

**University of Central Florida
Foundation, Inc.**
**(A Discrete Component Unit of the
University of Central Florida)**

Single Audit Report
Year Ended June 30, 2013

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Independent Auditor's Report

The Board of Directors
University of Central Florida Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida Foundation, Inc. (the "Foundation"), a discrete component unit of the University of Central Florida, which comprise the statements of net position as of June 30, 2013 and 2012 and the related statements of revenues, expenses, and changes in net positions and cash flows and the related notes to the financial statements for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The Supplementary and Other Information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis, as required by Chapter 10.550, *Rules of the Auditor General*, State of Florida, and is not a required part of the basic financial statements.

The Supplementary Information and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and Schedule of Expenditures of State Financial Assistance are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 2, 2013 and October 5, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Foundation's internal control over financial reporting and compliance.

McGladrey LLP

Orlando, Florida
October 2, 2013

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Management's Discussion and Analysis

The Management of the University of Central Florida Foundation, Inc.(the Foundation) (a discrete component unit of the University of Central Florida (the University or UCF)), prepared the following discussion and analysis of the Foundation's financial statements, including its two blended component units, Knights Crossing Student Housing, LLC and the University of Central Florida Real Estate Foundation, LLC, as of and for the years ended June 30, 2013 and 2012. This discussion and analysis is intended to serve as an introduction to the Foundation's financial statements. It should be read in conjunction with the financial statements and notes thereof.

This report consists of the following:

- Management's Discussion and Analysis
- Financial Statements, which include:
 - Statements of Net Position
 - Statements of Revenues, Expenses, and Changes in Net Position
 - Statements of Cash Flows
 - Notes to the Financial Statements
- Supplemental and Other Information

The statements of net position present all of the Foundation's assets and the Foundation's liabilities, with the difference reported as "net position." Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Foundation is improving or declining.

The statements of revenues, expenses, and changes in net position explain whether revenues and other support exceed expenses, which results in an increase in net position, or whether there is a decrease in net position. All changes in net position are reported as soon as the underlying event, giving rise to the change, occurs regardless of the timing of related cash flows.

The statements of cash flows are another way of assessing the Foundation's financial viability. The primary purpose of the statements of cash flows is to provide relevant information about cash receipts and cash payments of the Foundation throughout the fiscal year.

These financial statements include all assets, and liabilities using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the pronouncements of the Governmental Accounting Standards Board.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Management's Discussion and Analysis

Financial Highlights

Net Position – The statement of net position reports all financial and capital resources of the Foundation at the end of the fiscal year. Net position over time can be a useful indicator of an entity's financial position. The Foundation's net position as of June 30, 2013, 2012, and 2011, was approximately \$226.8, \$206 and \$206 million, respectively. The following schedule is a summary of the Foundation's statements of net position.

	2013	2012	2011
Assets:			
Current assets	\$ 21,842,033	\$ 23,735,178	\$ 25,222,080
Capital assets, net	80,062,990	74,305,290	74,579,009
Other noncurrent assets	161,865,307	146,661,916	146,146,798
Total assets	\$ 263,770,330	\$ 244,702,384	\$ 245,947,887
Liabilities:			
Current liabilities	\$ 5,547,050	\$ 5,861,499	\$ 5,788,340
Noncurrent liabilities	31,431,962	32,795,779	34,155,928
Total liabilities	\$ 36,979,012	\$ 38,657,278	\$ 39,944,268
Net Position:			
Invested in capital assets – net of related debt	\$ 51,462,909	\$ 44,282,745	\$ 43,204,001
Restricted – expