and then no less frequently than each 3 years thereafter;
 - (iii) End of the Fund year coinciding with the effective date of the valuation required by the Investment Policy.
- (b) Where the University CFO or CFO of the DSO or CU deems appropriate, verify valuations for assets which are not real estate; and
- (c) Obtain new appraisals when the University CFO or CFO of the DSO or CU at the expense of the Fund deems it advisable.

15.0 RELATED PARTY INVESTMENTS

15.1 The assets of the Fund shall not be directly or indirectly invested in real property associated with the occupancy or expansion of the business of the investment manager, investment consultant, auditor, University CFO, University President, University Trustees, Board members of the DSO or CU, Treasurer, CFO of the DSO or CU or the associated companies of the foregoing.

15.2 The total of Related Party securities or investments must not exceed 1 percent of the fair market value of the assets of the Fund, unless otherwise restricted pursuant to the requirements of law, including Chapter 112, Florida Statutes, as applicable.

15.3 In any transaction that is entered into by, or on behalf of, the Fund with a person who the University CFO or CFO of the DSO or CU, or any person acting on behalf of the University or DSO or CU Board, knows will become a Related Party to the Fund, that person shall be considered to be a Related Party in respect of the transaction and the fulfillment of an obligation under the terms of any transaction is part of the transaction and not a separate transaction.

15.4 All transactions with Related Parties shall have the prior written approval of the University CFO or CFO of the DSO or CU and be disclosed to the Board of the University or DSO or CU, and regardless of whether an investment manager may have been given discretionary investment powers, and conform to applicable law, including Chapter 112, Florida Statutes.

15.5 The Treasurer or CFO of the DSO or CU shall maintain a register of all Related Party transactions.

15.6 The register must show in relation to each transaction

- (a) The name of the Related Party;
- (b) Description of the connection with the Fund;
- (c) Type and amount of the investment;
- (d) Date of the transaction and of the approval.

16.0 CONFLICTS OF INTEREST

16.1 The provisions of the Policy apply to individuals defined as a Related Party or a third party retained by a Related Party to provide services to the Fund.

16.2 No Related Party or other person described above may exercise his powers in his own interest or in the interest of a third person, nor may he place himself in a situation of conflict or potential conflict between his personal interest and his duties with regard to the investments of the Fund.

16.3 Any Related Party or other person described above shall disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investments of the Fund. Without limiting the generality of the foregoing, this would include material benefit from any asset held in the Fund, or any significant holding, or membership on the board, or any actual or proposed contracts with the issuer of any securities or investment which are or will be included in the Fund.

16.4 A Related Party or other individual described above shall disclose in writing the nature and extent of his interest to the University CFO or Board of the DSO or CU immediately upon first becoming aware of the conflict. The disclosure must also be made orally if the knowledge of the conflict arises in the course of discussion at a meeting.

16.5 If a Related Party or other individual described above disclosing the conflict has the capacity to participate in or to make decisions affecting the investments of the Fund, the party may only continue to participate in conformance with applicable law and, if allowable, with the approval of the University CFO or the Board of the DSO or CU. The party may elect not to participate with respect to the issue in conflict unless prohibited from doing so by applicable law. His notification shall be considered a continuing disclosure on that issue for purposes of the obligations outlined by these provisions.

17.0 EXCEPTIONS TO POLICY

Exceptions to some of the requirements specified in this Investment Policy may occasionally occur due to events subsequent to the purchase of investment instruments (e.g. the rating of a corporate note held in the portfolio is downgraded below an "A" rating, or an investment or asset class in the portfolio may appreciate or decline causing the percentage of the total portfolio to rise above or fall below the minimum or maximum percent of Fund assets) or due to other needs in the best interests of the University.

The University CFO and the designated CFO of the DSO or CU and their respective Boards shall be informed immediately of any exception.

Exceptions shall be reviewed for possible corrective action. Exceptions may be temporary or more lasting; they may be self-correcting or require specific action. If specific action is required, the University CFO and CFO of the DSO or CU, as appropriate, will determine the course of action that will correct exceptions. Any subsequent investments will not extend existing exceptions. Exceptions, and the course of action to correct the exceptions, will be reviewed with

the University Board and DSO or CU Board, as appropriate.

The Board [of Trustees](#) of the University reserves to itself the exclusive right to revise or grant exceptions to the Investment Policy. As long as an exception to the Policy continues, it will be re-evaluated by the Board [of Trustees](#) of the University and the respective governing Board at least on an annual basis.

18.0 TRANSITION PLANNING

18.1 Within 60 days of the Policy [or revised Policy](#) being approved by the University [Board of Trustees](#)~~President or Board of the DSO or CU~~, the Treasurer or CFO of the DSO or CU shall file with the University CFO or Board of the DSO or CU:

(a) A statement noting that the Fund is in compliance with the requirements of the Policy and the Statutes; or

(b) A plan [recommended to the Board of the Fund](#) ~~approved~~ by the Treasurer or CFO of the DSO or CU:

(i) Specifying in detail how compliance is to be achieved within a reasonable period not exceeding 5 years; and

(ii) Delineating specific goals to be achieved within a specified reporting period not exceeding 1 year.

18.2 The Treasurer or CFO of the DSO or CU shall review each plan filed pursuant to these transition provisions and shall determine if the plan is reasonable to achieve compliance and specific goals.

18.3 If the Treasurer or CFO of the DSO or CU determines that the plan is not reasonable or does not establish specific goals that may be objectively reviewed, the Treasurer or CFO of the DSO or CU shall not ~~recommend approve~~ the plan [to the Board of the Fund](#) and shall notify the investment manager of the Fund and give the investment manager a period of time not greater than 30 days to submit a plan which is sufficient to comply with the mandate.

18.4 If the Treasurer or CFO of the DSO or CU determines that the plan is reasonable and establishes goals that may be objectively reviewed, the Treasurer or CFO of the DSO or CU shall ~~recommend approve~~ the plan [to the Board of the Fund](#) and so notify the investment manager.

18.5 Upon successful completion of the plan, the Treasurer or CFO of the DSO or CU shall provide to the University Chief Financial Officer or Board of the DSO or CU a statement [or other comparable documentation to indicate](#) that the Fund is in compliance with the requirements of the Policy.

EXHIBIT A

DEFINITIONS

“Asset Allocation” means an investment framework of the Fund’s investment portfolio allocated within a minimum and maximum percentage of the total portfolio for each asset class. Asset Allocation is specific enough to establish a desired investment management framework, yet allow latitude for reasonable flexibility on the part of investment managers. Asset Allocation shall be consistent with the objectives, risk tolerance and constraints of the Fund and provide clear investment portfolio management guidance to the investment managers;

“Board” of the University means the governing body for the Fund, as declared in a Policy Statement adopted by the University, University Board of Trustees or President of the University. “Board” of the DSO or CU means the governing body for the Fund, as declared in a Policy Statement adopted by the DSO or CU Board of Directors ~~/ Trustees~~. “Board” of the University or DSO or CU shall include the Investment Committee, provided that the Board has delegated investment authority for the Fund to an Investment Committee, as declared in the Policy Statement;

“CFO” of the University or DSO or CU means the designated CFO or senior finance officer of the University or DSO or CU or authorized officers or Investment Committees of the Boards of Directors / Trustees of the University or DSOs or CUs;

“CU” means Component Unit of the University, pursuant to Department of Education Rule 6C-9.017 Florida Administrative Code, as certified by the University, or a unit for which the university is financially accountable. It does not include programs, such as those established pursuant to Florida Statute 1004.24 and Florida Administrative Code 6C-10.001, which are housed at the University but whose assets are the legal and financial responsibility of an entity other than the University. Certain programs housed at the University are separately created by Florida Statute and Florida regulations as programs whose assets are the property of an entity other than the University. While those programs are not included in the definition of “component units”, their assets may be recorded in the University’s financial statements. Therefore, those programs, consistent with applicable statutes/regulations by which they are governed and their own prudent, effective investment practices and guidelines, will use this Policy’s terms as guidance to help ensure their practices comply with the University’s financial responsibilities;

“DSO” means Direct Support Organization, pursuant to Section 1004.28 Florida Statutes, as certified by the University;

"Employee" means a full time, part-time or contract worker;

"Fair market value" shall be determined on a consistent basis in compliance with the Financial Accounting Standards Board Statements, the Government Accounting Standards Board Statements, industry guidelines, or State Statutes, whichever is applicable;

"Fund” means a Short-Term Fund, typically invested in short-term interest bearing investments,

or a Long-Term Fund, typically invested in longer-term interest bearing, equity and other types of investments. Funds shall be designated as Short-Term Funds or Long-Term Funds by a Policy Statement adopted by the Boards of the University or DSO or CU. The term "Fund" shall mean Short-Term Fund or Long-Term Fund, as the case may be;

"Hedging Transaction" means a purchase or sale of a contract, warrant, option, call, put, or right entered into for the purpose of minimizing risks or offsetting changes in the market values or yield rates of securities held or sold by the Fund;

"Investment Committee" means the Investment Committee of the University, DSO or CU Board, provided that the Board has delegated investment authority for the Fund to an Investment Committee;

"Investment Guidelines" means specific [Investment Guidelines](#) or [asset class targets](#) approved by the appropriate governing body of the Fund for a more limited asset allocation mix within the Investment Policy's minimum and maximum Asset Allocation limits for asset classes and / or guidelines for diversifying asset mix among types of eligible investments within the asset classes;

"Investment Performance" is the use of performance measurement systems to calculate a standardized performance return on a portfolio, the various asset classes and the investments over a specified time period. The methods of calculating the returns on a time-weighted, risk-adjusted, total return basis and in a fair, understandable and consistent manner should be consistent with the standards of the investment industry. The use of benchmarks, the standard of comparison for investment performance, will facilitate the evaluation of relative portfolio returns and investment manager performance;

"Investment Report" means a detailed Investment Report provided to the Investment Committee or Board of the Fund on a quarterly basis and the University Trustees and DSO or CU Board at least annually of the Investment Performance of the Fund's Primary and Secondary Investment Performance Objectives. If Fund investment and management responsibility has been delegated to investment managers, the Investment Report will also describe the Investment Performance of the Fund's Primary and Secondary Investment Performance Objectives attained by the investment manager before and after the investment manager's compensation;

"Long-Term Funds" means funds with a long-term investment horizon, in theory perpetual, which may generate a stream of earnings to support current operations that will remain stable or grow in real or inflation-adjusted terms, and which may include true endowment funds (funds received from a donor with a restriction that the principal is not expendable), term endowment funds (funds for which the donor stipulates that the principal may be expended after a stated period of time or upon the occurrence of a certain event) and funds functioning as endowments (funds that have been established by the governing board to function like an endowment fund but that may be expended at any time at the discretion of the board);

"Material change" includes a

- (a) Change of status of the Fund including termination or winding up of the Fund -

partially or in its entirety;

(b) Merger of the Fund with another fund;

(c) Change in the declared Short-Term or Long-Term status of the Fund;

(d) Substantial change in investments or delegation of investments to an investment manager; or

(e) Other material change in circumstances that the Board or other appropriate governing body of the Fund may declare from time to time;

"Miscellaneous Investments" includes investments, loans and securities that have not been specifically identified in this Policy;

"Obligation" includes bonds, debentures, promissory notes, commercial paper or other evidences of indebtedness;

"Performance Objective(s)" includes two performance objectives for each Fund: (a) the Primary Investment Performance Objective, and (b) the Secondary Performance Objective;

"Policy Statement" means a declaration of the Fund's status made by the appropriate governing body of the Fund, whether the Board of the University or DSO or CU or Investment Committee of the University or DSO or CU with delegated investment authority for the Fund or other appropriate governing body of the Fund;

"Pooled Funds" means professionally managed indexed or actively managed [mutual](#) funds registered with the Securities and Exchange Commission and listed on stock exchanges in the United States;

"Primary Investment Performance Objective" for the Fund is a total portfolio return which outperforms appropriate market and asset benchmark portfolio returns over a rolling 3 to 5-year time horizon, net of all investment expenses. The benchmark portfolio return is calculated on a weighted asset class basis and is compared to the appropriate benchmark weighted index returns for each of the major asset classes. Within the various asset classes, the performance objective is to exceed the relevant, appropriate index return;

"Prudent Person Rule" means that in making or retaining each and all investments and in acquiring, investing, reinvesting, exchanging, retaining, selling, supervising and managing funds, there shall be exercised the judgment and care, under circumstances then prevailing, that persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment;

"Recognized stock exchange" means any stock exchange that is qualified to operate as a stock exchange in the United States of America;

"Related Party" The following persons shall be treated as a Related Party to the University:

(a) The administrator, investment manager, investment consultant, University CFO, Director / Trustee of a DSO or CU, Treasurer, CFO of a DSO or CU or Trustees of the

University;

- (b) A director, officer or employee of any institution mentioned in paragraph (a);
 - (c) An individual who, directly or indirectly, holds, or together with his spouse or child, holds more than 10 percent of the voting shares carrying more than 10 percent of the voting rights attached to all voting securities of any person mentioned in paragraph (a);
 - (d) An individual who is an affiliate of the administrator, investment manager or the University or an employee, officer or a director of such individual;
 - (e) A company which is directly or indirectly controlled by an individual referred to in paragraphs (a) to (d);
- and shall be deemed to be a Related Party for a period of up to 12 months after that person has ceased to satisfy the description under paragraphs (a) to (e);
- (f) Any person covered by the definition of Relative under Chapter 112, Florida Statutes or any person that would be otherwise covered in the manner described therein by Chapter 112;

“Secondary Performance Objective” for the Fund is a positive rolling 5-year real total return, net of inflation as defined by the CPI, and net of all Fund investment and operating expenses. For Long-Term Funds, the Secondary Performance Objective is a rolling 5-year total return of greater than the rate of inflation plus 5.0% (3.0% for fixed income), after fees and expenses. To the extent that an actively managed strategy is used, a risk-adjusted, excess annual return of 0.50% is added to the Long-Term Secondary Performance Objective;

“Short-Term Funds” means funds not needed immediately for operating purposes as well as funds reserved for facilities construction or other capital purposes or other purposes. Short-Term Funds are generally invested in high-quality fixed-income investments that generate high levels of current income, the maturities of such investments are either short term or staggered so that maturities coincide with expenditures;

“Statutes” mean the Federal and State of Florida laws and regulations, including Sections 1011.42, 1004.24 and 218.415, Florida Statutes, and the State of Florida Administrative Code Rules of the Department of Education applicable to the University, the Board of Governors’ regulations/policies, including Florida Administrative Code 10.001 and any Statutes and Rules applicable to DSOs and CUs, including Section 1004.28 and 1010.10 and any applicable University regulations;

"Stocks and shares" means common shares, preferred shares and equity-type shares of a company;

“Treasurer” means the University Treasurer or authorized officers in the Office of the Treasurer;

“Trustees” means the Board or other governing body for the Fund, as declared in a Policy Statement adopted by the President of the University or Board [of Trustees](#) or other appropriate governing body for the Fund;

“University” means The University of South Florida Board of Trustees, a public body corporate.

UNIVERSITY OF SOUTH FLORIDA

INVESTMENT POLICY

Policy & Procedures Manual	Effective Date	Policy Number
INVESTMENT POLICY	12/07/06 – Approved by USF Board of Trustees 3/3/15 – Last Amended 3/3/15 – Last Reviewed 10-2021 – Clean Draft	USF BOT 06-001

TABLE OF CONTENTS

	<u>PAGES</u>
1.0 Definitions	1
2.0 Introduction	1
3.0 Statement of Policy	1
4.0 Entities Covered by This Policy	3
5.0 Fund Investment Requirements	4
6.0 Fund Performance Objectives and Investment Report	4
7.0 Fund Asset Allocation	5

8.0	Fund Risk Management	7
9.0	Eligibility Criteria for Fund Investments	9
10.0	Eligible Types of Fund Investments	9
11.0	Fund Concentration Limits	13
12.0	Prohibited Fund Investments and Transactions	13
13.0	Disposal of Ineligible and Prohibited Fund Investments	15
14.0	Valuation of Fund Investment Assets and Liabilities	15
15.0	Related Party Investments	15
16.0	Conflicts of Interest	16
17.0	Exceptions to Policy	17
18.0	Transition Planning	17
	Exhibit A - Definitions	19

1.0 DEFINITIONS

Words and terms used herein shall have the same meanings, for the purpose of this Investment Policy, ascribed to them in Exhibit A attached hereto or elsewhere defined in this Investment Policy unless the context or use clearly indicates a different meaning.

2.0 INTRODUCTION (Purpose and Intent)

Mission of the University

The University of South Florida (the “University”) is a multi-campus national research university that supports the development of the metropolitan Tampa Bay Region, the United States and the world. Building upon unique strengths inherent in Florida’s population, location, and natural resources, the university is dedicated to excellence in:

- Teaching and lifelong learning in a student-centered environment
- Research to advance knowledge and promote social, cultural, economic, educational, health, and technological development
- Service based on academic excellence and the ethic of community responsibility
- Community engagement to build university-community partnerships and collaborations.

Purpose of the Policy

To fulfill its mission, the University will establish an investment program for the investment of funds of the University and of its direct support organizations (DSOs) and component units and units for which the University is legally and financially accountable (CUs) to provide for safety of capital, liquidity matched to needs for funds, and the optimization of investment returns at an acceptable degree of risk and at an acceptable cost.

The purpose of this University Investment Policy (the “Policy”) is to establish a framework for active, prudent professional investment management that applies to all types of investment funds of the University and DSOs and CUs. This Policy states the responsibilities of the parties involved in carrying out the investment program to structure and manage investment portfolios, to evaluate returns and risk, and to report investment performance, all as appropriate to their funds.

The Policy provides for the management of three distinct types of University investment portfolios: A University portfolio, a Foundation endowment portfolio and DSO portfolios.

3.0 STATEMENT OF POLICY

3.1 It is the policy of the University of South Florida that investment management conform to the authority granted by Florida and Federal laws, its Board of Trustees and applicable regulations/policies of the Board of Governors and that the management of investment funds be conducted in such a manner as to promote the interests of the University.

3.2 The University and its DSOs and CUs may, subject to the Policy and specific authority from their respective Boards, develop supplemental investment policies for the Funds under their control.

3.3 The University and its DSOs and CUs shall, subject to the Policy and specific authority from their respective Boards, appoint Investment Committees and adopt Policy Statements and Investment Guidelines appropriate for the Funds under their control.

3.4 This Policy will be implemented, reviewed and monitored by the University CFO and the University Treasurer (“Treasurer”) and the designated CFO of the DSO and CU on behalf of their respective Boards, appropriate for the Funds under their control.

3.5 Under this Policy and pursuant to a delegation of investment authority by the Board of the University, the University CFO and the Treasurer are authorized to prudently manage the financial assets of the University portfolio invested as Short-Term Funds or Long-Term Funds. The University portfolio contains public funds and shall be structured to prioritize safety of principal and liquidity of funds. The realization of investment returns shall be secondary to the requirements for safety and liquidity (F.S. 218.415).

3.6 Under this Policy and pursuant to a delegation of investment authority by the Foundation Board, the Foundation Investment Committee is authorized to prudently manage the financial assets of the endowment portfolio invested as Long-Term Funds. As stated in the *Foundation Endowment Investment Policy*, the primary long-term investment objective of the endowment is to preserve the intergenerational equity of endowed gifts while providing a consistent and reliable source of funding to the University.

3.7 Under this Policy and pursuant to a delegation of investment authority by the Board of the DSO or CU, the Investment Committee of the DSO or CU is authorized to prudently manage the financial assets of the DSO or CU portfolio invested as Short-Term Funds or Long-Term Funds.

3.8 Under this Policy, the Board of the DSO or CU is authorized to create a board-designated endowment (i.e., quasi-endowment or fund functioning as endowment) from a portion of funds not needed for liquidity and reserves of the DSO or CU. The designated amount shall not be less than one million dollars and the minimum time period shall not be less than five years. The board-designated endowment will be held as a long-term investment in either the Foundation endowment portfolio or the DSO or CU portfolio. The board-designated endowment shall support the long-term operations of the DSO or CU subject to the spending policy established by the Foundation or the DSO or CU. Only the Board of the DSO or CU may authorize redemptions after the minimum investment period.

3.9 The University Board, the Foundation Board and the DSO Boards and their respective Investment Committees are responsible for managing the Funds under their respective control in a prudent manner consistent with the “Prudent Person Rule” (F.S. 218.415(4)) and, where applicable to the Fund, the Florida Uniform Management of Institutional Funds Act (F.S. 1010.10).

3.10 At least annually, the University CFO and CFO of the DSO and CU shall review the Policy, the Policy Statement and the Investment Guidelines, as they relate to their respective organizations, with the respective Board of the Fund.

3.11 If a material change in the Fund occurs, the University CFO or Treasurer or CFO of the DSO or CU shall review the Policy, Policy Statement and Investment Guidelines within 90 days of becoming aware of the change.

3.12 If a review leads to a change in the Policy, Policy Statement or Investment Guidelines, the proposed revisions shall be submitted to and adopted by the Boards of the University or DSO or CU, as appropriate, and submitted by the University CFO or CFO of the DSO or CU to the appropriate auditors in a timely fashion, following its adoption by the Boards of the University or DSO or CU.

3.13 The University CFO or CFO of the DSO or CU shall furnish a copy of the Policy to the appropriate auditor of the University or DSO or CU.

3.14 The Policy requires the Boards of the University and each DSO or CU to adopt a Policy Statement for the Fund which shall:

- (a) Declare the allocation of the University portfolio, the Foundation endowment portfolio or DSO or CU's portfolio into the Short-Term Fund and/or Long-Term Fund;
- (b) Declare Primary and Secondary (if desired) Performance Objectives for the Fund, stated both in terms of gross investment returns and net of fees / expenses, which are consistent with and appropriate for the economic environment and circumstances of the Fund;
- (c) Declare the Asset Allocation and Investment Guidelines for the Fund, consistent with its risk tolerances and return expectations;
- (d) Describe the investment authority of the Investment Committee and/or relevant management;
- (e) Describe the risks and risk tolerances for the Fund;
- (f) State the time horizon of the Fund's assets; and
- (g) Address the liquidity needs of the Fund and other legal, regulatory or special constraining circumstances affecting the investments of the Fund.

3.15 The preparation, review and revision of the Policy, and the Fund's Policy Statement and Investment Guidelines, shall give due consideration to the

- (a) Type of Fund;
- (b) Management of interest, liquidity, credit and other financial risks to which the Fund is exposed;
- (c) Funding requirements relevant to the type of Fund;
- (d) Economic conditions;
- (e) Expenses;
- (f) Diversification of the investment portfolio by asset classes and within asset classes, and by investment manager and by investment manager style, as applicable and appropriate;

- (g) Use of options, futures and other derivatives;
- (h) Lending of cash or securities;
- (i) Retention or delegation of the voting rights acquired through investments;
- (j) Possible Related Party transactions within the limits established in the Policy for such transactions;
- (k) Any other matter affecting the investment of the Fund that would be appropriate to be considered in the development and preparation of the Policy and the Fund's Policy Statement and Investment Guidelines.

4.0 ENTITIES COVERED BY THIS POLICY

The Policy applies to the University and to DSOs and CUs. DSOs are separate not-for-profit corporations organized and operated exclusively to assist the University achieve its mission. CUs are organizations operated exclusively to assist the University achieve its mission as defined in Exhibit A to this Policy. In accordance with Florida Statutes and Rules, as applicable, and University Regulations and Policies, these organizations receive, hold, invest and administer property and make expenditures to or for the benefit of the University. All University, DSO and CU investment activities, to the extent such activity is allowed by applicable law, require approval by the University, DSO or CU Boards, and such activities shall be managed by the CFO of the University and Investment Committees of the DSO or CU.

5.0 FUND INVESTMENT REQUIREMENTS

5.1 The University CFO or Treasurer or Investment Committees of the DSO or CU and investment managers, to the extent that the responsibility for the investment and management of the Fund has been delegated by the Boards, shall prudently invest and manage the assets under their responsibility in a manner consistent with the Policy, Policy Statement and Investment Guidelines and such that the Fund provides benefits to the University or DSO or CU at an acceptable risk and at a reasonable cost.

5.2 In the performance of their duties, the University CFO or Treasurer or Investment Committees of the DSO or CU and investment managers shall:

- (a) Determine whether an investment will be able to provide an adequate return at an acceptable risk so that the University or DSO or CU can achieve its stated objectives;
- (b) Recognize the effects of expenses on investment returns by only incurring such costs that are appropriate and reasonable in amount;
- (c) Ensure that, prior to making an investment, appropriate due diligence has been conducted on the investment to ascertain whether credit worthiness, financial condition, earnings potential and ability to meet the obligations are satisfactory;
- (d) Ensure that any collateral or security is of satisfactory quality and value;
- (e) Avoid leaving monies of the Fund idle, except in rare and unavoidable circumstances when cash is required to meet Fund obligations and then not for a period exceeding one month;

5.3 Investments shall be in the sole name of the Trustees of the University or the DSO or CU, or their nominee. For any investment held by way of a nominee, the name of the investment must clearly indicate that the nominee is holding the asset for the Trustees for and on behalf of the University or on behalf of the DSO or CU.

5.4 An investment shall not be made unless approved by the University CFO or Treasurer or Investment Committees of the DSO or CU or by the Fund's investment manager, who has been given that investment discretion by the applicable Board in conformance with this Policy.

5.5 Investment transactions shall be undertaken at arm's length and at rates or prices comparable to those available in the market for similar investment transactions.

5.6 The Fund shall not undertake borrowing without the explicit prior approval of the University CFO or Board of the DSO or CU. The reasons for borrowing and the University CFO or Board of the DSO or CU approval must be appropriately recorded in the Minutes of the Meeting of the next occurring appropriate Board of the University or DSO or CU.

6.0 FUND PERFORMANCE OBJECTIVES AND INVESTMENT REPORTING

6.1 The Primary Performance Objective for the Fund is a total portfolio return which outperforms appropriate market and asset benchmark portfolio returns over a rolling 3 to 5-year time horizon, net of all investment expenses.

(a) The benchmark portfolio return is calculated on a weighted asset class basis and is compared to the appropriate benchmark weighted index returns for each of the major asset classes.

(b) Within the various asset classes, the performance objective is to outperform the relevant, appropriate benchmark index return.

6.2 If established by the Board of the Fund, the Secondary Performance Objective for the Fund is a positive rolling 5-year real total return, net of inflation as defined by the Consumer Price Index (CPI), and net of all Fund investment and operating expenses. For Long-Term Funds, the Secondary Performance Objective is a rolling 5-year total return of greater than the rate of inflation plus 5.0% (3.0% for fixed income), after fees and expenses.

6.3 On a quarterly basis, the Treasurer for the University portfolio, the Foundation CFO for the endowment portfolio and the DSO CFOs for all DSO portfolios will provide an Investment Report of the portfolio investment performance over 1, 3 and 5-year time periods compared to appropriate benchmark weighted index returns, including Asset Allocations, and compared to the Primary Objective and Secondary Objective, if established, to the Boards or Investment Committees of the Funds. These quarterly Investment Reports and Asset Allocations will be provided to the Treasurer or University CFO and reviewed by the University Board.

6.4 At least annually, an Investment Report detailing investment performance for the University portfolio and overview of the DSO portfolios shall be provided by the Treasurer to the Board of the University and by the University CFO or Treasurer to the Board of Trustees of

the University. Annual presentations may be requested of DSO Investment Reports to the Board of Trustees of the University.

7.0 FUND ASSET ALLOCATION

7.1 The University Board and DSO Boards of the Funds shall establish Asset Allocations specific enough to establish a desired investment management framework appropriate for each Fund. Asset Allocation shall be consistent with the objectives, risk tolerance and constraints of the Fund. Asset Allocation shall provide clear guidance for investment portfolio management, providing the highest probability of meeting or exceeding the Fund's return objectives at the lowest risk.

7.2 Asset Allocation provides for basic diversification of the Fund's investment portfolio in order to achieve the Performance Objectives with an acceptable exposure to risk. Asset Allocation recognizes that asset classes will, at different points in a market cycle, perform differently and that the combination of these classes will lower the overall volatility of investment returns.

7.3 Asset Allocations and establishing more limited asset classes within minimum and maximum percent of Fund assets shall be recommended to the Board of the Fund by the Treasurer for the University Funds or CFO of the DSO or CU and approved by the University and DSO Boards of the Fund.

7.4 Asset Allocations and Investment Guidelines will be provided to the investment managers. Asset Allocations and Investment Guidelines will be developed in consideration of the Fund's economic environment, risk tolerances, return expectations and the Fund's liquidity needs.

7.5 Asset Allocations and Investment Guidelines, once adopted by the Board of the Fund, will be reported to the University CFO and reviewed at least annually.

7.6 Appropriate action will be taken to rebalance the Fund, generally on a quarterly basis, by the University Treasurer or CFO of the DSO or CU in order to stay within the Asset Allocations and Investment Guidelines and to maintain proper diversification among individual investment managers. Rebalancing may be accomplished by reallocating funds among asset classes and by managing cash flows into or out of the asset classes by adding funds to underweight asset classes or by withdrawing funds from overweight asset classes.

7.7 Asset Allocations shall first be made to Short-Term Funds to meet the liquidity needs of the University or DSO or CU.

7.8 Asset Allocations exceeding the liquidity needs of the University and DSO or CU may be allocated to Long-Term Funds.

7.9 The Board of the University Fund and Boards of the DSO Funds shall approve the Asset Allocation of the Fund's investment portfolio, allocated to asset class targets, within a minimum

and maximum percentage of the total portfolio for each asset class.,

EXAMPLE OF DSO ASSET ALLOCATION

<u>Short-Term Funds:</u>	<u>Asset Allocation</u>	
<u>Asset Class</u>	<u>Target Percent</u>	<u>Minimum and Maximum Percent of Fund Assets</u>
Domestic Fixed Income Securities and Fixed Income Pooled Funds	30%	0% to 90% of Funds
Cash Equivalent and Money Market Funds	<u>70%</u>	0% to 100% of Funds
Total Short-Term Funds	100% of Short-Term Funds	
<hr/>		
Total Short-Term Funds as % of Total Investment Portfolio	80% of Total Investment Portfolio	
<u>Long-Term Funds:</u>	<u>Asset Allocation</u>	
<u>Asset Class</u>	<u>Target Percent</u>	<u>Minimum and Maximum Percent of Fund Assets</u>
Domestic Fixed Income Securities and Fixed Income Pooled Funds	30%	15% to 40% of Funds
Foreign Fixed Income Pooled Funds	0%	0% to 10% of Funds
Domestic Equity and Equity Pooled Funds	70%	25% to 80% of Funds
Foreign Equity Pooled Funds	0%	0% to 15% of Funds
Mortgage and Asset-Backed Securities and Real Estate and Real Asset Pooled Funds	0%	0% to 20% of Funds
Alternative Investments	<u>0%</u>	0% to 10% of Funds
Total Long-Term Funds	100% of Long-Term Funds	
<hr/>		
Total Long-Term Funds as % of Total Investment Portfolio	20% of Total Investment Portfolio	

7.7 Where short-term funds may be invested with a long-term horizon, while maintaining the liquidity needs of the Fund, the University Board or Board of the DSO or CU may, to enhance investment returns, invest a portion of such short-term funds in asset classes described as long-term within this Policy

8.0 FUND RISK MANAGEMENT

8.1 Investment risk is commonly described by relating it to the uncertainty or the volatility of potential returns from a portfolio or investment over time. The source, probability and impact of this uncertainty depend on the particular portfolio or investment. Sources of investment risk include financial exposure to changes in interest rates, equity and debt markets, inflation, foreign exchange rates, commodity prices, and other global economic and political conditions. Risk also resides in concentrations of securities by issuer and asset class and in concentrations of investments with investment managers. These risks will be diversified across major asset classes, within asset classes and across investment managers.

8.2 Effective risk management requires an understanding of the objectives of the Fund and the University and the DSO and CU, the tolerance for risk, as well as the types and characteristics of portfolios and invested assets. The Treasurer or CFO of the DSO or CU shall develop and establish risk management processes that effectively assess, control and monitor the risks.

8.3 An effective risk management system is characterized by active supervision of risks. The Treasurer or CFO of the DSO or CU shall monitor the implementation of investment risk strategies, the adequacy and effectiveness of the risk management process, and the investment manager's performance in achieving its strategic and financial objectives.

8.4 Effective risk management requires that the risks assumed in the investment portfolios be identified and understood. The Treasurer or CFO of the DSO or CU and investment managers for the Fund shall identify the risks and the related means to measure the risks and the necessary controls and monitoring systems. The Treasurer or CFO of the DSO or CU and investment managers shall have access to timely and competent economic analyses and forecasts for the capital markets in which the Fund is investing to enable the Treasurer or CFO of the DSO or CU and investment managers to continually monitor capital market expectations and developments, currency relationships, interest rate movements, commodity prices and expected returns for asset classes and individual investments. These forecasts and recommendations enable the Treasurer or CFO of the DSO or CU and investment managers to establish appropriate investment guidelines and strategies, select appropriate investments, and manage risk effectively. Annually, the Treasurer shall complete at least 8 hours of continuing professional education related to investment practices and products.

8.5 Risks will vary over time due to changes in the objectives of the University or DSO or CU and the characteristics and objectives of the Fund, composition of the Fund assets, capital markets, economies and political environments. Therefore, the evaluation of the risk assessment, measurement and monitoring systems by the Treasurer or CFO of the DSO or CU shall be ongoing.

8.6 Delegation of investment and management authority to third-party fiduciary managers, to the extent that the responsibility for the investment and management of the Fund has been delegated, is a critical element in the Fund's risk management. Consideration of third-party

fiduciary managers shall include, at a minimum, the Treasurer's and the CFO's for the DSO or CU, as applicable, annual review of the firm's investment and business practices, professional resources, client reporting capabilities, financial strength, historic performance, regulatory history, personnel turnover, comparative fees, and other relevant factors. The Treasurer or CFO of the DSO or CU shall review the firm's approved written policies and standards that support its risk management practices, operating procedures and control processes. The Treasurer or CFO of the DSO or CU shall review the investment manager's risk management system to ensure that it is supportive of the Fund's investment objectives. The Treasurer and the CFO for the DSO or CU, as applicable, shall review the investment manager's performance quarterly, and meet with the investment manager to review performance and independently evaluate the performance of the investment manager at least annually for the respective Board of the Fund.

8.7 Selection of investment managers for Alternative Investments should be based on, but not limited to, the following criteria: tenure and track record of management team, expertise in targeted areas of investment, diversification strategy, policies for valuation and market value reporting, lockup requirements, liquidity of investments, level of general manager investment, fees, potential conflicts of interest, audited financial statements and performance relative to other similar investments.

8.8 Third-party investment managers, depositories, custodians, broker/dealers and investment consultants shall be appointed by the Board of the University or DSO or CU, as appropriate, in accordance with applicable law.

8.9 Investment managers will receive a written letter of instruction outlining investment instructions. Investment managers will only invest in the securities class(es) for which they were retained to manage. A manager's Investment Management Agreement or other subscription documents that detail the manager's strategy and execution of the strategy will satisfy this requirement.

8.10 All securities purchased by the University, DSO or CU, or its investment managers, shall be designated as an asset of the University, DSO or CU, or its nominee, and held in safekeeping by a third-party custodial bank or other third-party custodial institution. No withdrawal of securities, in whole or part, shall be made from safekeeping except by those designated in an Investment Management and Custodial Agreement.

8.11 Sales, purchases and exchanges, competitively bid when feasible and appropriate, should be effected through well-capitalized nationally-known financial institutions, recognized as being major participants in the equity and fixed income markets, in accordance with appropriate investment practices.

8.12 The University, DSO, CU and investment managers, if applicable, shall maintain master repurchase agreements and require all approved institutions and dealers transacting repurchase agreements to adhere to the requirements of the master repurchase agreement.

9.0 ELIGIBILITY CRITERIA FOR FUND INVESTMENTS

- 9.1 Eligibility of an investment is to be determined at the date of its acquisition.
- 9.2 An investment shall be regarded as eligible for purchase or acquisition by the Fund if it
- (a) Meets the applicable requirements of the Policy and applicable Statutes;
 - (b) Is not then in default in any respect;
- 9.3 The percentage of assets that the Fund has invested in an investment or security shall be determined by the following:
- (a) Adding the value of the Fund's proportionate holding of the investment or security by each type of asset in which the Fund is invested, to the value of the asset held in the Fund's remaining investment holdings, then
 - (b) Dividing the sum calculated under paragraph (a) by the total value of the Fund's assets.
- 9.4 The calculated amount of assets that the Fund has invested in an asset class shall not exceed the maximum and minimum Asset Allocation for the specific asset class, which has been approved by the Board of the Fund or Investment Committee and described by the Policy and Policy Statement and more specifically described by the Investment Guidelines for the Fund. Calculations of all percentage limitations shall be done on a market value basis.

10.0 ELIGIBLE TYPES OF FUND INVESTMENTS

10.1 The University CFO and Treasurer or CFO of the DSO or CU and investment managers, to the extent that the responsibility for the investment and management of the Fund has been delegated, may invest the Fund's assets in any type of investment permitted by applicable Statutes and the Policy. If a conflict concerning eligible investments arises between the Statutes and the Investment Policy, the eligible investments described in the Statutes shall apply.

10.2 Eligible Investments – SHORT-TERM FUNDS

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (b) United States Treasury Obligations: Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United State of America with a remaining maturity at the time of purchase of 5 years or less.
- (c) United States Agency Obligations: Direct obligations of the federal agencies which are fully guaranteed by the full faith and credit of the United States of America with a remaining maturity at the time of purchase of 5 years or less.
- (d) Direct obligations of Federal Agencies, whose obligations are guaranteed by the implied full faith and credit of the United States of America, with a remaining maturity at the time of purchase of 5 years or less,
- (e) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance

Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

(f) U.S. dollar denominated certificates of deposit, deposit accounts and bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank provided that such bank's short-term certificates of deposit are rated "P-1" by Moody's and "A-1" or better by S&P (not considering holding company ratings).

(g) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase in the highest classification, "P-1" by Moody's and "A-1" or better by S&P.

(h) Investments in a Securities and Exchange Commission registered money market fund rated "AAAm" or "AAAm-G" by S&P or "First Tier" consistent with SEC Rule 2a-7 if not rated and being no-load funds.

(i) Pooled Fund investments in a U.S. registered and professionally managed fixed income indexed or actively managed mutual fund with an effective duration of 5 years or less comprised of securities with an average weighted rating of "A" by S&P.

(j) Municipal Obligations or direct, general obligations of any state of the United States of America or any subdivision or agency thereof, whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P with an original or remaining maturity at the time of purchase of 5 years or less.

(k) Corporate notes or other direct obligations issued, assumed or guaranteed by an institution with a minimum credit rating when purchased of "A" or equivalent with an original or remaining maturity not to exceed five years.

(l) Mortgage-backed pass through securities guaranteed by the U.S. Government or a Federal Agency, including securities collateralized by the same (CMO). Investments in CMOs shall be limited to PACs (planned amortization class), NAC (non-accelerated class) or VADM (very accurately defined maturity) securities. The effective duration of these securities shall not exceed 5 years.

(m) Asset-backed securities with credit ratings of "A" or better. The remaining maturity at the time of purchase of these securities shall not exceed 5 years.

(n) The State of Florida's Local Government Surplus Funds Trust Fund, Intergovernmental Investment Pool, State Board of Administration Investment Pool(s), and the State Treasury Investment Pool.

(o) Repurchase agreements, fully secured and collateralized at 102%, which collateral must be held by a third party, whose underlying instruments are securities or obligations of governments with a credit rating of "A" or equivalent, and securities and obligations of the U.S. Government. All agreements will be in compliance with Federal Reserve Bank guidelines.

(p) Securities lending must be fully secured and collateralized by obligations authorized under this Policy. Such collateral must be held by a third party. All agreements will be in compliance with Federal Reserve Bank guidelines.

(q) Where short-term funds may be invested in investments with a long-term horizon while maintaining the liquidity needs of the Fund, the University Board or Board of the

DSO or CU may, to enhance investment returns, invest a portion of such short-term funds in asset classes described as long-term within this Policy.

(r) Loans to University departments, auxiliaries and institutes where authorized by the University Board of Trustees or Board of Directors of the DSO or CU.

(s) Investments as specifically authorized by the University Board of Trustees or Board of Directors of the DSO or CU.

10.3 Eligible Investments – LONG-TERM FUNDS

(a) Corporate notes or other direct debt obligations issued, assumed or guaranteed by an institution with a minimum credit rating when purchased of “A” or equivalent.

(b) Direct commercial paper or promissory notes which have been guaranteed by a domestic commercial bank or life insurance company and the term of which note or paper is not greater than the term of the guarantee, with a minimum credit rating when purchased of “A” or equivalent.

(c) Direct stocks and equity shares of institutions whose securities are listed on a recognized stock exchange of the United States.

- The Fund may invest in the shares of a company offering shares in an initial public offer where the company intends to list on a recognized U.S. stock exchange of a recognized jurisdiction and where the initial public offer meets the requirements of the Securities Acts,
- The Fund may invest in preferred or guaranteed shares, other than ordinary shares, of any institution to which this provision applies.

(d) Pooled Fund investments which are professionally managed indexed or actively managed mutual funds registered with the Securities and Exchange Commission and invested in the following securities authorized by this Policy:

- U.S. Equity Pooled Funds
- U.S. Fixed Income Pooled Funds,
- Foreign Equity and Foreign Fixed Income Pooled Funds –traded as U.S. dollar denominated American Depository Receipts (ADRs) on U.S. exchanges,
- Real Asset Pooled Funds – containing publicly traded instruments such as real estate investment trusts, commodities, inflation linked notes, etc.; also private real asset partnerships investing in real estate and natural resources,

(e) Loans and mortgages subject to the following provisions:

- Invested in loans, mortgages or deeds of trust collateralized by real property located in Florida for the sole benefit of the University, provided that adequate collateral is pledged,
- Loans secured by a pledge of securities or evidences of debt Eligible for Investment,
- Loans granted under these provisions must not exceed 80 percent of the remaining value of the collateral at the date of grant and specify a repayment date and schedule for repayment. For the purposes of these provisions, the remaining value of the collateral is determined by subtracting the total outstanding balance of loans, charges, pledges or liens

which rank *pari passu* (equal to) or higher than the loan being considered from the fair market value of the collateral,

- The total value of loans or mortgages to any single related party must not exceed 1 per cent of the fair market value of the Fund's total assets.

(f) Real Property subject to the following provisions:

- Buildings and other improvements located on mortgaged premises shall be kept insured against loss or damage from fire in an amount not less than the unpaid balance of the obligation or the insurable value of the property, whichever is greater, and
- Developed real property must be kept insured for its insurable value against loss or damage from fire.

(g) Mortgage-backed pass through securities guaranteed by the U.S. Government or a Federal Agency, including securities collateralized by the same (CMO). Investments in CMOs shall be limited to PACs (planned amortization class), NAC (non-accelerated class) or VADM (very accurately defined maturity) securities. The effective duration of these securities shall not exceed 5 years.

(h) Asset-backed securities with credit ratings of "A" or better. The effective duration of these securities shall not exceed 5 years.

(i) Alternative Investments.

- The Alternative Investments asset class includes all other eligible investments, loans and securities, plus all other investments, loans and securities that have not been specifically identified as eligible in the Policy but have been individually or as a class approved by the Board of the University, DSO, or CU, as applicable, which collectively shall not exceed 25 percent of the fair market value of the Fund's assets.
- The Alternative Investments asset class, used to diversify and enhance the return of the Fund, includes, but is not limited to, the following: venture capital, private equity partnerships, real estate partnerships, mezzanine, distressed debt, private credit, pooled funds not registered with the SEC and hedge funds.
- Each Alternative investment will be approved by the appropriate governing body of the Fund.
- Hedge fund investments will only be made that would comprise less than 10% of any individual partnership's assets, unless specifically approved by the Board of the University, DSO, or CU, as applicable.

(j) Hedging Transactions subject to the following provisions:

- The Fund may use *bona fide* hedging transactions and derivative instruments for the sole specific objective of altering the risk profile of its investment portfolio,
- In all cases, the Fund may not use derivatives for the primary purpose of generating income or to speculate on securities or commodity prices,
- For the purposes of this provision, *bona fide* hedging transactions are those which pertain to securities otherwise eligible for investment including but not limited to financial futures contracts, warrants, options, calls and other rights of purchase; and puts and other rights which require another person to purchase the securities, and

- Provided in all cases that the official responsible for making investment decisions concerning eligible derivative products must have a sufficient understanding of derivative products and the expertise to manage them.
- (k) Securities lending must be fully secured and collateralized by obligations authorized under this Policy. Such collateral must be held by a third party. All agreements will be in compliance with Federal Reserve Bank guidelines.

11.0 FUND CONCENTRATION LIMITS

11.1 Subject to the provisions of the Policy, the Fund shall not hold, acquire or purchase, any combination of investments in or loans upon the security of the obligations, property, and securities of any one issuer exceeding 5 percent of the market value of the assets of the Fund. Direct investments in securities of the U.S. Government, Government Agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of U.S. Government Securities are not subject to these restrictions.

11.2 The Fund may not, either by itself or in conjunction with any related party, acquire, hold or control, without the prior approval of its appropriate governing body, in excess of 5 percent of the voting shares in a corporation or interest in any company.

11.3 Limitations based upon the fair market value of the assets of the Fund shall relate to the Fund's assets as declared in the financial statements of the University or DSO or CU filed with the Auditor General of the State of Florida at the end of the previous fiscal year.

11.4 The limits imposed by the paragraph 11.1 do not apply:

- (a) If it can be shown to the satisfaction of the Boards of the University or DSO or CU that the sole cause for the limit being exceeded is as a result of the market appreciation of the investment;
- (b) To the acquisition by the Fund of other or additional securities or property by way of dividend or as a lawful distribution of assets, or pursuant to a lawful and bona fide agreement of merger, or consolidation.

12.0 PROHIBITED FUND INVESTMENTS AND TRANSACTIONS

12.1 The Fund shall not engage in short selling.

12.2 The Fund shall not directly invest in or loan its funds upon the security of, or hold the following:

- (a) Ineligible investments or loans under the Statutes or provisions made thereunder;
- (b) Derivative obligations which are not Hedging Transactions, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (c) Foreign equities and foreign fixed income securities and Pooled Funds traded in foreign currencies and on foreign exchanges,

- (d) Fixed income obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date. These prohibited securities are not intended to exclude otherwise permitted inflation protected securities;
- (e) Securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index, or securities whose future coupon may be suspended because of the movement of interest rates or an index;
- (f) Tranches of collateralized mortgage obligations (CMO) which receive only the interest or principal from the underlying mortgage securities, commonly referred to as IOs or POs;
- (g) Reverse repurchase agreements;
- (h) Securities issued by an insolvent institution;
- (i) Unsecured loans or leases;
- (j) Speculative investments such as investments which expose the Fund to extraordinary risk;
- (k) Loans and investments in entities related to the auditors or accountants of the Fund, University, DSO or CU;
- (l) Mortgages for properties located outside of Florida, except when approved by the University CFO, or Board of the DSO or CU; and
- (m) Any investment or security which is designed to evade any prohibitions under the Statutes or provisions made thereunder.

12.3 The Fund shall not participate in the underwriting or the marketing of securities in advance of their issuance or enter into any transaction for such underwriting for the account of the Fund jointly with any other person. The Fund may subscribe to the securities when issued or enter into any agreement to withhold from sale any of its property or to repurchase any property sold by it, except repurchase agreements held pursuant to the provisions contained herein for eligible repurchase agreements.

12.4 The Fund shall not increase its holdings in securities or assets, as prescribed in this Policy, to an amount more than the prescribed Asset Allocation limits or other Investment Guidelines except with the approval permitted in paragraph 17.0.

12.5 The assets of the Fund shall not be directly or indirectly invested in securities or investments which are not traded on a recognized United States stock exchange, except when specifically approved by the University CFO or Board of the DSO or CU, as applicable. This restriction shall not apply to Alternative Investments and securities received as a gift, which securities should be liquidated within 1 year of receipt.

12.6 These restrictions do not apply to assets acquired by means of an intellectual property agreement.

13.0 DISPOSAL OF INELIGIBLE AND PROHIBITED FUND INVESTMENTS

13.1 In instances where the prescribed investment limits in the Policy have been exceeded, the Fund shall dispose of such assets or make such investments as are necessary to bring the Fund's

investments within the prescribed limits or shall obtain the approval permitted in paragraph 17.0.

13.2 Any investments acquired by the Fund pursuant to defaults on loans, mortgages, liens, judgments, or other debts shall be disposed of within 1 year after the date of acquisition. The University CFO or CFO of the DSO or CU may extend the time for any such disposal for a definite additional period or periods upon application and reasonable showing that a forced sale of the investments would be inimical to the Fund. Any such investment held by the Fund without the consent of the Board of the University or DSO or CU beyond the time permitted for its disposal shall not be carried or allowed as an asset of the Fund.

14.0 VALUATION OF FUND INVESTMENT ASSETS AND LIABILITIES

14.1 Assets and liabilities of the Fund shall be valued at fair market value.

14.2 An independent external appraiser approved by the University CFO or CFO of the DSO or CU shall:

- (a) Determine the valuation of real property, excluding Real Estate Pooled Funds, upon the
 - (i) Making of a mortgage loan;
 - (ii) Purchase or acquisition of real property, and then no less frequently than each 3 years thereafter;
 - (iii) End of the Fund year coinciding with the effective date of the valuation required by the Investment Policy.
- (b) Where the University CFO or CFO of the DSO or CU deems appropriate, verify valuations for assets which are not real estate; and
- (c) Obtain new appraisals when the University CFO or CFO of the DSO or CU at the expense of the Fund deems it advisable.

15.0 RELATED PARTY INVESTMENTS

15.1 The assets of the Fund shall not be directly or indirectly invested in real property associated with the occupancy or expansion of the business of the investment manager, investment consultant, auditor, University CFO, University President, University Trustees, Board members of the DSO or CU, Treasurer, CFO of the DSO or CU or the associated companies of the foregoing.

15.2 The total of Related Party securities or investments must not exceed 1 percent of the fair market value of the assets of the Fund, unless otherwise restricted pursuant to the requirements of law, including Chapter 112, Florida Statutes, as applicable.

15.3 In any transaction that is entered into by, or on behalf of, the Fund with a person who the University CFO or CFO of the DSO or CU, or any person acting on behalf of the University or DSO or CU Board, knows will become a Related Party to the Fund, that person shall be considered to be a Related Party in respect of the transaction and the fulfillment of an obligation

under the terms of any transaction is part of the transaction and not a separate transaction.

15.4 All transactions with Related Parties shall have the prior written approval of the University CFO or CFO of the DSO or CU and be disclosed to the Board of the University or DSO or CU, and regardless of whether an investment manager may have been given discretionary investment powers, and conform to applicable law, including Chapter 112, Florida Statutes.

15.5 The Treasurer or CFO of the DSO or CU shall maintain a register of all Related Party transactions.

15.6 The register must show in relation to each transaction

- (a) The name of the Related Party;
- (b) Description of the connection with the Fund;
- (c) Type and amount of the investment;
- (d) Date of the transaction and of the approval.

16.0 CONFLICTS OF INTEREST

16.1 The provisions of the Policy apply to individuals defined as a Related Party or a third party retained by a Related Party to provide services to the Fund.

16.2 No Related Party or other person described above may exercise his powers in his own interest or in the interest of a third person, nor may he place himself in a situation of conflict or potential conflict between his personal interest and his duties with regard to the investments of the Fund.

16.3 Any Related Party or other person described above shall disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investments of the Fund. Without limiting the generality of the foregoing, this would include material benefit from any asset held in the Fund, or any significant holding, or membership on the board, or any actual or proposed contracts with the issuer of any securities or investment which are or will be included in the Fund.

16.4 A Related Party or other individual described above shall disclose in writing the nature and extent of his interest to the University CFO or Board of the DSO or CU immediately upon first becoming aware of the conflict. The disclosure must also be made orally if the knowledge of the conflict arises in the course of discussion at a meeting.

16.5 If a Related Party or other individual described above disclosing the conflict has the capacity to participate in or to make decisions affecting the investments of the Fund, the party may only continue to participate in conformance with applicable law and, if allowable, with the approval of the University CFO or the Board of the DSO or CU. The party may elect not to participate with respect to the issue in conflict unless prohibited from doing so by applicable law. His notification shall be considered a continuing disclosure on that issue for purposes of the

obligations outlined by these provisions.

17.0 EXCEPTIONS TO POLICY

Exceptions to some of the requirements specified in this Investment Policy may occasionally occur due to events subsequent to the purchase of investment instruments (e.g. the rating of a corporate note held in the portfolio is downgraded below an "A" rating, or an investment or asset class in the portfolio may appreciate or decline causing the percentage of the total portfolio to rise above or fall below the minimum or maximum percent of Fund assets) or due to other needs in the best interests of the University.

The University CFO and the designated CFO of the DSO or CU and their respective Boards shall be informed immediately of any exception.

Exceptions shall be reviewed for possible corrective action. Exceptions may be temporary or more lasting; they may be self-correcting or require specific action. If specific action is required, the University CFO and CFO of the DSO or CU, as appropriate, will determine the course of action that will correct exceptions. Any subsequent investments will not extend existing exceptions. Exceptions, and the course of action to correct the exceptions, will be reviewed with the University Board and DSO or CU Board, as appropriate.

The Board of Trustees of the University reserves to itself the exclusive right to revise or grant exceptions to the Investment Policy. As long as an exception to the Policy continues, it will be re-evaluated by the Board of Trustees of the University and the respective governing Board at least on an annual basis.

18.0 TRANSITION PLANNING

18.1 Within 60 days of the Policy or revised Policy being approved by the University Board of Trustees, the Treasurer or CFO of the DSO or CU shall file with the University CFO or Board of the DSO or CU:

- (a) A statement noting that the Fund is in compliance with the requirements of the Policy and the Statutes; or
- (b) A plan recommended to the Board of the Fund by the Treasurer or CFO of the DSO or CU:
 - (i) Specifying in detail how compliance is to be achieved within a reasonable period not exceeding 5 years; and
 - (ii) Delineating specific goals to be achieved within a specified reporting period not exceeding 1 year.

18.2 The Treasurer or CFO of the DSO or CU shall review each plan filed pursuant to these transition provisions and shall determine if the plan is reasonable to achieve compliance and specific goals.

18.3 If the Treasurer or CFO of the DSO or CU determines that the plan is not reasonable or does not establish specific goals that may be objectively reviewed, the Treasurer or CFO of the DSO or CU shall not recommend the plan to the Board of the Fund and shall notify the investment manager of the Fund and give the investment manager a period of time not greater than 30 days to submit a plan which is sufficient to comply with the mandate.

18.4 If the Treasurer or CFO of the DSO or CU determines that the plan is reasonable and establishes goals that may be objectively reviewed, the Treasurer or CFO of the DSO or CU shall recommend the plan to the Board of the Fund and so notify the investment manager.

18.5 Upon successful completion of the plan, the Treasurer or CFO of the DSO or CU shall provide to the University Chief Financial Officer or Board of the DSO or CU a statement or other comparable documentation to indicate that th Fund is in compliance with the requirements of the Policy.

EXHIBIT A

DEFINITIONS

“Asset Allocation” means an investment framework of the Fund’s investment portfolio allocated within a minimum and maximum percentage of the total portfolio for each asset class. Asset Allocation is specific enough to establish a desired investment management framework, yet allow latitude for reasonable flexibility on the part of investment managers. Asset Allocation shall be consistent with the objectives, risk tolerance and constraints of the Fund and provide clear investment portfolio management guidance to the investment managers;

“Board” of the University means the governing body for the Fund, as declared in a Policy Statement adopted by the University, University Board of Trustees or President of the University. “Board” of the DSO or CU means the governing body for the Fund, as declared in a Policy Statement adopted by the DSO or CU Board of Directors. “Board” of the University or DSO or CU shall include the Investment Committee, provided that the Board has delegated investment authority for the Fund to an Investment Committee, as declared in the Policy Statement;

“CFO” of the University or DSO or CU means the designated CFO or senior finance officer of the University or DSO or CU or authorized officers or Investment Committees of the Boards of Directors / Trustees of the University or DSOs or CUs;

“CU” means Component Unit of the University, pursuant to Department of Education Rule 6C-9.017 Florida Administrative Code, as certified by the University, or a unit for which the university is financially accountable. It does not include programs, such as those established pursuant to Florida Statute 1004.24 and Florida Administrative Code 6C-10.001, which are housed at the University but whose assets are the legal and financial responsibility of an entity other than the University. Certain programs housed at the University are separately created by Florida Statute and Florida regulations as programs whose assets are the property of an entity other than the University. While those programs are not included in the definition of “component units”, their assets may be recorded in the University’s financial statements. Therefore, those programs, consistent with applicable statutes/regulations by which they are governed and their own prudent, effective investment practices and guidelines, will use this Policy’s terms as guidance to help ensure their practices comply with the University’s financial responsibilities;

“DSO” means Direct Support Organization, pursuant to Section 1004.28 Florida Statutes, as certified by the University;

"Employee" means a full time, part-time or contract worker;

"Fair market value" shall be determined on a consistent basis in compliance with the Financial Accounting Standards Board Statements, the Government Accounting Standards Board Statements, industry guidelines, or State Statutes, whichever is applicable;

"Fund" means a Short-Term Fund, typically invested in short-term interest bearing investments, or a Long-Term Fund, typically invested in longer-term interest bearing, equity and other types of investments. Funds shall be designated as Short-Term Funds or Long-Term Funds by a Policy Statement adopted by the Boards of the University or DSO or CU. The term "Fund" shall mean Short-Term Fund or Long-Term Fund, as the case may be;

"Hedging Transaction" means a purchase or sale of a contract, warrant, option, call, put, or right entered into for the purpose of minimizing risks or offsetting changes in the market values or yield rates of securities held or sold by the Fund;

"Investment Committee" means the Investment Committee of the University, DSO or CU Board, provided that the Board has delegated investment authority for the Fund to an Investment Committee;

"Investment Guidelines" means specific investment guidelines or asset class targets approved by the appropriate governing body of the Fund for a more limited asset allocation mix within the Investment Policy's minimum and maximum Asset Allocation limits for asset classes and / or guidelines for diversifying asset mix among types of eligible investments within the asset classes;

"Investment Performance" is the use of performance measurement systems to calculate a standardized performance return on a portfolio, the various asset classes and the investments over a specified time period. The methods of calculating the returns on a time-weighted, risk-adjusted, total return basis and in a fair, understandable and consistent manner should be consistent with the standards of the investment industry. The use of benchmarks, the standard of comparison for investment performance, will facilitate the evaluation of relative portfolio returns and investment manager performance;

"Investment Report" means a detailed Investment Report provided to the Investment Committee or Board of the Fund on a quarterly basis and the University Trustees and DSO or CU Board at least annually of the Investment Performance of the Fund's Primary and Secondary Investment Performance Objectives. If Fund investment and management responsibility has been delegated to investment managers, the Investment Report will also describe the Investment Performance of the Fund's Primary and Secondary Investment Performance Objectives attained by the investment manager before and after the investment manager's compensation;

"Long-Term Funds" means funds with a long-term investment horizon, in theory perpetual, which may generate a stream of earnings to support current operations that will remain stable or grow in real or inflation-adjusted terms, and which may include true endowment funds (funds received from a donor with a restriction that the principal is not expendable), term endowment funds (funds for which the donor stipulates that the principal may be expended after a stated period of time or upon the occurrence of a certain event) and funds functioning as endowments (funds that have been established by the governing board to function like an endowment fund but that may be expended at any time at the discretion of the board);

"Material change" includes a

- (a) Change of status of the Fund including termination or winding up of the Fund - partially or in its entirety;
- (b) Merger of the Fund with another fund;
- (c) Change in the declared Short-Term or Long-Term status of the Fund;
- (d) Substantial change in investments or delegation of investments to an investment manager; or
- (e) Other material change in circumstances that the Board or other appropriate governing body of the Fund may declare from time to time;

"Miscellaneous Investments" includes investments, loans and securities that have not been specifically identified in this Policy;

"Obligation" includes bonds, debentures, promissory notes, commercial paper or other evidences of indebtedness;

"Performance Objective(s)" includes two performance objectives for each Fund: (a) the Primary Investment Performance Objective, and (b) the Secondary Performance Objective;

"Policy Statement" means a declaration of the Fund's status made by the appropriate governing body of the Fund, whether the Board of the University or DSO or CU or Investment Committee of the University or DSO or CU with delegated investment authority for the Fund or other appropriate governing body of the Fund;

"Pooled Funds" means professionally managed indexed or actively managed mutual funds registered with the Securities and Exchange Commission and listed on stock exchanges in the United States;

"Primary Investment Performance Objective" for the Fund is a total portfolio return which outperforms appropriate market and asset benchmark portfolio returns over a rolling 3 to 5-year time horizon, net of all investment expenses. The benchmark portfolio return is calculated on a weighted asset class basis and is compared to the appropriate benchmark weighted index returns for each of the major asset classes. Within the various asset classes, the performance objective is to exceed the relevant, appropriate index return;

"Prudent Person Rule" means that in making or retaining each and all investments and in acquiring, investing, reinvesting, exchanging, retaining, selling, supervising and managing funds, there shall be exercised the judgment and care, under circumstances then prevailing, that persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment;

"Recognized stock exchange" means any stock exchange that is qualified to operate as a stock exchange in the United States of America;

"Related Party" The following persons shall be treated as a Related Party to the University:

- (a) The administrator, investment manager, investment consultant, University CFO,

Director / Trustee of a DSO or CU, Treasurer, CFO of a DSO or CU or Trustees of the University;

(b) A director, officer or employee of any institution mentioned in paragraph (a);

(c) An individual who, directly or indirectly, holds, or together with his spouse or child, holds more than 10 percent of the voting shares carrying more than 10 percent of the voting rights attached to all voting securities of any person mentioned in paragraph (a);

(d) An individual who is an affiliate of the administrator, investment manager or the University or an employee, officer or a director of such individual;

(e) A company which is directly or indirectly controlled by an individual referred to in paragraphs (a) to (d);

and shall be deemed to be a Related Party for a period of up to 12 months after that person has ceased to satisfy the description under paragraphs (a) to (e);

(f) Any person covered by the definition of Relative under Chapter 112, Florida Statutes or any person that would be otherwise covered in the manner described therein by Chapter 112;

“Secondary Performance Objective” for the Fund is a positive rolling 5-year real total return, net of inflation as defined by the CPI, and net of all Fund investment and operating expenses. For Long-Term Funds, the Secondary Performance Objective is a rolling 5-year total return of greater than the rate of inflation plus 5.0% (3.0% for fixed income), after fees and expenses. To the extent that an actively managed strategy is used, a risk-adjusted, excess annual return of 0.50% is added to the Long-Term Secondary Performance Objective;

“Short-Term Funds” means funds not needed immediately for operating purposes as well as funds reserved for facilities construction or other capital purposes or other purposes. Short-Term Funds are generally invested in high-quality fixed-income investments that generate high levels of current income, the maturities of such investments are either short term or staggered so that maturities coincide with expenditures;

“Statutes” mean the Federal and State of Florida laws and regulations, including Sections 1011.42, 1004.24 and 218.415, Florida Statutes, and the State of Florida Administrative Code Rules of the Department of Education applicable to the University, the Board of Governors’ regulations/policies, including Florida Administrative Code 10.001 and any Statutes and Rules applicable to DSOs and CUs, including Section 1004.28 and 1010.10 and any applicable University regulations;

"Stocks and shares" means common shares, preferred shares and equity-type shares of a company;

“Treasurer” means the University Treasurer or authorized officers in the Office of the Treasurer;

“Trustees” means the Board or other governing body for the Fund, as declared in a Policy Statement adopted by the President of the University or Board of Trustees or other appropriate governing body for the Fund;

“University” means The University of South Florida Board of Trustees, a public body corporate.

Agenda Item: IIIc

USF Board of Trustees
Finance Committee
February 21, 2022

Issue: Expenditure Authorization Requests

Proposed action:

Approval of the following expenditures:

a) Adobe Acrobat & Creative Cloud License Agreement	\$2,555,214
b) Microsoft Azure	\$2,000,000
c) AV Equipment Installation and Resellers ITN	\$14,250,000
d) Baseball & Softball Batting Cage Enclosure	\$1,950,000
e) Athletics Broadcast Production Service ITN	\$4,000,000
f) STG Remodel – Research & Teaching Labs	\$3,000,000

Executive Summary: The USF Policy for Delegations of General Authority and Signatory Authority requires the approval of the Finance Committee Chair for the procurement of goods and services above \$1 million and the approval of the Finance Committee for the procurement of goods and services above \$2 million. Approval is being requested for the items listed above.

Financial Impact: Authorization is being requested for \$27,755,214 in transactions.

Strategic Goal(s) Item Supports:	Goal #5 (Strong and Sustainable Financial Base)
BOT Committee Review Date:	February 21, 2022
Supporting Documentation Online (please circle):	Yes No
Prepared by:	Nick Trivunovich, Vice President/CFO (813) 974-3297

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: Adobe Acrobat and Creative Cloud License Agreement

Total Project/Initiative Cost: \$2,555,213.58 over 3 Years

Description: (description and rationale for the project/initiative)

This is a new 3 year agreement that will allow the University to continue the use of Adobe Acrobat and Creative Cloud for faculty, staff, students, and computer labs. There are 3 equal yearly payments of \$851,737.86. The cost per user increased by 5.86% from the pricing in the 2019 agreement and is locked in thru the end of this new agreement in 2025. A 3 year term is the only option for this type of license agreement with Adobe. The other option would be to purchase licenses as needed on a yearly basis and the cost increase would be significant to continue to offer the same level of service we currently have available.

Objective: (strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

The Adobe products are strategic to the University. Adobe Acrobat Pro is available to all Faculty, Staff and Students and critical to the daily business operations including its utility in creating dynamic content for the classroom.

In the past 3 years of the existing agreement there has been significant growth in the usage of the product. We currently have 59 Faculty teaching the Creative Cloud products in the classroom, which has increased from just 45 in 2019. Currently we have approximately 16,000 students that have accessed Creative Cloud compared to 7,000 in 2019.

Funding Source(s):

Tech Fee funds \$2,501,101.08 and AUX funds \$54,112.50

Are the funds supporting the project budgeted or non-budgeted?

The Tech Fee funds have been approved for the full 3 years of the agreement and the AUX funds are budgeted in the Information Technology department budget

Prior Approval Process:

Prior 3 year agreement was approved by the BOT in 2019

List Related Projects/Initiatives: (if any)

N/A

USF or Campus specific: USF
Prepared by: Carl Smith
Date Requested: 12-17-2021

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: Microsoft Azure

Total Project/Initiative Cost: \$2.0 Million.

Description: (description and rationale for the project/initiative)

Microsoft Azure is used for cloud-based computing, storage and services for USF data and applications. Buying of Azure credits to support USF Infrastructure in the Microsoft Azure Cloud will help move USF into an operating expense model based on usage for IT infrastructure versus a capital model.

Objective:(strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

USF is continuing to move its IT infrastructure to the cloud to support the agile needs of the business units supported. Currently all of USF’s ERPs are hosted within Azure, allowing USF much greater flexibility in solutions that go far beyond what USF IT could offer on premise. This shift is expected to continue as USF IT expands to meet its clients’ needs.

Funding Source(s):

Tampa E&G	\$1,053,482
AUX	\$371,637
Tech Fee	\$139,169
Health E&G	\$365,712
UMSA	\$70,000
Total	\$2,000,000

Are the funds supporting the project budgeted or non-budgeted?

This expense is **budgeted** for within the existing USF IT combined FY22 budget. USF IT has transitioned, and is transitioning, budget line items for licenses / equipment that would have gone to on-premises services and using those same lines to instead fund the cloud-based equivalents.

Prior Approval Process:

This is an annual agreement for software that was previously approved by the Finance Committee.

List Related Projects/Initiatives: (if any)

N/A

USF or Campus specific: USF
Prepared by: Carl Smith
Date Requested: 11-17-2021

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: ITN for AV Equipment Installation and Resellers

Total Project/Initiative Cost: Estimated spend is \$14.25M over 5 years

Description: (description and rationale for the project/initiative)

IT would like to conduct an ITN to build a structured pool of vendors to provide AV installation and maintenance services as well as equipment to lock in costs. There will be no commitment for the University to spend any money with the vendors, this will just provide us with a contract avenue to conduct installations, maintenance, and repairs as needed.

	Labor @ 20%	Hardware @ 80%	Total
Total Yearly Maintenance Costs for USF teaching spaces	\$570,000	\$2,280,000	\$2,850,000
Estimated Spend over 5 Year Period	\$2,850,000	\$11,400,000	\$14,250,000

Objective:(strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

The continual need for Audio Visual equipment is an ongoing project to ensure that the classrooms for USF have current and leading-edge technology to ensure the best possible experience for the Faculty and Students. We wish to conduct this ITN to develop a larger list of vendors that are currently available and develop a structured cost for installation and equipment for the life of the ITN. This will allow IT to better estimate project costs over the life of the ITN.

Funding Source(s):

Funding sources will be identified for each individual project as they arise.

Are the funds supporting the project budgeted or non-budgeted?

This ITN does not require funding for a specific project at this point. As projects are identified, we anticipate having identified budgeted funds available.

Prior Approval Process:

None

List Related Projects/Initiatives: (if any)

N/A

USF or Campus specific: USF
Prepared by: Carl Smith
Date Requested: 02-1-2022

USF System Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: Baseball (BCB) & Softball (SCB) Batting Cage Enclosure

Total Project/Initiative Cost: \$1,950,000

Description: (description and rationale for the project/initiative)

Primary scope of work is to enclose batting cage structures at Baseball and Softball stadia and provide HVAC to protect practice activities from inclement weather. Other scope includes:

Install a single-stall restroom at Baseball and make connections to existing utilities as necessary. Provide new synthetic turf and trench drain at both facilities (damaged from water intrusion), install synthetic turf at foul area for Baseball to cut down on maintenance, and provide more efficient LED lighting to the facilities.

Objective: (strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

Continued improvement and success of the USF Intercollegiate Athletics program in support of USF Strategic Goal #3: A highly effective, major economic engine, creating new partnerships to build a strong and sustainable future for Florida in the global economy.

Funding Source(s):

Philanthropy

Are the funds supporting the project budgeted or non-budgeted?

Budgeted

Prior Approval Process:

List Related Projects/Initiatives: (if any)

N/A

USF or Campus specific: Tampa campus, Intercollegiate Athletics

Prepared by: Chaddy Hanwisai

Date Requested: February 2022

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: USF Athletics Broadcast Production Service

Total Project/Initiative Cost: Estimated \$4,000,000

Description: (description and rationale for the project/initiative)

Provide services in executing broadcast and in-arena production of USF Athletics sponsored events for multimedia platforms at all Athletic facilities. These expenses were new to FY21 with the addition of our ESPN+ Broadcast Production Studio. The American Athletic Conference requires us to broadcast a number of events on the ESPN+ platform to fulfill contractual obligations to receive Media Rights revenue distributions from the Conference.

Seeking (5) year contract.

Objective: (strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

Produce and broadcast USF Athletic Events for national and local media outlets which can be used for promotional distribution and serve as an alternative means for recruiting prospective student athletes. Producing and Broadcasting high-level event/entertainment will enhance the reach of USF Athletics and the University across all multi-media platforms.

Funding Source(s):

Athletics Auxilary

Are the funds supporting the project budgeted or non-budgeted?

Budgeted

Prior Approval Process:

List Related Projects/Initiatives: (if any)

ESPN+ Buildout to construct the Bulls Broadcast & Video Production Center (Completed)

USF or Campus specific: Tampa campus, Intercollegiate Athletics

Prepared by: Ashley Leko, Sr. Associate AD/CFO, Intercollegiate Athletics

Date Requested: January 2022

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: STG Remodel- Research & Teaching Laboratories

Total Project/Initiative Cost: Estimated \$3,000,000

Description: (description and rationale for the project/initiative)

This project will convert five classrooms on the first floor of the Science, Technology & General (STG) facility on the St. Petersburg campus to flexible research lab space and a new teaching lab with preparation room. This includes the related mechanical work associated with the conversion as well as the necessary laboratory infrastructure (air, gas, water, etc.) to support the new lab functions. STG is the most suitable facility to accommodate these labs because of the extensive mechanical systems necessary to support laboratory space. Incorporating these labs into STG where other laboratories exist will provide efficiencies in the cost of construction as well as the cost of operations. The displacement of classrooms in STG will be facilitated by completing a minor renovation of four outdated and underutilized classrooms on the first floor of Davis Hall (DAV) to enhance functionality and improve utilization.

BOT Finance Committee approval is requested to proceed with the competitive procurement process. The project will be completed primarily during the summer 2022 term to minimize disruption to students and faculty.

Objective: (strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

The College of Arts and Sciences is set to launch a new major in Environmental Chemistry on the St. Petersburg campus in fall 2022. This new program will contribute to the campus' strategic priority of becoming a national destination for students and researchers studying issues related to the environment, oceanography, and sustainability—as highlighted by the planned interdisciplinary Center of Excellence in Environmental and Oceanographic Sciences on the St. Petersburg campus.

The new major in Environmental Chemistry necessitates offering a greater array and number of Chemistry lecture and associated laboratory courses. The current Chemistry teaching laboratories on the St. Petersburg campus are already at high capacity and utilization. As such, the campus needs an additional new Chemistry teaching laboratory, in which both Organic Chemistry and Inorganic Chemistry laboratory courses will be taught.

In addition, two new Environmental Chemistry tenure-line faculty positions have been approved with start dates of August 2022 and August 2023 respectively. Once the

program grows, additional positions are anticipated. New tenure-line research-active faculty members require research laboratories and the project includes a large flexible multi-faculty research laboratory.

This project supports the university's strategic goals for 1) Student Success, 2) Faculty Excellence in Research and Innovation, and 5) A Strong, Sustainable, and Adaptable Financial Base.

Funding Source(s):

E&G Carryforward

Are the funds supporting the project budgeted or non-budgeted?

Budgeted

Prior Approval Process:

FY22 Fixed Capital Outlay Budget and Carryforward Spending Plan

List Related Projects/Initiatives: (if any)

DAV 1st Floor Classroom Renovation

USF or Campus specific: St. Petersburg

Prepared by: David Everingham, Regional Vice Chancellor for Administration & Finance

Date Requested: 2/1/2022

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

Agenda Item: IVa

USF Board of Trustees
Finance Committee
February 21, 2022

Issue: USF Fiscal Year 2021 Audited Financial Statements

Proposed action: Informational

Executive Summary:

The USF Fiscal Year 2021 Financial Statements and associated audit report were released by the State of Florida Auditor General on December 16, 2021.

There were no adjustments to the financial information that was presented at the November 16, 2021 finance committee meeting.

Financial Impact:

None

Strategic Goal(s) Item Supports: Goal 5: Strong, Sustainable and Adaptable Financial Base

BOT Committee Review Date: February 21, 2022

Supporting Documentation Online (*please circle*): Yes

[USF Fiscal Year 2021 Financial Report](#)

Prepared by: Jennifer Condon, University Controller (813) 974-7696

Agenda Item: IVb

USF Board of Trustees
Finance Committee
February 21, 2022

Issue: DSO Mid-Year Forecasts for FY 2022

Proposed action: Informational

Executive Summary:

The Direct Support Organizations of the University (DSOs) have prepared their Mid-Year Forecasts for FY 2022.

These reports include a comparison of the Forecast to the FY 2022 Financial Plans approved by the BOT Finance Committee at its May 25, 2021 Meeting, as well as actual results for FY 2021, FY 2020 and FY 2019.

The DSOs presenting their Mid-Year Forecasts to the Board of Trustees Finance Committee are as follows:

1. University Medical Services Association, Inc. &
USF Medical Services Support Corporation
2. USF Foundation, Inc.
3. USF Research Foundation, Inc.
4. USF Health Professions Conferencing Corporation

The remaining DSOs will not be presenting in the interest of time, but are available to answer any questions from the Board of Trustees Finance Committee:

5. USF Financing Corporation & USF Property Corporation
6. USF Institute for Applied Engineering
7. Sun Dome, Inc.
8. USF Alumni Association, Inc.

Financial Impact:

The Direct Support Organizations of the University of South Florida (DSO) are organized and operated exclusively to assist the University achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services. These organizations are authorized by Florida Statute 1004.28 to receive, hold and administer property and make expenditures for the University.

Strategic Goal(s) Item Supports: **Goal 5: Strong, Sustainable and Adaptable Financial Base**
BOT Committee Review Date: **Finance - February 21, 2022**
Supporting Documentation Online (please circle): **Yes** **No**
Prepared by: **Fell L. Stubbs, University Treasurer, (813) 974-3298**



DIRECT SUPPORT ORGANIZATIONS

MID-YEAR FORECASTS

FISCAL YEAR 2022

February 21, 2022



DSO Mid-Year Forecasts for FY 2022

INDEX

University Medical Services Association, Inc. and Medical Services Support Corporation.....	1-4
USF Foundation, Inc.	5-8
USF Research Foundation, Inc.....	9-12
USF Health Professions Conferencing Corporation	13-16
USF Financing Corporation and USF Property Corporation.....	17-20
USF Institute of Applied Engineering.....	21-24
Sun Dome, Inc.....	25-28
USF Alumni Association, Inc.	29-32



UMSA/MSSC Combined FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- On October 1st, 2021, the practice plan and Tampa General Hospital entered into an enhanced affiliation agreement to build upon their nearly 50 year affiliation to become Florida's leading academic medical center (AMC) through a sustainable, collaborative, and comprehensive relationship that mutually benefits each organization, and the communities we serve, across all missions including patient care, teaching, research, and advocacy. USF Tampa General Physicians (USFTGP) went live on October 1st and will be the vehicle through which USF and TGH will operate their collective physician enterprise - including physicians employed by USF and TGMG - as a clinically integrated medical group. USFTGP will provide all practice infrastructure, clinical management, and related operational and administrative support services, including management of employed and leased staff.
- By January 1st 2022, approximately 1,300 UMSA employees transitioned employment to either USF, USFTGP, or TGH, depending on their function, with the majority moving to USFTGP.
- Clinical volumes returned to their pre-pandemic levels through December 2021. However, the Omicron surge in January 2022 presented a challenge as approximately 10% of our staff were either sick or in quarantine in the first 2 weeks of the calendar year, resulting in some clinic cancellations. This coupled with the tight labor market has stretched the practice plan's staffing resources.
- While the practice plan's financial austerity measures instituted in FY21 in response to the COVID-19 pandemic have been lifted, precautions surrounding large gatherings and travel restrictions have kept travel, meals, and continuing medical education costs below prior year averages.
- The practice will receive an additional \$14.7 of CARES Act funding in FY22 to reimburse for lost revenue associated with the COVID pandemic.

Describe Management's Actions to Close Significant **Unfavorable Variances in Net Income and Net Cash Flows Before Fiscal Year End**

- The national healthcare labor shortage has posed a challenge to recruitment and retention of talent in UMSA. USF Health leadership is working closely with USFTGP and their human resources partners at TGH to advertise open positions, host career fairs, and review our market.
- UMSA is forecasted to end FY22 with a \$44M receivable for the Medicaid Managed Care Supplemental Payment Program (UPL). The Agency for Healthcare Administration (AHCA) remains challenged with turnaround times due to staffing shortages, therefore we do not anticipate receiving the Medicaid Managed Care Supplemental payments until after the fiscal year end.



UMSA/MSSC Combined

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

REVENUES

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
Net Patient Service	\$187,376	\$189,190	\$(1,813)	(1)%	\$191,974	\$166,121	\$186,258
Grants, Contracts & Awards	88,003	87,112	891	1 %	94,719	79,757	76,144
UPL/PCIP	38,222	38,200	22	0 %	40,491	38,726	26,047
Other Revenue	61,945	46,653	15,292	33 %	41,798	43,383	41,085
Total Revenues	\$375,546	\$361,154	\$14,393	4 %	\$368,983	\$327,986	\$329,534
EXPENSES							
Faculty Support	142,202	132,012	10,190	8 %	\$132,401	\$119,117	\$118,010
Housestaff Support	12,354	12,315	39	0 %	12,423	13,068	12,732
Other Staff Support	32,268	39,110	(6,842)	(17)%	79,390	77,133	71,968
Depreciation/Amortization	4,514	4,638	(124)	(3)%	5,047	4,573	4,436
Other Expenses	95,389	93,286	2,103	2 %	55,384	55,412	55,877
Transfer to USF Conv Accts	65,729	63,756	1,973	3 %	62,462	60,080	56,409
Transfer to DSO HPCCC Salary Support	0	0	0	%	0	0	1,072
Total Expenses	\$352,456	\$345,118	\$7,339	2 %	\$347,108	\$329,384	\$320,506
OPERATING PROFIT BEFORE NON-OPERATING CHANGES	\$23,090	\$16,036	\$7,054	44 %	\$21,875	\$(1,398)	\$9,028
Unrealized Investment Gains (Losses)	124	0	124	%	3,041	1,068	422
Contribution to MCOM	(5,000)	0	(5,000)	%	0	(7,003)	0
Gain (Loss) on Disposal of Capital Assets	2,766	0	2,766	%	0	0	0
Non-Cash Impact of Epic Conversion	0	0	0	%	0	0	(5,742)
Other Non Operating Expense	(3)	0	(3)	%	0	0	0
Total Non-Operating Changes	\$(2,113)	\$0	\$(2,113)	%	\$3,041	\$(5,935)	\$(5,320)
NET PROFIT	\$20,977	\$16,036	\$4,941	31 %	\$24,916	\$(7,332)	\$3,709
Operating Profit Margin	6%	4%	2%	38 %	6%	0%	3%



UMSA/MSSC Combined

FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Net Operating Profit	\$20,977	\$16,036	\$4,941	31%	\$24,916	\$(7,332)	\$3,709
Adjustments for Non-Cash Activities:			0	%			
Depreciation/Amortization	4,514	4,638	(124)	-3%	5,047	4,573	4,436
Non Cash Impact of EPIC	0	0	0	%	0	0	5,742
Unrealized Gains	0	0	0	%	0	0	(422)
Operating Assets and Liabilities	(16,113)	(3,000)	(13,113)	-437%	(72,055)	36,060	(1,695)
Total Cash From Operating Activities	\$9,379	\$17,674	\$(8,295)	-47%	\$(42,093)	\$33,301	\$11,770
<u>FINANCING ACTIVITIES</u>							
Capital Expenditures	\$(6,096)	\$(4,500)	\$(1,596)	-35%	\$(1,613)	\$(2,514)	\$(2,815)
Proceeds from Sale of Capital Assets	2,766	0	2,766	%	13	0	0
Interest Payments	(2,429)	0	(2,429)	%	(2,429)	(1,566)	(1,633)
Transfer to USF FC - Leases on MOBs	(2,511)	(2,511)	0	0%	(2,306)	(2,245)	(2,689)
Total Cash From Financing Activities	\$(8,271)	\$(7,011)	\$(1,260)	-18%	\$(6,335)	\$(6,325)	\$(7,136)
<u>INVESTING ACTIVITIES</u>							
Net (Purchases) Sales of Investments	(6,624)	0	(6,624)	%	21,042	(1,803)	(2,962)
Interest and Dividends on Investments	0	0	0	%	3,041	1,068	422
Total Cash From Investing Activities	\$(6,624)	\$0	\$(6,624)	%	\$24,083	\$(735)	\$(2,540)
CHANGE IN CASH	(5,516)	10,663	(16,179)	-152%	(24,345)	26,241	2,094
Cash, Beginning of Year	10,650	13,763	(3,113)	-23%	34,996	8,755	6,661
Cash, End of Year	\$5,134	\$24,426	\$(19,292)	-79%	\$10,650	\$34,996	\$8,755
Total Cash & Investments	\$18,761	\$54,104	\$(35,343)	-65%	\$17,314	\$62,672	\$33,597
Days Cash on Hand	20	59	(39)	-66%	19	73	40



UMSA/MSSC Combined
FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$33,597	\$62,672	\$17,314	\$18,761	\$34,033	\$50,641
Fixed Assets	54,420	54,145	51,410	54,741	55,836	57,511
Other Assets	55,422	50,104	83,336	67,223	57,895	58,474
Total Assets	\$143,439	\$166,921	\$152,060	\$140,725	\$147,764	\$166,626
LIABILITIES						
Payables	\$9,648	\$17,637	\$12,991	\$12,341	\$12,464	\$12,589
Long-Term Debt	47,475	48,754	46,536	50,032	51,311	52,589
Other Liabilities and deferred inflows	19,961	46,398	26,001	20,161	20,363	20,566
Total Liabilities	\$77,084	\$112,788	\$85,528	\$82,534	\$84,138	\$85,745
NET ASSETS	\$66,355	\$54,133	\$66,532	\$58,191	\$63,626	\$80,881
Days Cash on Hand	40	73	19	20	37	54
REVENUES						
Net Patient Service	\$186,258	\$166,121	\$191,974	\$187,376	\$192,998	\$197,823
Grants, Contracts & Awards	76,144	79,757	94,719	88,003	88,883	89,772
UPL	26,047	38,726	40,491	38,222	38,604	38,990
Other Revenues	41,085	43,383	41,798	61,945	47,864	48,343
Total Revenues	\$329,534	\$327,986	\$368,983	\$375,546	\$368,349	\$374,928
EXPENSES						
Faculty Support	\$118,010	\$119,117	\$132,401	\$142,202	\$143,624	\$145,779
Housestaff Support	12,732	13,068	12,423	12,354	12,438	12,562
Other Staff Support	71,968	77,133	79,390	32,268	0	0
Other Expenses	55,877	55,412	55,384	95,389	128,295	129,578
Transfer to USF - Salary Grants	56,409	60,080	62,462	65,729	69,020	70,401
Transfer to HPCC - Salary Support	1,072	0	0	0	0	0
Total Expenses	\$316,070	\$324,811	\$342,061	\$347,942	\$353,378	\$358,320
Operating Profit Before Non-Cash Changes	\$13,464	\$3,176	\$26,922	\$27,604	\$14,972	\$16,608
Total Non-Cash Changes	\$(4,436)	\$(4,573)	\$(5,047)	\$(4,514)	\$(4,560)	\$(4,605)
NET OPERATING PROFIT	\$9,028	\$(1,398)	\$21,875	\$23,090	\$10,412	\$12,003
Operating Profit Margin	3%	0%	6%	6%	3%	3%
Unrealized Investment Gains (Losses)	\$422	\$1,068	\$3,041	\$121	\$0	\$0
Non-Cash Impact of Epic Conversion	(5,742)					
Gain (Loss) on Disposal of Capital Assets	0	0	0	2,766	0	0
Contribution to MCOM	0	(7,003)	0	(5,000)	(9,700)	0
Total Non-Operating Changes	\$(5,320)	\$(5,935)	\$3,041	\$(2,113)	\$(9,700)	\$0
NET PROFIT	\$3,709	\$(7,332)	\$24,916	\$20,977	\$712	\$12,003



USF FOUNDATION, INC.

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- Several new initiatives for the Division of University Advancement have been kicked off during the fiscal year to facilitate and grow the crucial impact of philanthropy for USF. The talent acquisition to establish a principal gifts team, a regional fundraising team, and a Digital Engagement Center is underway with the onboarding of new leadership positions during the first two quarters of fiscal year 2022 and with active searches underway for key roles for these initiatives.

Describe Management's Actions to Close Significant **Unfavorable Variances in Net Income and Net Cash Flows Before Fiscal Year End**

- Investment losses incurred through December 31st combined with the investment return projections for the 3rd and 4th quarters are reflected in the mid-year forecast; thereby, driving the decrease in net operating profit compared with the FY 2022 financial plan. These return projections will not negatively impact endowment spending distributions as the 5-year average market value used to calculate earnings distributions has increased.
- Other transfers and expenses are anticipated to increase compared to the financial plan due to additional funding available through fundraising efforts for academic facility construction projects.



USF FOUNDATION, INC.

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>REVENUES</u>							
Gift & Donations	\$60,450	\$60,450	\$0	0 %	\$64,667	\$70,565	\$60,914
Investment Income (Loss)	33,625	44,301	(10,676)	(24)%	192,303	31,323	33,209
University Support	12,954	11,754	1,200	10 %	13,209	16,284	13,233
Other Revenues	2,850	2,850	0	0 %	2,473	2,489	2,518
Total Revenues	\$109,879	\$119,355	\$(9,476)	(8)%	\$272,652	\$120,661	\$109,874
<u>EXPENSES</u>							
Program Services							
Salaries & Benefits	19,950	19,901	48	0 %	20,721	18,498	17,288
Scholarship & Fellowship	10,088	9,806	282	3 %	10,802	13,213	10,336
Service & Independent contractors	3,972	4,066	(94)	(2)%	1,619	3,145	4,581
Supplies	2,160	2,164	(4)	(0)%	884	1,517	3,070
Other Transfers & Expenses	30,767	22,267	8,500	38 %	18,791	14,573	22,749
Total Program Service Expenses	66,937	58,205	8,732	15 %	52,817	50,946	58,024
Fundraising and Operating Expenses							
Salaries & Benefits	15,866	15,674	192	1 %	16,188	14,942	14,343
Service & Independent contractors	1,114	1,119	(5)	(0)%	1,042	1,728	1,171
Other Transfers & Expenses	1,944	2,194	(250)	(11)%	1,429	1,772	2,694
Total Fundraising and Operating Expenses	18,924	18,987	(63)	(0)%	18,659	18,442	18,208
Total Expenses	85,861	77,192	8,669	11 %	71,476	69,388	76,232
OPERATING PROFIT BEFORE NON-CASH CHANGES	\$24,018	\$42,163	\$(18,145)	(43)%	\$201,176	\$51,273	\$33,642
Total Non-Cash Changes	\$0	\$0	\$0	%	\$0	\$0	\$0
NET OPERATING PROFIT	\$24,018	\$42,163	\$(18,145)	(43)%	\$201,176	\$51,273	\$33,642
Operating Profit Margin	22%	35%		(13)%	74%	42%	31%



USF FOUNDATION, INC.

FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020-restated ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Net Operating Profit	\$24,018	\$42,163	\$(18,145)	(43)%	\$201,176	\$51,273	\$33,642
Adjustments for Non-Cash Activities:							
Investment (gain) losses	(42,225)	(40,549)	(1,676)	(4)%	(179,278)	(21,485)	(23,643)
Change in assets & liabilities	(6,840)	(16,263)	9,423	58 %	(19,976)	(45,053)	(31,097)
Total Cash From Operating Activities	\$(25,047)	\$(14,649)	\$(10,398)	(71)%	\$1,922	\$(15,265)	\$(21,098)
<u>FINANCING ACTIVITIES</u>							
Proceeds of sales of contributed land held for resale	\$0	\$0	\$0	%	\$0	\$0	\$12,000
Interest Paid on Debt	(125)	(125)	0	0 %	(109)	(119)	(129)
Principal Paid on Debt	(379)	(379)	0	0 %	(391)	(382)	(371)
NonCapital Financing activities	18,913	7,565	11,348	150 %	13,139	15,545	9,435
Total Cash From Financing Activities	\$18,409	\$7,061	\$11,348	161 %	\$12,639	\$15,044	\$20,935
<u>INVESTING ACTIVITIES</u>							
Capital Expenditures	\$0	\$0	\$0	%	\$400	\$400	\$(7,650)
Net (Purchases) Sales of Investment	(2,246)	(2,065)	(181)	(9)%	(32,359)	(6,504)	(1,360)
Interest dividends reinvested	10,546	9,145	1,401	15 %	13,025	9,839	9,565
Total Cash From Investing Activities	\$8,300	\$7,080	\$1,220	17 %	\$(18,934)	\$3,735	\$555
CHANGE IN CASH							
Cash, Beginning of Year	1,662	(508)	2,169	427 %	(4,373)	3,514	392
Cash, End of Year	\$2,213	\$2,002	\$210	11 %	4,924	1,410	1,025
Total Cash & Investments	\$129,731	\$116,830	\$12,901	11 %	\$132,115	\$112,621	\$98,017
Days Cash on Hand	551	552	(1)	(0)%	675	592	469



USF FOUNDATION, INC.

FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020 - restated	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$98,017	\$112,621	\$132,115	\$129,731	\$108,957	\$110,047
Fixed Assets	10,844	10,844	10,725	10,605	10,485	10,361
Other Assets	587,690	594,379	786,838	819,308	871,933	909,012
Total Assets	\$696,551	\$717,844	\$929,678	\$959,644	\$991,375	\$1,029,419
LIABILITIES						
Payables	\$969	\$1,053	\$408	\$1,076	\$1,095	\$1,117
Long-Term Debt	4,714	4,332	3,942	3,540	3,127	2,704
Other Liabilities	54,087	24,405	36,098	41,780	44,414	46,456
Total Liabilities	\$59,770	\$29,790	\$40,448	\$46,396	\$48,636	\$50,277
NET ASSETS	\$636,781	\$688,054	\$889,230	\$913,248	\$942,739	\$979,143
Days Cash on Hand	469	592	675	551	458	457
REVENUES						
Gifts & Fundraising Revenue	\$60,914	\$70,565	\$64,667	\$60,450	\$64,200	\$69,336
University Support	13,233	16,284	13,209	12,954	13,084	13,280
Other Revenues	35,727	33,812	194,776	36,475	39,028	41,760
Total Revenues	\$109,874	\$120,661	\$272,652	\$109,879	\$116,312	\$124,376
EXPENSES						
Salaries & Benefits	\$31,631	\$33,440	\$36,910	\$35,816	\$36,174	\$36,717
Scholarships & Fellowships	10,336	13,213	10,802	10,088	10,290	10,496
Other Expenses	34,265	22,735	23,764	39,957	40,357	40,760
Total Expenses	\$76,232	\$69,388	\$71,476	\$85,861	\$86,820	\$87,972
Operating Profit Before Non-Cash Changes	\$33,642	\$51,273	\$201,176	\$24,018	\$29,491	\$36,404
Total Non-Cash Changes	\$0	\$0	\$0	\$0	\$0	\$0
NET OPERATING PROFIT	\$33,642	\$51,273	\$201,176	\$24,018	\$29,491	\$36,404
Operating Profit Margin	31%	42%	74%	22%	25%	29%



USF Research Foundation, Inc.

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- The Certificate of Occupancy for the new USF Research Park Mixed Use Lab and Office Building that has been under construction, is expected to occur end of January 2022. The Income Statement impact for FY22 initially planned at -\$1.4M Loss continues to be forecasted, to include interest expense of \$825K, operating expenses \$231K, and non-cash depreciation of \$375K. On a conservative basis, 50% occupancy is projected by close of FY24, with focus on tenancy from partnership opportunities with private industry.
- As advised by the University, the FY22 Plan included a cost allocation to the Research Foundation for 75% of the USF Technology Transfer Office (TTO) expense budget which had previously been supported by the University. The Income Statement impact for FY22 initially projected at \$2.6M expense line item, is forecasted as of this date to now be \$2.3M (\$300,000 expense savings) due to cost reductions initiated by TTO. This IP expense will be in addition to the IP expenses directly expended by our DSO (principally royalty expense). This additional expense being allocated to our DSO is projected to increase to \$3.5M in FY23 with 100% of TTO operating expense budget being funded by the Research Foundation.
- To reduce the Incubator program expenses incurred by the University, cash payments totaling \$2.0M from Research Foundation to the University's Incubator program (TBTI) will occur in FY22. As of the date of this report \$1.0M has already been transferred towards this commitment. The transfer of this fiduciary cash to the University's chartfield for the Incubator program, will reduce the University's FY22 program expense. A quarterly transfer of \$250,000 on an ongoing basis (\$1.0M per annum) which approximates the positive cash flow generated from tenant rents and sponsor support, will reduce the University's expense each year thereafter.

Describe Management's Actions to Close Significant **Unfavorable** Variances in Net Income and Net Cash Flows Before Fiscal Year End

- The negative Operating Profit Margin of (\$1.7M) loss for FY22 Budget is forecasted to be \$381,000 less than originally planned. The reduction is largely due to the USF Technology Transfer Office (TTO) continuing to focus on cost containment in an effort to further reduce their operating expenses, that in turn are being allocated to our DSO. As forecasted, the Net Operating Loss from Intellectual Property will total (\$1.2M) loss on our financials.
Calculated as follows: IP Fee Revenue generated \$3.8M less IP costs of \$2.7M and less TTO costs of \$2.3M (75% allocated to DSO) = (\$1.2M) Operating Loss.
Further reductions to the net loss will come from continued cost containment. Management is committed to reviewing the Intellectual Property business model and implementing operational efficiencies.
- All line item Operating Expenses are forecasted to be less than originally budgeted, with management continuing to focus on costs containment. CAP-X savings of \$370,000 will improve cash flow, as a consequence of continued oversight of planned capital expenditures within the USF Research Park that can be postponed and/or cancelled in the current fiscal year.
- Forecast for FY22 includes a non-operating investment loss of \$10.0M. The loss represents the reduced market value of equity stock from close of FY21 recorded fair value to FY22 Qtr 2 reporting date.

Due to a lock up period and rule 144 restrictions until December 2021, trade activity could not occur. The Administrative Finance Committee for our DSO, continues to monitor the price of the stock in order to position the Research Foundation to benefit from a potential sale of the equity holding at earliest opportunity.



USF Research Foundation, Inc.

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
REVENUES							
Rental Revenue	\$9,596	\$9,760	\$(164)	(2)%	\$9,252	\$8,968	\$8,689
Intellectual Property Revenue (TTO Initiator)	3,800	4,000	(200)	(5)%	2,561	2,666	3,592
Intellectual Property Revenue - Equity Transactions	-	-	-	%	7,433	-	-
NMR Use License Fee	-	-	-	%	244	307	307
Other Operating Revenues	157	157	0	0%	172	188	269
Total Revenues	\$13,553	\$13,917	\$(364)	(3)%	\$19,661	\$12,129	\$12,858
EXPENSES							
Salaries & Benefits	\$1,246	\$1,246	\$0	0%	1,196	\$1,297	\$1,288
Operations - Research Park	3,923	3,969	(45)	(1)%	3,219	3,489	3,076
Operations - New Research Park Building	231	284	(53)	(19)%	-	-	-
IP Program Expense - Royalties & Direct Tech Costs	2,688	2,818	(130)	(5)%	1,836	1,826	2,577
IP University Exp - TTO Cost Allocation (75%) to DSO	2,338	2,628	(290)	(11)%	-	-	-
Other Program Expense	40	65	(25)	(38)%	87	56	458
Other Operating Expenses	207	207	-	0%	164	195	135
UBC Net Expense (University Business Center)	375	375	-	0%	233	256	332
Interest Expense	904	971	(67)	(7)%	621	526	622
Depreciation & Amortization	3,255	3,389	(134)	(4)%	2,786	2,562	2,648
Total Expenses	\$15,207	\$15,953	\$(745)	(5)%	\$10,142	\$10,207	\$11,136
NET OPERATING PROFIT (LOSS)	\$(1,655)	\$(2,036)	\$381	19%	\$9,520	\$1,922	\$1,722
Investment Income	2,544	1,866	678	36%	11,864	1,917	2,212
Investment Income - IP Equity Transaction	(10,076)	-	(10,076)	%	5,509	-	-
Non-Operating Interest Exp (New Bldg Construction)	(487)	(420)	(67)	(16)%	(927)	(401)	-
Total Non-Operating	\$(8,019)	\$1,446	\$(9,466)	(654)%	\$16,446	\$1,516	\$2,212
NET INCOME (LOSS)	\$(9,674)	\$(589)	\$(9,085)	(1,542)%	\$25,966	\$3,438	\$3,934
Operating Profit Margin	-12.2%	-14.6%		2%	48.4%	15.8%	13.4%



USF Research Foundation, Inc.

FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Net Income	\$(9,674)	\$(589)	\$(9,085)	(1,542)%	\$25,966	\$3,438	\$3,934
Adjustments for Non-Cash Activities:							
Add Non-Cash Investment Loss (Less Inv Income)	7,132	(1,566)	8,698	555 %	(16,875)	(1,550)	(2,212)
Less Other Non-Cash Operating Revenue	-	-	-	%	(7,685)	(18)	(26)
Add back Depreciation/Amortization Exp	3,255	3,389	(134)	(4)%	2,786	2,562	2,648
Add back Other Non-Cash Expenses	65	65	-	0 %	119	333	464
Changes in Operating Assets and Liabilities	(400)	(400)	-	0 %	(2,381)	(1,113)	1,877
Total Cash From Operating Activities	\$378	\$898	\$(521)	(58)%	\$1,930	\$3,653	\$6,685
<u>FINANCING ACTIVITIES</u>							
Principal Payments - Notes Payable	\$(805)	\$(805)	\$0	0 %	\$(775)	\$(1,745)	\$(1,720)
Principal Payments Capital Lease - UDI Building	(252)	(252)	0	0 %	(261)	(261)	-
Principal Payment - New Building	(936)	(936)	0	0 %	(900)	-	-
Redeem Investments - Fund New Bldg Cost & CAP-X	5,837	13,247	(7,410)	(56)%	1,827	2,514	-
New Bldg - Debt Sinking Fund, Debt Reserves & Costs	-	-	-	%	-	(2,566)	-
Redeem Investments - Truist Equity to Operating Cash	-	-	-	%	275	-	-
Total Cash From Financing Activities	\$3,844	\$11,254	\$(7,410)	(66)%	\$166	\$(2,059)	\$(1,720)
<u>INVESTING ACTIVITIES</u>							
Capital Expenditures	\$(708)	\$(1,079)	\$370	34 %	\$(258)	\$(1,242)	\$(640)
Capital Expenditures - New Bldg Tenant Improvements	(2,000)	(11,486)	9,486	83 %	-	-	-
Purchase of Investments	-	-	-	%	-	(4,050)	(3,251)
Seed Capital Loan Repayments (Issuance)	20	20	0	0 %	35	28	(25)
	-	-	-	%	-	-	-
Total Cash From Investing Activities	\$(2,688)	\$(12,545)	\$9,856	79 %	\$(223)	\$(5,264)	\$(3,916)
CHANGE IN CASH	1,534	(392)	1,926	491 %	1,874	(3,670)	1,049
Cash, Beginning of Year	5,330	6,269	(939)	(15)%	3,456	7,127	6,077
Cash, End of Year	\$6,864	\$5,877	\$987	17 %	\$5,330	\$3,456	\$7,127
Total Cash & Investments	\$55,762	\$36,470	\$19,292	53 %	\$57,521	\$46,106	\$46,807
Days Cash on Hand	648	328	321	98 %	770	339	457



USF Research Foundation, Inc.

FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$46,807	\$46,106	\$57,521	\$55,762	\$54,975	\$54,175
Fixed Assets	33,510	34,512	33,225	59,678	57,830	56,597
Other Assets	18,039	19,247	40,148	32,032	31,916	31,800
Total Assets	\$98,355	\$99,864	\$130,894	\$147,472	\$144,721	\$142,573
LIABILITIES						
Payables	\$2,704	\$2,089	\$10,178	\$6,998	\$7,208	\$7,424
Long-Term Debt	20,610	18,654	17,618	42,625	40,553	38,394
Other Liabilities	8,553	9,196	7,205	7,422	7,644	7,874
Total Liabilities	\$31,868	\$29,938	\$35,002	\$57,045	\$55,405	\$53,692
NET ASSETS	\$66,488	\$69,926	\$95,892	\$90,427	\$89,316	\$88,880
Days Cash on Hand	457	339	770	648	600	569
REVENUES						
Rental Revenue	\$8,689	\$8,968	\$9,252	\$9,596	\$10,803	\$11,848
Intellectual Property Revenue	3,592	2,666	9,993	3,800	4,100	4,400
Other Revenues	576	495	416	157	165	173
Total Revenues	\$12,858	\$12,129	\$19,661	\$13,553	\$15,067	\$16,421
EXPENSES						
Salaries & Benefits	\$1,288	\$1,297	\$1,196	\$1,246	\$1,514	\$1,635
Operations - Research Park	3,076	3,489	3,219	4,154	4,416	4,908
Other Expenses	6,772	5,421	5,726	9,807	12,270	12,330
Total Expenses	\$11,136	\$10,207	\$10,142	\$15,207	\$18,201	\$18,873
Operating Profit Before Non-Operating	\$1,722	\$1,922	\$9,520	\$(1,655)	\$(3,133)	\$(2,452)
Total Non-Operating, Net	2,212	1,516	16,446	(8,019)	2,570	2,578
NET INCOME (LOSS)	\$3,934	\$3,438	\$25,966	\$(9,674)	\$(563)	\$126
Operating Profit Margin	13%	16%	48%	-12%	-21%	-15%



USF Health Professions Conferencing Corporation

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- In FY2022, HPCC is successfully rescheduling FY2020 programs affected by COVID19 and CAMLS affirmative actions to proactively postpone many programs has strengthened relationships with external clients, resulting in growing revenue and increasing operating earnings for FY2022 and 2023. New virtual reality and live streaming capabilities also helped CAMLS identify numerous new clients and offer new training options to established clients. The first two quarters anticipated external clients returning to CAMLS at 50% of pre-COVID volumes, which was exceeded, and the second two quarters anticipated a return to 100% pre-COVID volumes. Although 100% is a stretch due to the Delta and Omicron variants of COVID 80-90% is achievable in the second two quarters. This revenue stream remains on target and unchanged in the Mid-Year Forecast. Additionally, the increasing participants at CAMLS and in downtown Tampa generally helped HPCC realize additional rents that were in doubt during the development of the Annual Plan.
- HPCC and the CAMLS facility continue to provide clean, sanitized, flexible space and access for simulation learning and healthcare education of USF students, including Morsani College of Medicine Undergraduate Medical Education (UME), MCOM Anatomy Laboratory, Graduate Medical Education (GME), and Physician's Assistant (PA) students, College of Nursing Certified Registered Nurse Anesthetist (CRNA) students, College of Pharmacy students, and Muma College of Business students. This revenue stream remains on target and unchanged in the Mid-Year Forecast.
- New relationships to deliver programming that occurs off-site ('CAMLS Without Walls') which exports CAMLS' talent, tools, and resources to support our community and other Florida hospitals and healthcare systems and the expansion into research focused on simulation-based training and virtual/augmented reality to utilize CAMLS's unique expertise, assets, USF Health faculty and affiliates are small but growing aspects of training opportunities.
- The Office of Continuing Professional Development (OCPD) has expanded its portfolio of online programming in partnership with medical education companies (MECs) and transitioned its business model to accreditation only services and away from management of live events. This pivot has resulted in a significant increase in grant revenue, which in turn is passed on to the MECs for content development. CPD earns its fees over the course of the program, typically a year, which is setting the stage for an even stronger FY2023 as the client base expands.

Describe Management's Actions to Close Significant **Unfavorable Variances in Net Income and Net Cash Flows Before Fiscal Year End**

- USF and external clients have proven resilient and the interest in CAMLS continues to build as the latest variant of COVID subsides. The strength of clients portends a strong close to FY2022 and increasing momentum for FY2023. Therefore, there are no significant variances in Net Income or Net Cash Flows.



USF Health Professions Conferencing Corporation

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
REVENUES							
Continuing Professional Development	\$6,979	\$4,594	\$2,385	52 %	\$3,454	\$7,162	\$6,901
CAMLS - USF Health Programming	2,061	2,061	0	0 %	2,085	2,313	2,872
CAMLS - Industry, Societies, Healthcare	3,125	3,125	(0)	(0)%	1,595	2,661	4,540
Other HPCC Divisions	0	0	0	%	10	205	575
In Kind Donations	0	17	(17)	(100)%	11	29	68
Rents, Parking, Rebates, Interest	373	113	260	229 %	227	484	732
Gain on Sale of Fixed Assets	5	0	5	%	7	0	0
Transfer from USF-Plant Operations & Maint.	1,293	1,293	0	0 %	1,293	1,293	1,293
USF Carryforward funding - temp staffing - programs	0	0	0	%	69	60	60
Transfer from UMSA Continuing Ed - Faculty, Students	900	900	0	0 %	270	250	1,000
Total Revenues	\$14,736	\$12,104	\$2,632	22 %	\$9,021	\$14,458	\$18,041
EXPENSES							
Wages and Benefits	\$3,790	\$3,850	\$(60)	(2)%	\$3,611	\$3,898	\$3,900
Wages - program driven temporary staffing	60	60	0	0 %	71	250	214
Utilities, Leases, Maint., Supplies, Marketing	1,974	1,765	209	12 %	1,568	1,891	2,262
Direct Program Expense	7,627	5,157	2,470	48 %	3,537	7,348	8,252
Interest	293	293	0	0 %	346	527	570
In Kind Expense	0	17	(17)	(100)%	11	29	68
Depreciation & Amortization	978	957	21	2 %	961	1,089	1,440
Total Expenses	\$14,722	\$12,098	\$2,624	22 %	\$10,105	\$15,033	\$16,706
OPERATING PROFIT BEFORE NON-CASH CHANGES	\$14	\$5	\$9	155 %	\$(1,084)	\$(576)	\$1,335
Unrealized Investment Gains (Losses)	0	0	0	%	0	0	0
Total Non-Cash Changes	\$0	\$0	\$0	%	\$0	\$0	\$0
NET OPERATING PROFIT	\$14	\$5	\$9	155 %	\$(1,084)	\$(576)	\$1,335
Operating Profit Margin	0%	0%		0 %	-12%	-4%	7%



USF Health Professions Conferencing Corporation

FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Net Operating Profit	\$14	\$5	\$9	155 %	\$(1,084)	\$(576)	\$1,335
Adjustments for Non-Cash Activities:							
Depreciation and Amortization	978	957	21	2 %	961	1,089	1,440
Adjustments for Changes in Operating Assets and Liabilities	0	0	0	%	(921)	644	386
Total Cash From Operating Activities	\$992	\$963	\$29	3 %	\$(1,044)	\$1,157	\$3,161
<u>FINANCING ACTIVITIES</u>							
Proceeds of Long-Term Debt	\$0	\$0	\$0	%	\$0	\$0	\$0
Principal Payments	(1,229)	(1,229)	0	0 %	(1,142)	(1,096)	(1,171)
Total Cash From Financing Activities	\$(1,229)	\$(1,229)	\$0	0 %	\$(1,142)	\$(1,096)	\$(1,171)
<u>INVESTING ACTIVITIES</u>							
Capital Expenditures	\$(70)	\$(20)	\$(50)	(250)%	\$(126)	\$(134)	\$(154)
(Gain)/Loss on sale of fixed assets	5	0	5	%	7	0	0
Net (Purchases) Sales of Investments	0	0	0	%	0	0	217
Total Cash From Investing Activities	\$(65)	\$(20)	\$(45)	(225)%	\$(119)	\$(134)	\$63
CHANGE IN CASH	(302)	(286)	(16)	(6)%	(2,305)	(73)	2,053
Cash, Beginning of Year	1,983	1,311	672	51 %	4,288	4,361	2,308
Cash, End of Year	\$1,681	\$1,025	\$656	64 %	\$1,983	\$4,288	\$4,361
Total Cash & Investments	\$1,681	\$1,025	\$656	64 %	\$1,983	\$4,288	\$4,361
Days Cash on Hand	45	34	11	31 %	79	112	104



USF Health Professions Conferencing Corporation

FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$4,361	\$4,288	\$1,983	\$1,681	\$2,181	\$2,681
Fixed Assets	17,277	16,307	15,473	14,573	14,254	13,935
Other Assets	1,824	960	960	960	960	960
Total Assets	\$23,462	\$21,555	\$18,416	\$17,214	\$17,395	\$17,576
LIABILITIES						
Payables	\$1,606	\$1,760	\$982	\$982	\$982	\$982
Long-Term Debt	13,844	12,678	11,450	10,221	9,077	7,933
Other Liabilities	3,874	3,554	3,505	0	0	0
Total Liabilities	\$19,324	\$17,992	\$15,937	\$11,203	\$10,059	\$8,915
NET ASSETS	\$4,138	\$3,563	\$2,479	\$6,011	\$7,336	\$8,661
Days Cash on Hand	104	112	79	45	57	68
REVENUES						
Program Revenues	\$16,309	\$13,703	\$8,537	\$13,463	\$14,463	\$15,463
Transfer from UMSA Continuing Ed - Faculty, Students	\$1,000	\$270	\$250	\$900	\$900	\$500
Other Revenues	732	484	234	373	380	388
Total Revenues	\$18,041	\$14,458	\$9,021	\$14,736	\$15,743	\$16,351
EXPENSES						
Salaries & Benefits	\$4,114	\$4,148	\$3,682	\$3,850	\$3,927	\$4,006
Program services	12,022	10,357	6,077	10,579	11,079	11,579
Interest	570	527	346	293	287	281
Total Expenses	\$16,706	\$15,033	\$10,105	\$14,722	\$15,293	\$15,866
Operating Profit Before Non-Cash Changes	\$1,335	\$(576)	\$(1,084)	\$14	\$450	\$485
Total Non-Cash Changes	\$0	\$0	\$0	\$0	\$0	\$0
NET OPERATING PROFIT	\$1,335	\$(576)	\$(1,084)	\$14	\$450	\$485
Operating Profit Margin	7%	-4%	-12%	0%	3%	3%



USF Financing Corporation & USF Property Corporation

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- To protect USF's "AA" credit ratings, the Corporation filed a voluntary disclosure on EMMA (SEC database for public bonds) in September 2021. The disclosure was filed for the USF Housing System public bonds to provide timely information on University fall 2021 enrollment, housing occupancy, and the Financing Corporation's expectation that operating performance will be reasonably consistent with prior years' prepandemic performance. The Corporation also recently filed its annual required disclosures on EMMA in January 2022 for the University, USF Housing System public bonds and USF Marshall Center public bonds. These disclosures provide annual operating and financial information and illustrate USF's strengths in enrollment demand, operating performance, research funding and fundraising.
- Management continues to work closely with DSOs and Auxiliaries to ensure they have implemented cost-cutting measures necessary to preserve essential liquidity and maintain required debt service payments to the Corporation. The Corporation expects maintenance of pledged revenues, debt service coverage ratios and reserves, and does not anticipate any difficulty in making its FY 2022 annual debt service payments.
 - The Financing Corporation has reinstated its requirement for USF DSOs and Auxiliaries to pay all supplemental lease payments totaling \$1.8 million for management fees and renewal & replacement fees that were waived in FY 2021.
- Management worked closely with USF Health and UMSA to ensure that the TGH lease of the ambulatory surgery center and imaging areas of the Morsani Center and the South Tampa Clinic is in compliance with private use guidelines.
 - The Affiliation Agreement between USF and TGH, dated October 1, 2020, clinically integrates operations of UMSA and forms an Academic Medical Center, effective on October 1, 2021. In consultation with Bond Counsel and Tax Counsel, it was determined that the use of the medical clinics and medical office building became private business use under IRS rules once operations were transferred to the Academic Medical Center.
 - On October 1, 2021, due to the change in private business use, the \$45.7 million Series 2013A and Series 2013B private placement bonds were converted from tax-exempt interest rates of 2.71% and 3.39%, respectively, to taxable rates 3.43% and 4.29%, respectively. The FY 2022 increase in debt service due to the conversion to taxable interest rates equals \$246 thousand.
- Management continues to monitor its 50% investment in INTO USF. Operating losses for INTO USF have erased shareholder's equity and is adversely affecting liquidity. Management is currently negotiating with INTO UK regarding support for INTO USF's current year forecasted operating loss of \$1,395,000. INTO USF may call on the \$2.25 million Note from the Corporation.
- Management worked closely with the USF Research Foundation and the general contractor to ensure that the \$42 million USF Research Park Project is delivered on time and on budget. The Research Foundation recently announced that the ribbon cutting ceremony will take place in March 2022. The Research Foundation is now focused on attracting tenants to lease the new space.

Describe Management's Actions to Close Significant **Unfavorable** Variances in Net Income and Net Cash Flows Before Fiscal Year End

- Operating profit declined primarily due to a non-cash adjustment in interest expense of \$825,000 resulting from a change in accounting (no longer capitalizing interest expense incurred during construction pursuant to GASB 89). Operating profit would have otherwise improved slightly.
- The change in the Equity Contribution from USF Research Foundation on the Income Statement is due to timing related to the \$1,276,000 contribution, plus an additional contribution of \$109,000. The \$1,276,000 Contribution was recorded as revenue as of FY 2021, offset by a receivable from USF Research Foundation. As indicated on the Statement of Cash Flows, the cash for the total \$1,385,000 contribution was received during FY 2022.
- Operating cash flows are expected to remain strong and will fully cover debt service payments. The overall reduction in cash of \$10.5 million is due to using remaining Project Funds to complete the Research Park Laboratory and Office Building Project. The Corporation continues to maintain strong liquidity.



USF Financing Corporation & USF Property Corporation

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>REVENUES</u>							
Housing lease revenue	\$10,143	\$10,037	\$106	1 %	\$7,789	\$10,334	\$10,504
Marshall Center lease revenue	1,311	1,311	0	0 %	1,273	1,419	1,459
Athletics lease revenue	437	437	(0)	(0)%	636	764	841
Arena lease revenue	695	695	0	0 %	736	778	824
DSO (UMSA) lease revenue	1,936	1,665	272	16 %	1,492	1,766	1,858
DSO (HPCC) lease revenue	382	379	3	1 %	520	588	614
DSO (Research) lease revenue	988	988	(0)	(0)%	1,902	641	63
Total Revenues	\$15,892	\$15,511	\$381	2 %	\$14,348	\$16,290	\$16,163
<u>OPERATING EXPENSES</u>							
Management fee	\$803	\$803	\$0	0 %	\$0	\$719	\$706
General and administrative expenses	727	679	48	7 %	639	604	529
Total Operating Expenses	\$1,530	\$1,482	\$48	3 %	\$639	\$1,323	\$1,235
<u>OTHER REVENUES (EXPENSES)</u>							
Interest expense on debt	(12,303)	(11,299)	(1,004)	(9)%	(11,306)	(10,822)	(11,647)
Interest income	10	11	(1)	(6)%	28	444	708
Total Other Revenues (Expenses)	\$(12,292)	\$(11,288)	\$(1,005)	(9)%	\$(11,278)	\$(10,378)	\$(10,939)
OPERATING PROFIT BEFORE CONTRIBUTIONS AND NON-CASH CHANGES							
	\$2,070	\$2,742	\$(672)	(24)%	\$2,431	\$4,589	\$3,989
Equity contribution from USF for USFSP Project	0	0	0	%	0	1,166	800
Equity contribution from USF Research for reserves	0	0	0	%	0	2,514	0
Equity contribution from USF Research for Project	109	1,276	(1,167)	(91)%	1,276	0	0
Reimbursement to USF for additional building costs, furniture and equipment	0	0	0	%	(3,522)	(271)	0
Distribution of INTO CD Proceeds to USF Foundation	0	0	0	%	0	(2,200)	0
Change in INTO USF equity investment	(1,395)	(1,395)	0	0 %	(1,638)	(103)	450
Total Contributions and Non-Cash Changes	\$(1,286)	\$(119)	\$(1,167)	(981)%	\$(3,884)	\$1,106	\$1,250
NET OPERATING PROFIT	\$784	\$2,623	\$(1,839)	(70)%	\$(1,453)	\$5,695	\$5,239
Operating Profit Margin	13.0%	17.7%		(5)%	16.9%	28.2%	24.7%



USF Financing Corporation & USF Property Corporation

FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Lease payments received from USF	\$24,084	\$23,978	\$106	0 %	\$22,336	\$21,940	\$22,280
Lease payments received from UMSA	4,401	4,139	262	6 %	3,892	4,106	4,138
Lease payments received from HPCC	1,386	1,383	3	0 %	1,465	1,479	1,453
Lease payments received from Research Foundation	2,186	2,186	0	0 %	2,234	860	0
Payment to USF for management services	(803)	(803)	(0)	(0)%	0	(719)	(706)
General and administrative disbursements	(727)	(679)	(48)	(7)%	(642)	(601)	(529)
Total Cash From Operating Activities	\$30,528	\$30,204	\$324	1 %	\$29,285	\$27,065	\$26,636
<u>FINANCING ACTIVITIES</u>							
Capital expenditures	\$(13,210)	\$(14,331)	\$1,121	8 %	\$(20,581)	\$(23,852)	\$(6,926)
Debt issuance costs	0	0	0	%	0	(95)	(516)
Proceeds of long-term debt	0	0	0	%	0	27,000	33,740
Proceeds of long-term debt - Refunding	0	0	0	%	30,056	0	36,540
Principal payments - Refunding	0	0	0	%	(30,056)	0	(34,354)
Principal payments	(15,725)	(15,725)	0	0 %	(14,518)	(13,059)	(12,198)
Interest payments	(13,474)	(13,437)	(37)	(0)%	(14,346)	(14,347)	(13,360)
Equity contribution from USF for USFSP Project	0	0	0	%	0	1,967	0
Equity contribution from USF Research for reserves	0	0	0	%	0	2,514	0
Equity contribution from USF Research for Project	1,385	1,276	109	9 %	0	0	0
Reimbursement to USF for furniture or equipment	0	0	0	%	318	(271)	0
Security received from (returned to) lessee for swap collateral	0	0	0	%	5,007	5,210	3,750
Security (pledged to) returned from counterparty	0	0	0	%	(5,104)	(5,130)	(3,757)
Total Cash From Financing Activities	\$(41,024)	\$(42,217)	\$1,193	3 %	\$(49,224)	\$(20,063)	\$2,919
<u>INVESTING ACTIVITIES</u>							
Proceeds from maturity/redemption of INTO CD	\$3,774	\$3,785	\$(11)	(0)%	\$3,708	\$7,596	\$6,024
Purchase of INTO CD	(3,774)	(3,785)	11	0 %	(3,774)	(5,707)	(5,596)
Distribution to USF of INTO CD Proceeds	0	0	0	%	0	(2,200)	0
Interest income	10	11	(1)	(6)%	88	974	924
Total Cash From Investing Activities	\$10	\$11	\$(1)	(6)%	\$22	\$663	\$1,352
CHANGE IN CASH	(10,486)	(12,002)	1,516	13 %	(19,917)	7,665	30,907
Cash, Beginning of Year	52,698	54,186	(1,488)	(3)%	72,615	64,950	34,043
Cash, End of Year	\$42,212	\$42,184	\$28	0 %	\$52,698	\$72,615	\$64,950
Total Cash & Investments	\$45,986	\$45,969	\$17	0 %	\$56,472	\$76,323	\$70,547
Days Cash on Hand	391	411	(20)	(5)%	399	403	353



USF Financing Corporation & USF Property Corporation

FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$70,547	\$76,323	\$56,472	\$45,986	\$46,830	\$47,845
Capital Lease Receivable	292,423	278,917	294,439	304,815	288,475	272,453
Construction in Progress	5,671	32,728	17,586	0	0	0
Other Assets	18,234	28,271	20,093	16,797	16,511	16,251
Total Assets	\$386,875	\$416,239	\$388,590	\$367,598	\$351,816	\$336,549
LIABILITIES						
Payables - Interest and Construction	\$7,880	\$9,584	\$9,918	\$7,355	\$7,125	\$6,725
Long-Term Debt	346,018	358,162	341,983	322,197	304,962	288,161
Interest Rate Swap & Other Payables	15,948	25,769	15,419	14,716	14,255	14,031
Total Liabilities	\$369,846	\$393,515	\$367,320	\$344,268	\$326,342	\$308,917
NET ASSETS	\$17,029	\$22,724	\$21,270	\$23,330	\$25,474	\$27,632
Days Cash on Hand	353	403	399	391	381	386
REVENUES						
USF Debt Payments	\$13,628	\$13,295	\$10,434	\$12,586	\$12,496	\$12,032
UMSA Debt Payments	1,858	1,766	1,492	1,936	1,949	1,874
HPCC Debt Payments	614	588	520	382	374	355
Research Debt Payments	63	641	1,902	988	1,004	964
Total Revenues	\$16,163	\$16,290	\$14,348	\$15,892	\$15,823	\$15,225
EXPENSES						
Operating Expenses	1,235	1,323	639	1,530	1,575	1,623
Total Expenses	\$1,235	\$1,323	\$639	\$1,530	\$1,575	\$1,623
OTHER REVENUES (EXPENSES)						
Interest Expense on Debt	\$(11,647)	\$(10,822)	\$(11,306)	\$(12,303)	\$(12,109)	\$(11,449)
Other Revenues/Expenses	708	444	28	10	5	5
Total Other Revenues (Expenses)	\$(10,939)	\$(10,378)	\$(11,278)	\$(12,292)	\$(12,104)	\$(11,444)
Operating Profit Before Non-Cash Changes	\$3,989	\$4,589	\$2,431	\$2,070	\$2,144	\$2,158
University/DSO support - Project related	800	3,409	(2,246)	109	0	0
Distribution of INTO CD Proceeds to Foundation	0	(2,200)	0	0	0	0
Change in INTO USF equity investment	450	(103)	(1,638)	(1,395)	(0)	(0)
NET OPERATING PROFIT	\$5,239	\$5,695	\$(1,453)	\$784	\$2,144	\$2,158
Operating Profit Margin	24.7%	28.2%	16.9%	13.0%	13.5%	14.2%



USF Institute of Applied Engineering, Inc.

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- IAE awarded 10 new contracts/task orders in FY21 worth \$10.1M; additional contracts worth \$4M are planned. Under the Academic Consortium IAE has 24 master agreements (8 additional pending) w/ non-profit research institutions across country including SUS Florida. IAE has ongoing research/capstone design projects w/ 7 consortium institutions.
- IAE hired 11 new full time employees in FY21 (33 total today) to support its research growth. IAE plans to hire additional employees over the year to be funded by G&A/Direct Project funds. Hillsborough County extended its IAE grant an additional year; plans in place to fund research salaries, equipment, facility expansion and other support costs.

Describe Management's Actions to Close Significant **Unfavorable Variances in Net Income and Net Cash Flows Before Fiscal Year End**

- Hillsborough County Grant extended an additional year (but with no change to top-line amount), reducing amount of planned revenue received in FY22.
- Effective start of FY22, IAE and USFRI entered into a revised MOA reducing indirect return to USF research administration enterprise based on more accurate support estimate to IAE.
- IAE closely manages its vendor payments to maintain targeted minimum liquidity. IAE pays vendors directly supporting contracts only after receiving payments from sponsors. For indirect expenses, IAE pays its vendors NET 45 days.



USF Institute of Applied Engineering, Inc.

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>REVENUES</u>							
Contracts Revenues	\$9,180	\$8,695	\$485	6 %	\$5,071	\$947	\$0
Hillsborough County Grant	2,440	3,811	(1,371)	(36)%	621	151	0
University Support	665	603	62	10 %	691	770	187
College of Engineering Support	24	25	(1)	(4)%	21	23	385
Donation and Other Revenue	0	31	(31)	(100)%	358	6	1
Total Revenues	\$12,308	\$13,164	\$(856)	(7)%	\$6,763	\$1,897	\$573
<u>EXPENSES</u>							
Salaries & Benefits	2,700	3,298	(599)	(18)%	1,112	695	61
College of Engineering Salary Support	24	25	(1)	(4)%	21	20	385
Gift In-Kind Expenses	0	31	(31)	(100)%	20	0	0
Materials, Supplies, Software & Equip., Travel	60	76	(16)	(22)%	69	16	26
Banking, Insurance, Audit, Tax Services	102	151	(49)	(33)%	170	64	4
Facilities, Utilities, Telecomm., Security	78	137	(59)	(43)%	182	107	0
Depreciation & Amortization	184	211	(28)	(13)%	63	0	0
Hills. County Salaries & Benefits	400	1,156	(756)	(65)%	547	87	0
Hills. County Materials & Equip.	407	141	266	188 %	117	38	0
Hills. County Facilities, Telecomm., & Security	342	146	196	134 %	61	18	0
Direct Program Costs	6,780	5,916	864	15 %	3,726	698	0
Indirect Return to University	167	556	(389)	(70)%	266	15	0
Total Expenses	\$11,242	\$11,844	\$(602)	(5)%	\$6,353	\$1,758	\$476
OPERATING PROFIT BEFORE NON-CASH CHANGES	\$1,066	\$1,320	\$(254)	(19)%	\$409	\$139	\$97
Unrealized Investment Gains (Losses)	0	0	0	%	0	0	0
Equipment Donations to USF	0	0	0	%	0	(82)	0
Total Non-Cash Changes	\$0	\$0	\$0	%	\$0	\$(82)	\$0
NET OPERATING PROFIT	\$1,066	\$1,320	\$(254)	(19)%	\$409	\$57	\$97
Operating Profit Margin	9%	10%			6%	7%	17%



USF Institute of Applied Engineering, Inc.

FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Cash Receipt from Customers	\$8,571	\$8,371	\$200	2 %	\$4,190	\$931	\$0
Cash Receipt from Hillsborough County	2,387	4,141	(1,754)	(42)%	408	0	0
Salaries & Benefits	(3,361)	(4,004)	643	16 %	(1,275)	(624)	0
Payment for Direct Program Costs	(5,707)	(5,516)	(191)	(3)%	(272)	(205)	0
Payment to Suppliers	(1,156)	(639)	(516)	(81)%	(2,720)	(548)	(8)
Total Cash From Operating Activities	\$734	\$2,353	\$(1,619)	(69)%	\$331	\$(447)	\$(8)
<u>FINANCING ACTIVITIES</u>							
Transfer from USF Support	\$603	\$603	\$0	0 %	\$603	\$702	\$100
Transfer to USF-IDR	(139)	(506)	367	73 %	(187)	0	0
Gift In-Kind Contributions	0	0	0	%	0	6	1
Total Cash From Financing Activities	\$464	\$96	\$367	381 %	\$416	\$708	\$101
<u>INVESTING ACTIVITIES</u>							
Hills. County Capital Expenditures	\$(695)	\$(1,245)	\$550	44 %	\$(364)	\$(8)	\$(81)
Hills. County Lease Improvements	(730)	(1,123)	392	35 %	0	0	0
Proceeds of Long-Term Debt	0	0	0	%	0	0	0
Principal Payments	0	0	0	%	0	0	0
Interest Payments	0	0	0	%	0	0	0
Total Cash From Investing Activities	\$(1,425)	\$(2,368)	\$942	40 %	\$(364)	\$(8)	\$(81)
CHANGE IN CASH	(227)	82	(309)	(377)%	383	253	11
Cash, Beginning of Year	648	769	(121)	(16)%	265	11	0
Cash, End of Year	\$421	\$851	\$(431)	(51)%	\$648	\$265	\$11
Total Cash & Investments	\$421	\$851	\$(431)	(51)%	\$648	\$265	\$11
Days Cash on Hand	14	26	(13)	(48)%	37	55	9



USF Institute of Applied Engineering, Inc.

FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$11	\$265	\$648	\$421	\$1,613	\$3,877
Account Receivables	0	168	0	968	1,260	1,630
Fixed Assets	81	8	696	1,207	(295)	(305)
Other Assets	4	21	30	760	(186)	(192)
Total Assets	\$97	\$461	\$1,374	\$3,357	\$2,392	\$5,010
LIABILITIES						
Accounts Payable	\$0	\$286	\$2,017	\$1,935	\$0	\$1
Accrued Expenses	0	21	27	775	0	367
Rent Liability	0	0	29	35	11	30
Unearned Contract Revenue	0	0	147	0	0	0
Total Liabilities	\$0	\$307	\$2,220	\$2,745	\$11	\$398
NET ASSETS	\$97	\$154	\$(846)	\$612	\$2,381	\$4,613
Days Cash on Hand	9	55	37	14	45	79
REVENUES						
Contracts Revenues	\$0	\$947	\$5,071	\$9,180	\$13,043	\$19,564
Hillsborough County Grant	0	151	621	2,440	2,073	0
University Support	187	770	691	665	603	0
College of Engineering Support	385	23	21	24	25	26
Donation and Other Revenue	1	6	358	0	0	0
Total Revenues	\$573	\$1,897	\$6,763	\$12,308	\$15,743	\$19,590
EXPENSES						
Salaries & Benefits	\$61	\$695	\$1,112	\$2,700	\$3,310	\$4,401
College of Engineering Salary Support	385	20	21	24	25	26
Gift In-Kind Expenses	0	0	20	0	0	0
Materials, Supplies, Software & Equip., Travel	26	16	69	60	65	257
Banking, Insurance, Audit, Tax Services	4	64	170	102	163	187
Facilities, Utilities, Telecomm., Security	0	107	182	78	85	456
Depreciation & Amortization	0	0	63	184	483	497
Hills. County Salaries & Benefits	0	87	547	400	517	0
Hills. County Materials & Equip.	0	38	117	407	380	0
Hills. County Facilities, Telecomm., & Security	0	18	61	342	462	0
Direct Program Costs	0	698	3,726	6,780	7,371	11,739
Indirect Return to University	0	15	266	167	181	289
Total Expenses	\$476	\$1,758	\$6,353	\$11,242	\$13,042	\$17,852
Operating Profit Before Non-Cash Changes	\$97	\$139	\$409	\$1,066	\$2,702	\$1,739
Total Non-Cash Changes	\$0	\$(82)	\$0	\$0	\$0	\$0
NET OPERATING PROFIT	\$97	\$57	\$409	\$1,066	\$2,702	\$1,739
Operating Profit Margin	17%	7%	6%	9%	17%	9%



Sun Dome Inc.

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- The first two quarters of fiscal 2022 have been focused on recovery and restarting events. This has been successful as new events have been added and executed well. COVID continues to provide opportunities for delaying the return to full normal operations. Yuengling Center was opened with top tier protocols to ensure safe operation.
- Expenses have remained low as TBEP has focused on core expenses only as well as those necessary to maintain a healthy environment. TBEP has continued to focus on expense management as can be seen by the forecasted reduction in expenses.
- TBEP has remained in contact with all promoters to ensure Yuengling Center's position as a viable, safe, healthy venue for acts to perform in. This has allowed TBEP to have 10 future events contracted at this time. This locking in of dates creates revenue visibility for the business.
- Acts are continuing to evaluate the COVID environment and most are delaying their return to touring again due to the latest variant. Even so, any acts that are touring are aware and interested in playing the Yuengling Center. Florida has a touring show friendly approach and the arena is positioned to benefit. TBEP will continue to hold conversations with the promoters to attempt to add shows to the portfolio.

Describe Management's Actions to Close Significant **Unfavorable Variances in Net Income and Net Cash Flows Before Fiscal Year End**

- Yuengling Center is operating at higher revenue and lower cost than budget. This is the result of TBEP managing costs and securing acts. Operationally, any negative variance is the result of COVID's impact on live events.
- The only negative variance forecast is the incentive fee back to TBEP. Budget assumed only earning the primary award for shop scores. This new forecast assumes the full margin goals are met. Even with this additional expense, Yuengling Center is still forecasted to be above budget.



Sun Dome Inc.
FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
REVENUES							
Direct Event Income	\$560	\$491	\$69	14 %	\$652	\$155	\$398
Ancillary Revenue:							
Suites/ Loge	38	41	(3)	(7)%	0	37	45
Concessions & Novelty	251	271	(20)	(7)%	8	315	333
Parking	350	307	43	14 %	28	325	437
Service Charges	320	361	(41)	(11)%	17	372	383
Ticketmaster Rebates	346	379	(33)	(9)%	0	550	384
Total Ancillary Revenue	1,305	1,359	(54)	(4)%	53	1,600	1,582
Miscellaneous	56	55	1	2 %	(24)	70	191
Total Revenues	\$1,921	\$1,905	\$16	1 %	\$681	\$1,825	\$2,171
EXPENSES							
Salary & Benefits	\$776	\$818	\$(42)	(5)%	\$784	943	940
General & Administrative	468	463	5	1 %	308	461	456
Marketing & Sales	16	33	(17)	(52)%	6	15	24
Equipment & Supplies	70	98	(28)	(29)%	38	63	65
Utilities	30	35	(5)	(14)%	27	29	38
Insurance	150	150	0	0 %	148	146	125
Incentive Fees/ Profit Share	25	0	25	%	0	25	150
Total Expenses	\$1,535	\$1,597	\$(62)	(4)%	\$1,311	\$1,682	\$1,798
OPERATING PROFIT BEFORE NON-CASH CHANGES	\$386	\$308	\$78	25 %	\$(630)	\$143	\$373
Unrealized Investment Gains (Losses)	0	0	0	%	0	0	0
Total Non-Cash Changes	\$0	\$0	\$0	%	\$0	\$0	\$0
NET OPERATING PROFIT	\$386	\$308	\$78	25 %	\$(630)	\$143	\$373
Operating Profit Margin	20%	16%		4 %	-93%	8%	17%



Sun Dome Inc.
FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Net Operating Profit	\$386	\$308	\$78	25 %	\$(630)	\$143	\$373
Adjustments for Non-Cash Activities:	0	0	0	%			
(Increase) Decrease in Accounts Receivable	90	0	90	%	133	(49)	(63)
(Increase) Decrease in Prepaids	(30)	0	(30)	%	12	(25)	1
Increase (Decrease) in Accounts Payable	(60)	0	(60)	%	53	(331)	29
Increase (Decrease) in Accrued Liabilities	(300)	(400)	100	25 %	1,231	62	171
Increase (Decrease) in Deferred Revenue	450	500	(50)	(10)%	(190)	(975)	990
Total Cash From Operating Activities	\$536	\$408	\$128	31 %	\$609	\$(1,176)	\$1,501
<u>FINANCING ACTIVITIES</u>							
Capital Expenditures ⁽¹⁾	\$0	\$0	\$0	%	\$0	\$0	\$0
Total Cash From Financing Activities	\$0	\$0	\$0	%	\$0	\$0	\$0
<u>INVESTING ACTIVITIES</u>							
Event Revenue Transfers to USF, net	\$(413)	\$(413)	\$0	0 %	\$(250)	\$(118)	\$(686)
Total Cash From Investing Activities	\$(413)	\$(413)	\$0	0 %	\$(250)	\$(118)	\$(686)
CHANGE IN CASH							
Cash, Beginning of Year	583	550	33	6 %	225	1,519	704
Cash, End of Year	\$706	\$545	\$161	30 %	\$584	\$225	\$1,519
Total Cash & Investments	\$706	\$545	\$161	30 %	\$584	\$225	\$1,519
Days Cash on Hand	168	125	43	35 %	163	49	308



Sun Dome Inc.
FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS						
Cash & Investments	\$1,519	\$225	\$584	\$706	\$550	\$550
Accounts Receivable	362	411	279	188	178	178
Other Assets	(1)	24	12	42	0	0
Total Assets	\$1,880	\$661	\$875	\$936	\$728	\$728
LIABILITIES						
Payables	\$400	\$68	\$121	\$61	\$68	\$68
Accrued Liabilities	818	880	2,110	1,810	1,250	900
Deferred Revenue	1,185	210	21	471	1,000	1,000
Total Liabilities	\$2,403	\$1,158	\$2,252	\$2,342	\$2,318	\$1,968
NET ASSETS	\$(523)	\$(498)	\$(1,377)	\$(1,406)	\$(1,590)	\$(1,240)
Days Cash on Hand	308	49	163	168	115	109
REVENUES						
Direct Event Income	\$398	\$155	\$652	\$560	\$540	\$594
Ancillary Revenue:						
Suites/ Loge	45	\$37	\$0	\$38	\$45	\$49
Concessions & Novelty	333	\$315	\$8	\$251	\$298	\$328
Parking	437	\$325	\$27	\$350	\$338	\$372
Service Charges	383	\$372	\$17	\$320	\$398	\$437
Ticketmaster Rebates	384	\$550	\$0	\$346	\$417	\$459
Total Ancillary Revenue	\$1,582	\$1,600	\$52	\$1,305	\$1,496	\$1,645
Miscellaneous	191	70	(23)	\$56	55	55
Total Revenues	\$2,171	\$1,825	\$681	\$1,921	\$2,091	\$2,294
EXPENSES						
Salary & Benefits	\$940	\$943	\$784	\$776	\$859	\$902
General & Administrative	\$456	\$461	\$308	\$468	\$486	\$510
Marketing & Sales	\$24	\$15	\$6	\$16	\$34	\$36
Equipment & Supplies	\$65	\$63	\$38	\$70	\$93	\$88
Utilities	\$38	\$29	\$27	\$30	\$36	\$38
Insurance	\$125	\$146	148	150	\$160	\$170
Incentive Fees/ Profit Share	150	25	0	25	75	100
Total Expenses	\$1,798	\$1,682	\$1,311	\$1,535	\$1,743	\$1,844
Operating Profit Before Non-Cash Changes	\$373	\$143	\$(630)	\$386	\$348	\$450
Total Non-Cash Changes	\$0	\$0	\$0	\$0	\$0	\$0
NET OPERATING PROFIT	\$373	\$143	\$(630)	\$386	\$348	\$450
Operating Profit Margin	17%	8%	-93%	20%	17%	20%



University of South Florida, Alumni Association

FY 2022 Mid-Year Forecast

MID-YEAR FORECAST

Describe Progress in Achieving the 5 Key Initiatives Described in your Annual Financial Plan.

- Event attendance has continued to be impacted by COVID during the first half of the year. We anticipate the impact of COVID to continue through the fiscal year with the hope of returning to normalcy, or perhaps even greater attendance, in fiscal 2023. Financial projections have been revised to reflect the current pandemic conditions.
- During the current fiscal year, the Alumni Association transitioned to a general membership program, eliminating the annual membership program. We have sent targeted offers to the existing annual members in hopes of converting them to life membership. Response has exceeded our expectations and continues to outperform our original budget.
- Student engagement has been a focus for the Alumni Association this year. We have rolled out a student/alumni mentoring program which allows current students to engage with Alumni, further their career skills, and better prepare them for a post USF life. Additionally, USFAA has launched a student philanthropy initiative with a goal of creating a culture of giving back to USF, thus increasing the likelihood of life long engagement and support of the University.

Describe Management's Actions to Close Significant **Unfavorable Variances in Net Income and Net Cash Flows Before Fiscal Year End**

- All unfavorable variances within revenue and expenses have been offset by favorability in other areas. The Association is forecasting a more favorable net income for the year as compared to the original budget, with the anticipation of achieving or exceeding budget for the 11th consecutive year.
- The Association completed the prior fiscal year with higher than budgeted net income. This favorability has improved the total cash and investment balance for the current year.



University of South Florida Alumni Association, Inc.

FY 2022 Mid-Year Forecast

INCOME STATEMENT

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>REVENUES</u>							
Membership	\$500	\$456	\$44	10 %	\$535	\$550	\$536
License Plates	379	409	(30)	(7)%	396	381	390
Budget support	554	500	54	11 %	360	804	718
Affinity Royalty	339	347	(8)	(2)%	367	399	484
Investment Income	314	318	(4)	(1)%	298	272	260
Sponsorships	217	231	(14)	(6)%	183	141	229
Gifts and Donations	120	130	(10)	(8)%	280	225	197
Event and other revenue	202	199	3	2 %	56	207	214
Total Revenues	\$2,625	\$2,590	\$35	1 %	\$2,475	\$2,979	\$3,028
<u>EXPENSES</u>							
Salaries	\$1,561	\$1,623	\$(62)	(4)%	\$1,812	\$1,840	\$1,766
Membership and membership services	114	82	32	39 %	111	112	214
Printing & Postage	86	72	14	19 %	56	80	79
Event Services	332	315	17	5 %	98	242	269
Professional Services	82	88	(6)	(7)%	89	103	99
Travel	51	74	(23)	(31)%	3	42	61
Advertising & Marketing	16	12	4	33 %	19	18	31
Insurance	48	48	0	0 %	48	49	54
Community Relations	24	23	1	4 %	11	33	33
Credit Card fees and other services	31	21	10	48 %	21	26	30
Scholarships	79	79	0	0 %	75	85	95
Other expenses	19	15	4	27 %	31	29	36
Total Expenses	\$2,443	\$2,452	\$(9)	(0)%	\$2,374	\$2,659	\$2,767
OPERATING PROFIT BEFORE NON-CASH CHANGES	\$182	\$138	\$44	32 %	\$101	\$320	\$261
Unrealized Investment Gains (Losses)	134	176	(42)	(24)%	2,302	(32)	15
Total Non-Cash Changes	\$134	\$176	\$(42)	(24)%	\$2,302	\$(32)	\$15
NET OPERATING PROFIT	\$316	\$314	\$2	1 %	\$2,403	\$288	\$276
Operating Profit Margin	7%	5%		2 %	4%	11%	9%



University of South Florida, Alumni Association
FY 2022 Mid-Year Forecast

STATEMENT OF CASH FLOWS

(In thousands)

	FY 2022 MID-YEAR FORECAST	FY 2022 FINANCIAL PLAN	Variance		FY 2021 ACTUAL RESULTS	FY 2020 ACTUAL RESULTS	FY 2019 ACTUAL RESULTS
			\$	%			
<u>OPERATING ACTIVITIES</u>							
Net Operating Profit	\$316	\$314	\$2	1 %	\$2,403	\$288	\$276
Adjustments for Non-Cash Activities:							
Unrealized gain on investments	(134)	(176)	42	24 %	(2,302)	32	(15)
Adjustments for Changes in Operating Assets and Liabilities	77	77	0	0 %	95	(76)	(108)
Total Cash From Operating Activities	\$259	\$215	\$44	20 %	\$196	\$244	\$153
<u>FINANCING ACTIVITIES</u>							
Capital Expenditures	\$0	\$0	\$0	%	\$0	\$0	\$0
Total Cash From Financing Activities	\$0	\$0	\$0	%	\$0	\$0	\$0
<u>INVESTING ACTIVITIES</u>							
Net (Purchases) Sales of Investments	\$(253)	\$(207)	\$(46)	(22)%	\$(221)	\$(224)	\$(152)
Total Cash From Investing Activities	\$(253)	\$(207)	\$(46)	(22)%	\$(221)	\$(224)	\$(152)
CHANGE IN CASH							
Cash, Beginning of Year	2	0	2	%	27	7	6
Cash, End of Year	\$8	\$8	\$0	0 %	\$2	\$27	\$7
Total Cash & Investments	\$1,163	\$922	\$241	26 %	\$1,316	\$1,408	\$1,390
Days Cash on Hand	174	137	37	27 %	202	193	183



University of South Florida, Alumni Association

FY 2022 Mid-Year Forecast

3-YEAR FORECAST

(In thousands)

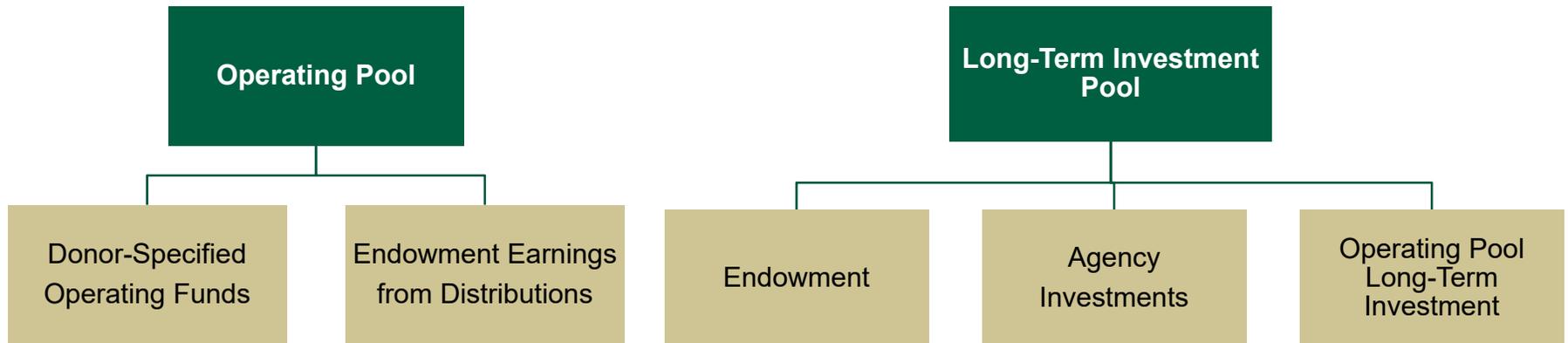
	ACTUAL			FORECAST		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<u>ASSETS</u>						
Cash & Investments	\$1,390	\$1,408	\$1,316	\$1,163	\$1,297	\$1,431
Restricted Cash & Investments	6,388	6,783	9,228	9,362	10,111	10,111
Other Assets	293	243	280	272	272	272
Total Assets	\$8,071	\$8,434	\$10,824	\$10,797	\$11,680	\$11,814
<u>LIABILITIES</u>						
Payables	\$177	\$432	\$147	\$125	\$125	\$125
Long-Term Debt	0	0	0	0	0	0
Other Liabilities	2,183	2,002	2,273	2,200	2,450	2,700
Total Liabilities	\$2,360	\$2,434	\$2,420	\$2,325	\$2,575	\$2,825
NET ASSETS	\$5,711	\$6,000	\$8,404	\$8,472	\$9,105	\$8,989
Days Cash on Hand	183	193	202	174	172	170
<u>REVENUES</u>						
Membership	\$536	\$550	\$535	\$500	\$370	\$407
Support	718	804	360	554	750	1,000
Other Revenues	1,774	1,625	1,580	1,571	1,650	1,732
Total Revenues	\$3,028	\$2,979	\$2,475	\$2,625	\$2,770	\$3,139
<u>EXPENSES</u>						
Salaries & Benefits	\$1,766	\$1,840	\$1,812	\$1,561	\$1,780	\$2,000
Event Expenses	269	242	98	332	365	402
Other Expenses	732	577	464	550	605	666
Total Expenses	\$2,767	\$2,659	\$2,374	\$2,443	\$2,750	\$3,067
Operating Profit Before Non-Cash Changes	\$261	\$320	\$101	\$182	\$19	\$72
Total Non-Cash Changes	\$15	\$(32)	\$2,302	\$134	\$562	\$607
NET OPERATING PROFIT	\$276	\$288	\$2,403	\$316	\$581	\$678
Operating Profit Margin	9%	11%	4%	7%	1%	2%



Annual Portfolio Review
for
University of South Florida Board of Trustees
Finance Committee

February 21, 2022

Foundation Asset Pools



- **Endowment Assets Reside In Long-Term Investment Pool**
- **Investment Governance Provided By USF Foundation Board of Directors**
 - Investment committee is responsible for financial oversight and administration of operating and endowment investment pools
 - Committee consists of ten voting members; Chairman – Brian Keenan
 - Supported by Foundation investment staff and investment advisor Wilshire Associates (since 2000)
 - Rob Fischman, VP and CFO
 - Ken Souza, Sr. Director of Investments
 - Assets are managed based on investment policy guidelines approved by the Foundation Board
 - Foundation investment policies are in compliance with University investment policy and with applicable laws

Endowment Portfolio Performance



As of 6/30/2021	1-YR	3-YR	5-YR	10-YR	Inception
Endowment Fund	35.1%	14.7%	14.5%	10.8%	10.1%
Policy Benchmark	30.6%	12.7%	12.4%	9.6%	9.4%
+/- Benchmark	4.5%	2.0%	2.1%	1.2%	0.7%

Returns are net of fees

Total Pool Assets

\$732 Million

NACUBO Endowment Assets

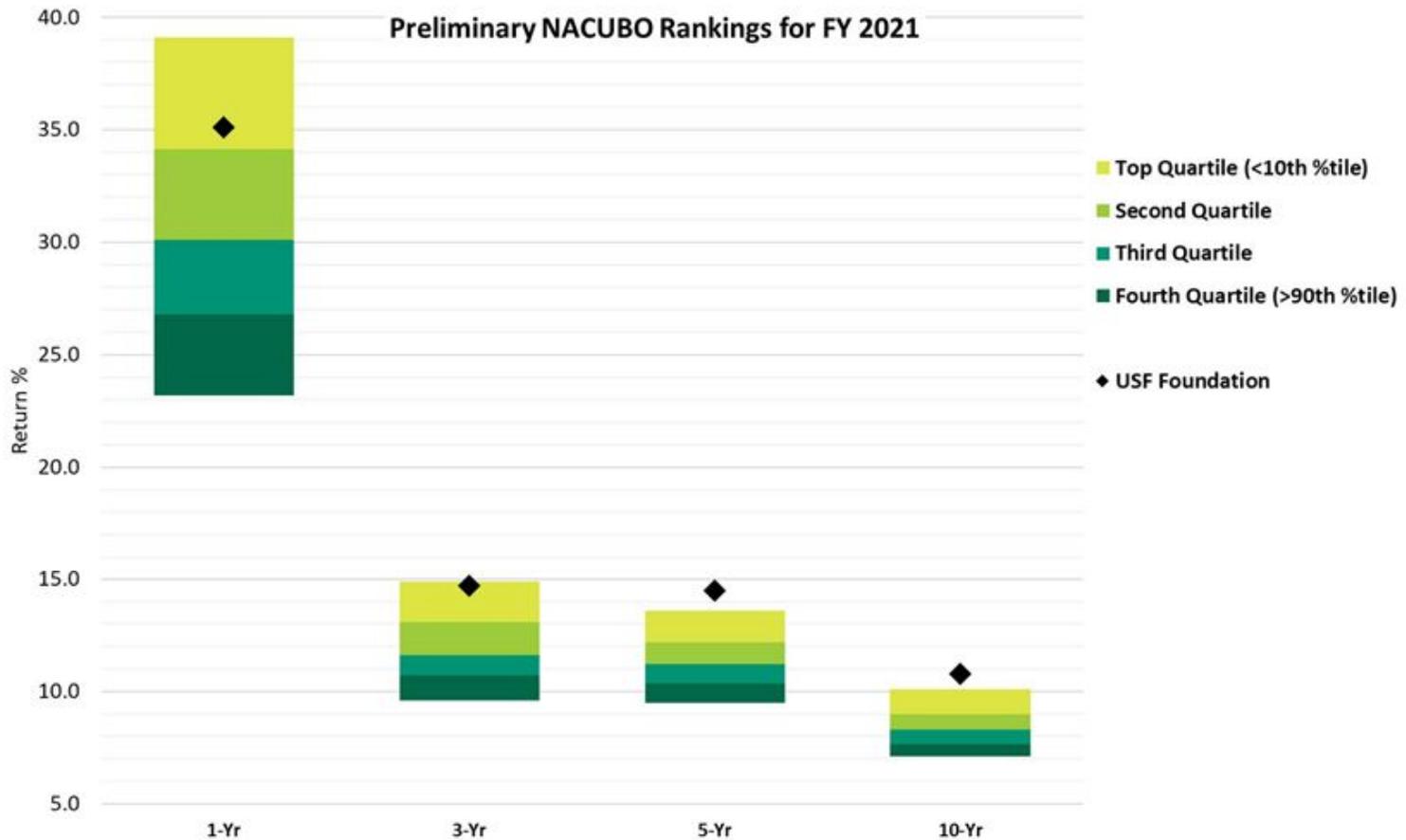
\$693 Million

Asset Class	Alloc %	1-Yr	3-Yr	5-Yr	10-Yr	Non-Marketable	Alloc %	Return
Domestic Equity	37%	46.3%	19.0%	18.8%	14.8%	Private Real Assets (Real Estate, Natural Rs)	5%	IRR: 9.3% 5-Yr Return: 8.0%
<i>Wilshire 5000 Index</i>	35%	44.2	18.9	18.0	14.8	<i>Consumer Price Index + 5%</i>	7.5%	5-Yr Return: 7.6%
International Equity	27%	43.2	14.3	15.9	8.7	Alternatives (Private Eq, Venture Cp)	8%	IRR: 18.9% 5-Yr Return: 22.7%
<i>MSCI ACWI ex US</i>	25%	35.7	9.4	11.1	5.4	<i>MSCI AC World</i>	10%	IRR: 6.8% 5-Yr Return: 13.8%
Fixed Income	20%	8.8	6.8	5.4	5.3			
<i>Barclays Agg/ML HY</i>	20%	7.4	6.4	5.2	5.0			
Public Real Assets	4%	22.5	6.1	4.6	3.3			
<i>Custom Benchmark</i>	2.5%	20.6	5.8	3.9	2.1			

Benchmarking



- Endowment Is A Leader Among Peers, Based On NACUBO-TIAA Study Of Endowments



Results based on responses from 398 institutions.

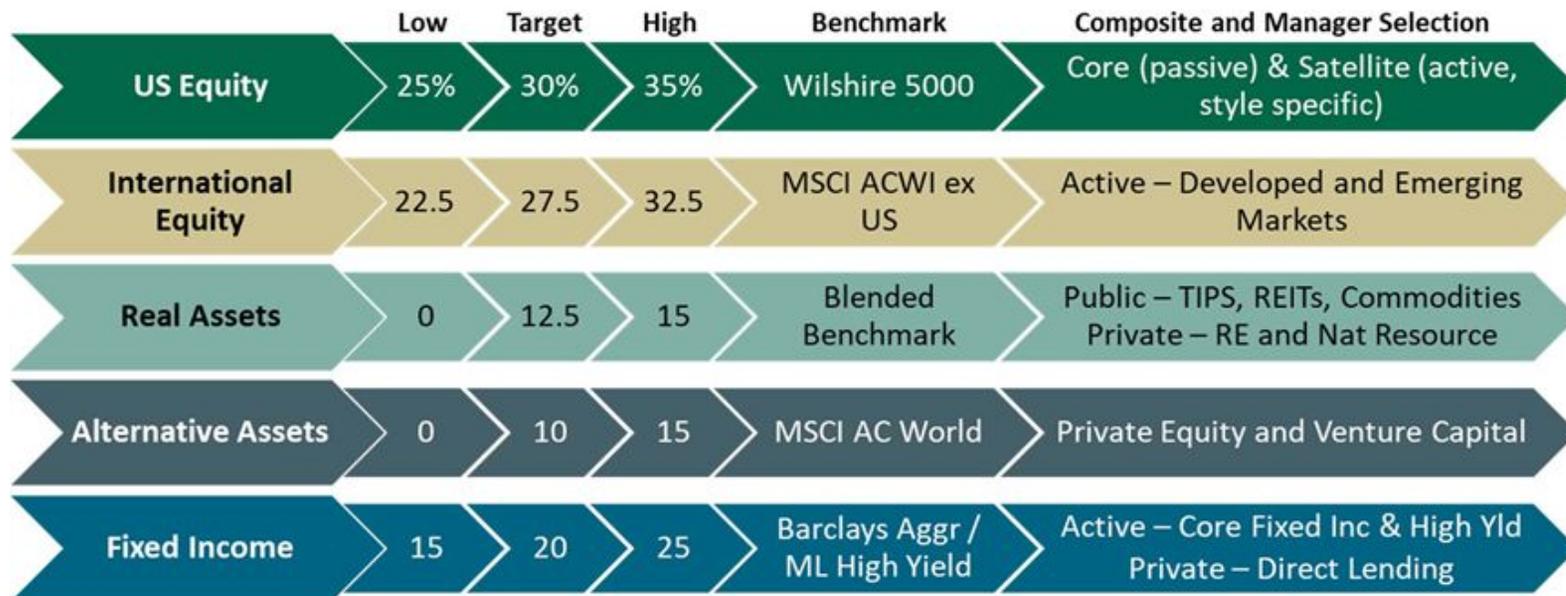
FY 2021 Return Attribution and Asset Allocation



- Long-Term Returns Remain Above Policy Benchmark

- Strategic overweight to public equities contributed to performance (USF 64% vs Peers 38%)
- Active management has added to long-term returns, especially in international equity which has exceeded benchmark by 300 bps over the last ten years
- Alternatives (private equity and venture capital partnerships) have been the endowment’s best-performing asset class across all time periods
- Investment manager fees were approximately 88 bps

Allocation Targets – Effective 7/1/2021

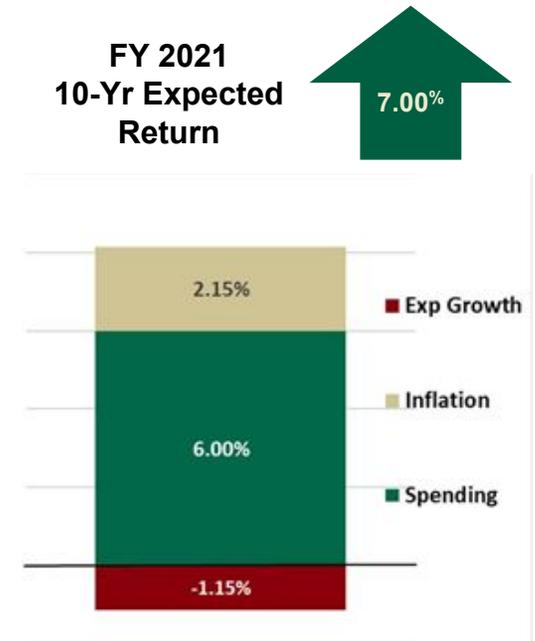


Meeting Long-Term Investment Goals



- **Recent Investment Committee Initiatives**
 - Implemented asset allocation changes as well as structure changes with credit assets
 - Committed to private equity secondaries program as well as recommitted to private credit partners
 - Committed to global infrastructure partnership to bolster inflation exposure in real assets
- **Endowment Long-Term Growth Expectations**
 - Projected returns fell significantly in response to stretched equity markets and low bond yields
 - Higher inflation and lower expected returns will stress inflation-adjusted asset growth going forward

	Target Allocation	FY 2021 10-Yr Expected Return	Expected Excess Return from Active Mgmt	Total 10-Yr Expected Return
Growth Assets				
US Equity	30%	5.00%	0.75%	5.75%
Non-US Equity	27.5%	6.00%	1.50%	7.50%
Private Markets	10%	6.95%	1.50%	8.45%
Risk Minimizing Assets				
Core Fixed Income	7%	1.30%	0.70%	2.00%
Credit Assets				
High Yield	0%	3.10%	0.80%	3.90%
Opportunistic Credit	8%	3.27%	1.00%	4.27%
Private Credit	5%	7.46%	1.50%	8.96%
Inflation Hedging Assets				
Public Real Assets	2.5%	4.10%	0.70%	4.80%
Private Real Assets	10%	7.00%	1.50%	8.50%
Inflation	--	2.15%		2.15%



Operating Pool Investment Program



- Investment Objective – Long-Term Preservation of Capital
 - Foundation management conducts an actuarial review of the operating funds’ cash flow activity in order to forecast the pool’s liquidity needs; this becomes the basis of the investment strategy
 - Asset allocation was revised in 2021, based on risk/return forecasts for each asset class

Tier I Liquidity Vehicle 35%	Tier II Capital Preservation 45%	Tier III Capital Enhancement 20%
<ul style="list-style-type: none"> • Money Market Funds • Bond Ladder • Days Cash On Hand = 334 Days (includes certain assets in Tiers I & II) 	<ul style="list-style-type: none"> • Active Investment Grade Bonds • Short-Term High Yield • Internal Loans 	<ul style="list-style-type: none"> • Long-Term Investment In Endowment Pool

- FY 2021 Investment Performance – Assets \$174 Million

As of 6/30/2021	1-YR	3-YR	5-YR	10-YR	Inception	Portfolio Yield
Operating Pool	5.7%	5.4%	4.4%	3.8%	4.8%	6/30/2021 1.25%
Policy Benchmark	4.1%	5.6%	4.0%	3.7%	4.8%	6/30/2020 1.58%

Investment Report USF Health Care

*University Medical Service Association, Inc. and
Medical Services Support Corporation*

February 21, 2022

Rich Sobieray and Alisha Ozmeral



Investment Committee Structure

- Subcommittee of the USF Health Care Executive Management Committee (EMC) responsible for oversight and authority of the investment fund
- Committee membership overlays with the University Investment Committee

Members	Title	Tenure
Harvey M. Greenberg, M.D., MBA (Chair)	Community Member	10 years
Fell Stubbs	University Treasurer	10 years
Richard J. Sobieray	Senior Associate Vice President and Chief Financial Officer, USF Health Senior Associate Dean, Morsani College of Medicine	4 years
New Member TBD		

Investment Management

- **Portfolio Objectives**
 - Maintain adequate liquidity:
 - Target 60-90 days cash on hand.
 - Actual 21.3 days cash on hand due to delays in Upper Payment Limit (UPL) funds.
 - Mirrors university investment allocations
 - Primarily consists of long-term funds; however, allocations to short term funds are permissible
 - A total portfolio return which outperforms appropriate market and asset benchmark portfolio returns over a rolling 1, 3, and 5 year time horizon, net of all investment expenses
 - Positive rolling 5 year total return, net of inflation as defined by the Consumer Price Index (CPI), and net of all fund investment and operating expenses
 - Target allocations are reviewed once per year & voted on by the committee.

- **Utilize the University's investment consultant, Cambridge Associates**

USFHealth

Asset Allocation

As of June 30, 2021

\$, IN MILLIONS

<u>ASSET CLASS</u>	ACTUAL \$	ACTUAL %	Target %	LIMITS	
				Minimum	Maximum
Cash & Cash Equivalents (< 180 days)	\$11.2	99%	70%	0%	100%
SHORT TERM INVESTMENTS					
Fixed Income - Domestic (180 days +)	\$0.1	1%	30%	0%	90%
CASH & SHORT TERM INVESTMENTS	\$11.3	100%	100%		
LONG TERM INVESTMENTS					
Fixed Income - Domestic	\$0.0	0%	25%	15%	40%
Fixed Income - Foreign					
Equity - Domestic	\$3.9	59%	50%	25%	50%
Equity - Foreign	\$2.7	41%	15%	0%	20%
Inflation Hedging	\$0.0	0%	0%	0%	20%
Alternative Investments	\$0.0	0%	10%	0%	20%
TOTAL LONG TERM INVESTMENTS	\$6.6	100%	100%		

Days Cash & Investments on hand as of 6/30/2021

21.3

USFHealth

Portfolio Performance

As of 6/30/2021	QTR	1-YR	3-YR	5-YR	Inception
Weighted Portfolio Return	7.2%	39.0%	15.4%	14.9%	16.4%
Portfolio Benchmark	7.3%	39.3%	15.3%	15.1%	17.0%
+/- Benchmark	 -0.1%	 -0.2%	 0.1%	 -0.2%	 -0.7%



USF Research Foundation, Inc. Annual Investment Portfolio Review

JUNE 30, 2021
FOR
UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES
FINANCE COMMITTEE

Administrative Finance Committee

Mr. Nick Trivunovich, Chair Vice President of Business and Finance and Chief Financial Officer, USF

Dr. Sylvia Thomas Interim Vice President for Research & Innovation; President and Chief Executive Officer, USF Research Foundation (effective November 16, 2021)

Mr. Keith Anderson Interim Vice President for Research, Innovation & Knowledge Enterprise, USF (through November 15, 2021)

Mr. Harry D. Venezia, Jr. Managing Director, HealthCare Capital Advisors

Ms. Linda O'Rourke, CPA/ABV O'Rourke & Associates, LLC (Committee Member through January 25, 2021)

1

USF Research Foundation, Inc. Investment Portfolio As of June 30, 2021

3 Investment Accounts

- Long Term Investments (+ 10 Years)

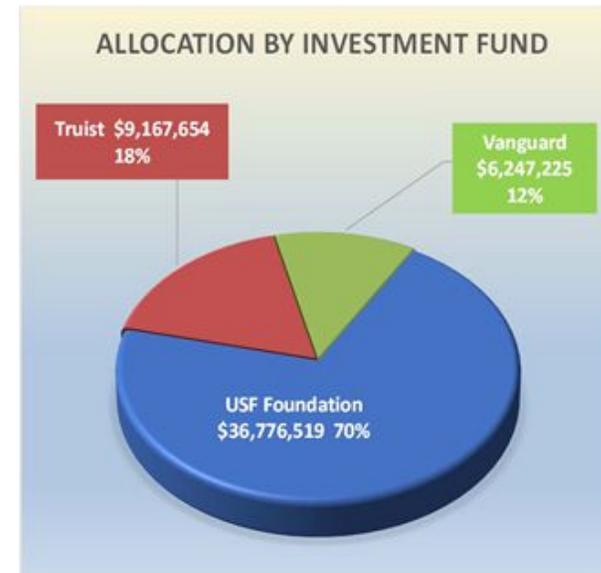
USF Foundation LT Operating Investment Fund	\$ 20,854,498
USF Foundation Endowment Fund	15,922,021
Total Long Term Investments	\$ 36,776,519

- Intermediate Term Investments

Truist Investments	
Foundations & Endowments Specialty Practice	9,167,654

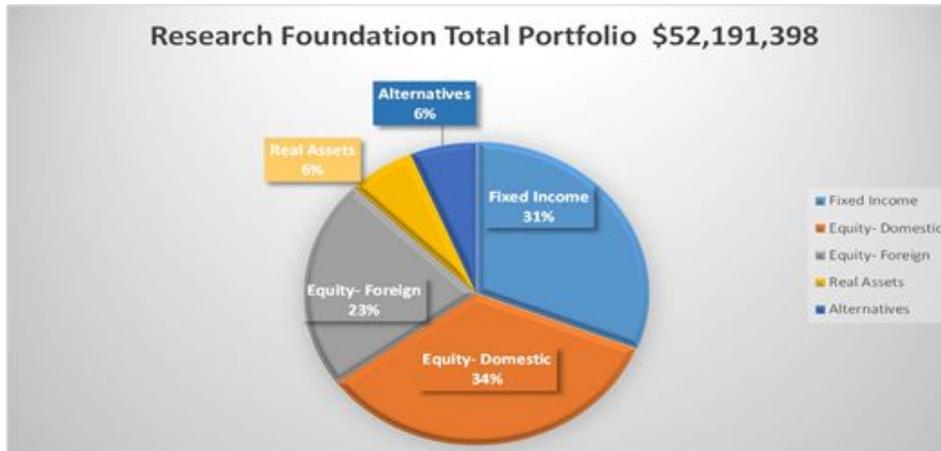
- Short Term Investments

Vanguard	6,247,225
	\$ 52,191,398



USF Research Foundation, Inc. Portfolio Asset Class Allocation as of June 30, 2021

Asset Class	Long Term	Intermediate	Short Term	Total	Total % of Portfolio
	Foundation	Truist	Vanguard		
Fixed Income	19%	30%	100%	\$ 16,154,060	31%
Equity- Domestic	36%	48%		\$ 17,750,181	34%
Equity- Foreign	26%	22%		\$ 11,710,659	23%
Real Assets	9%			\$ 3,299,162	6%
Alternatives	9%			\$ 3,277,335	6%
Grand Total	100%	100%	100%	\$ 52,191,398	100%



USF Research Foundation, Inc. Investment Performance

As of June 30, 2021

\$, In Millions

ASSET CLASS	Inception Date	Market Value (\$)	Quarter To Date (%)	Cumulative Trailing 1 Year (%)	Annualized Trailing 3 Year (%)	Annualized Trailing 5 Year (%)	Annualized Since Inception (%)
SHORT TERM INVESTMENTS							
Treasury Money Market	10/18/18	\$3.6	0.0%	0.04%	NA ¹	NA ¹	NA ¹
Fixed Income - Domestic (180 days +)	10/21/13	\$2.7	0.8%	2.1%	4.5%	3.0%	3.2%
VANGUARD Portfolio Return							
INTERMEDIATE TERM INVESTMENTS (Truist Investment Services)							
Fixed Income - Domestic	11/01/13	\$2.8	1.9%	-0.3%	4.8%	2.8%	3.2%
Equity - Domestic	11/01/13	\$4.4	8.3%	43.1%	18.8%	17.0%	13.0%
Equity - Foreign	11/01/13	\$2.0	5.5%	41.3%	13.4%	13.9%	6.6%
TRUIST Portfolio Return (net of fees)			5.6%	26.9%	12.2%	11.2%	8.4%
LONG TERM INVESTMENTS (USF Foundation Endowment Pool)							
Fixed Income - Domestic	06/30/95	\$7.1	2.3%	8.8%	6.8%	5.4%	6.2%
Equity - Domestic	09/30/95	\$13.3	7.5%	46.3%	19.0%	18.8%	11.7%
Equity - Foreign	06/30/95	\$9.7	5.3%	43.2%	14.3%	15.9%	7.9%
Real Assets	03/31/97	\$3.3	4.3%	10.1%	5.1%	6.3%	4.5%
Alternative Investments	12/31/98	\$2.8	NA ²	NA ²	NA ²	NA ²	NA ²
USF FOUNDATION Portfolio Return			6.3%	35.1%	14.7%	14.5%	10.1%
TOTAL PORTFOLIO / WEIGHTED RETURN		\$51.7	5.5%	29.5%	12.7%	12.3%	
PORTFOLIO BENCHMARK			5.3%	26.3%	11.5%	11.0%	
VALUE ADD			0.2%	3.3%	1.2%	1.3%	
¹ Investments have not been in existence for periods equal to or exceeding 3 years.							
² Endowment Private Equity and Venture Capital Investments do not lend themselves well to interim return calculations.							
PORTFOLIO BENCHMARKS							
Vanguard Benchmark - Barclays US 1-5Yr Corporate Index			0.70%	2.17%	4.63%	3.11%	3.33%
iMoneyNet Money: MFR 100% Treasury Funds Avg			0.00%	0.02%	0.90%	0.72%	1.94%
Truist Blended Benchmark			5.91%	26.38%	13.10%	12.08%	9.62%
USF Foundation - Policy Index			5.98%	30.60%	12.73%	12.45%	9.40%

USF RESEARCH FOUNDATION, INC
Liquidity

CASH and INVESTMENTS at June 30, 2021	\$ 57,521,275
Less Restricted Cash	
Debt Service Fund	(670,833)
Fiduciary Funds	(1,775,614)
Custodial Funds	(5,655,547)
Less Financing Commitment New Building, not funded from Operating Income	
FY 22 Construction Period Interest to USFFC	(824,839)
FY 23 New Building Interest to USFFC	(794,092)
FY 22 Principal Payment (due 01.01.22)	(936,408)
FY 23 Principal Payment (due 01.01.23)	(974,556)
Equity Requirement ***	(12,486,083)
Less Long-term Investment - USF Foundation Endowment Fund	<u>(15,922,021)</u>
Available for Operations	\$ 17,481,282
Days Cash on Hand at June 30, 2021	<u>770</u>
FY22 Total Annual Expenses	\$ 11,068,455
Less Depreciation & Amortization	<u>(2,786,130)</u>
Annual Operating Expenses	<u><u>\$ 8,282,325</u></u>

USF Research Foundation, Inc. Investment Portfolio Objectives

- Short Term Investments (Vanguard)
 - Investment of excess operating funds and custodial cash while maintaining liquidity
- Intermediate Investments (Truist)
 - Asset allocation to reflect less risk tolerance than long term investments
 - Investment growth
 - Immediate accessibility to reserve funds with no restriction on frequency of withdrawals
 - Funding source for tenant buildout of new Research Park Laboratory & Office Building
- Long Term Investments (USF Foundation Endowment Investment Pool)
 - Investment of assets consistent with long term investment objectives of Foundation
 - Investment agreement provides for auto-reinvestment of dividends and administrative fee differential on operating investment fund
 - Withdrawals limited to one per calendar year; minimum of 60 days notification

USF Research Foundation, Inc. Investment Governance

- Administrative Finance Committee is responsible for financial oversight of investment portfolio
- USF Research Foundation defers to the USF Foundation for management of long term investments. The Foundation has retained Wilshire Associates as its investment advisor since 2000
- Assets are managed by investment advisors based on investment policy guidelines
- Research Foundation investment policy is in compliance with University investment policy
- Committee is currently comprised of 3 members to include 2 internal and 1 external with investment management experience, chaired by Nick Trivunovich, Vice President of Business and Finance and Chief Financial Officer, USF

Agenda Item: IVd

**USF Board of Trustees
Finance Committee
February 21, 2022**

Issue: Budget Update

Proposed action: Information Only

Executive Summary:

USF has begun a process for modernizing its budget process and funds flow model. The goal is to design and recommend a new value driven university-wide budget process and resource allocation model that balances the budget and builds on the diverse, equitable and inclusive culture at USF.

Financial Impact: TBD

Strategic Goal(s) Item Supports: Goal #5 (Strong and Sustainable Financial Base)
BOT Committee Review Date: February 21, 2022
Supporting Documentation Online (please circle): Yes No
Prepared by: Richard J Sobieray

USF Budget Process and Funds Flow

DEFINING OUR FUTURE

Richard J Sobieray / February 21, 2022



What Have We Accomplished So Far?

1. Engaged all constituents across One USF.
2. Activated a budget oversight committee and five (5) workgroups to address our challenges.
3. Developed Guiding Principles document to lead our transformation.
4. Engaged HelioCampus to assist with benchmarking our spend across One USF.
5. Support Functions preparing budget requests.
6. Identified and defined drivers for elements for a new resource allocation methodology.
7. Developed 5-year Tampa E&G plan and identified broad strategies for balancing.

Budget Committee

The Charges:

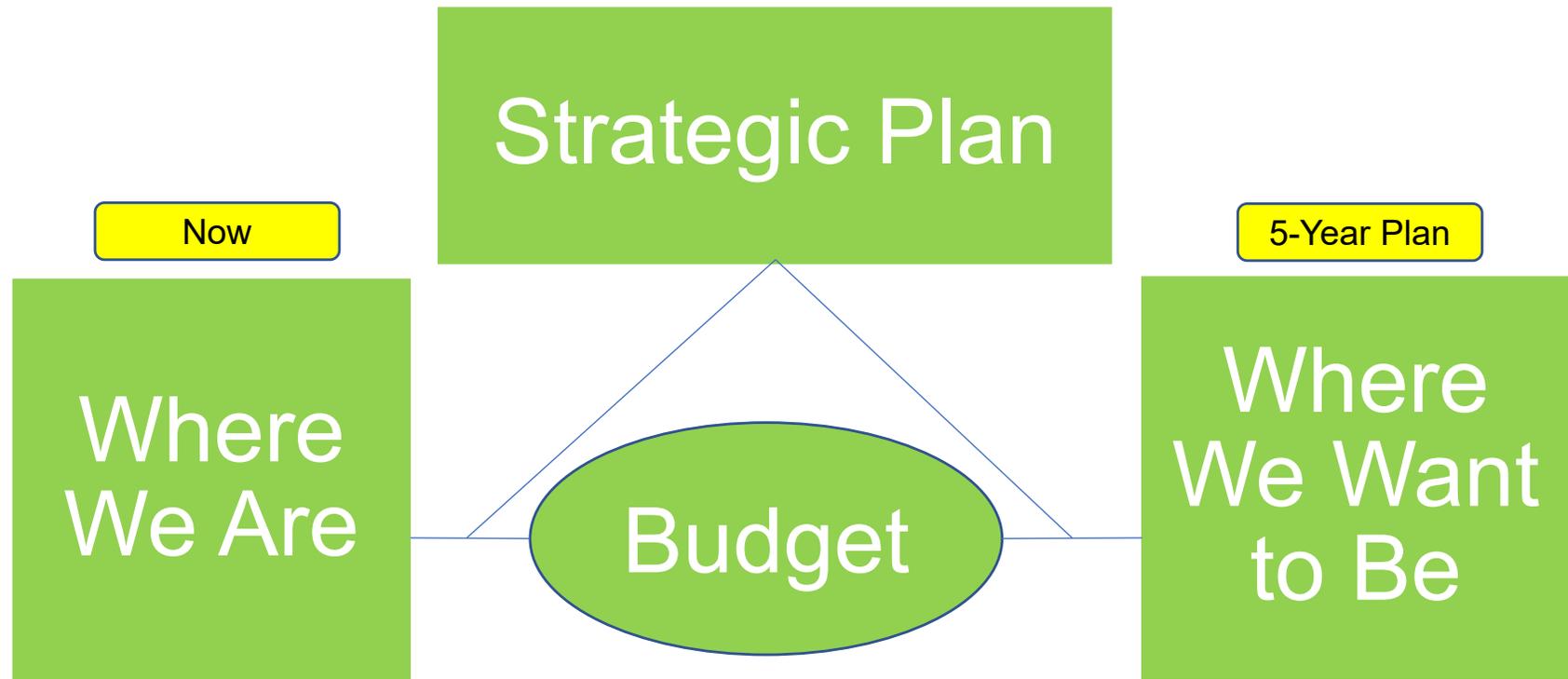
1. Design a new value driven university-wide budget process and resource allocation model that builds on the diverse, equitable and inclusive culture at USF.
2. Provide recommendations for balancing the E&G budget, through developing strategies to maximize the University's financial resources and opportunities for efficiencies.

Budget Committee

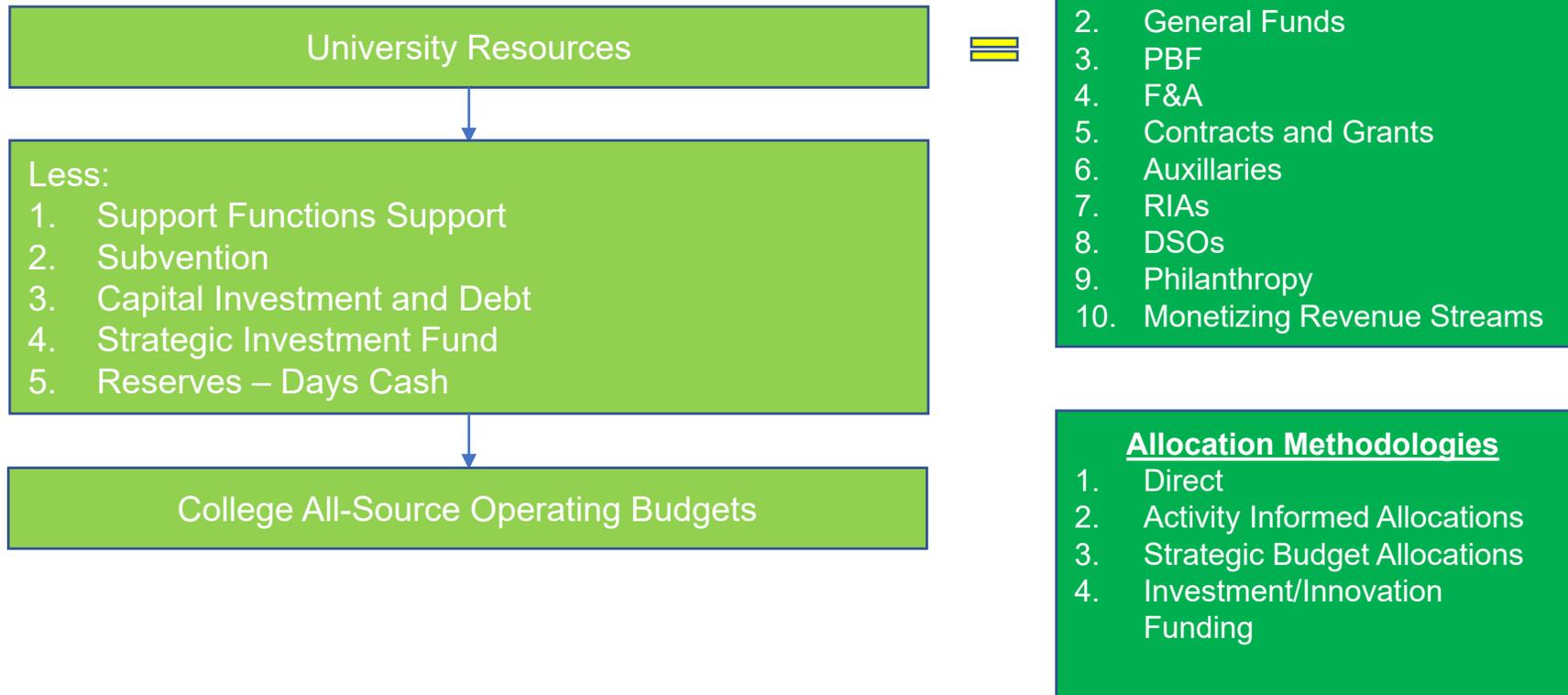
The following working groups will be formed to support the budget committee:

1. Resource Generation
2. Operational Effectiveness and Efficiency
3. F&A Distribution
4. Resource Distribution Methodology
5. Reporting

Budget Process – Supports Strategic Plan



Budget Process – Resource Allocation Methodology



Balancing Budget - Strategies

New Resource Generation



- State
- Tuition
- Philanthropy
- Grants
- Public Private Partnerships
- Monetizing Revenue Streams

Operational Excellence



- Operational Efficiencies
- Academic Portfolio Management
- Strategic Outsourcing
- Strategic Procurement

Innovative Initiatives



- Digital Flagship University
- Patents into Resources
- Financing

What Defines Success?

1. A balanced budget by establishing a sustainable funds flow model with incentives that advance USF's mission of excellence.
2. A new budget model that:
 - a) Balances local autonomy with a strong sense of unity in vision and values.
 - b) Provides decision-makers with increased transparency into USF finances and foster an information-rich disclosure on college priorities and budget matters.
 - c) Advances and encourages Campus and Health strengths and priorities.
 - d) Aligns authority and accountability.
 - e) Provides for reasonable transitions and bridging strategies.

QUESTIONS?

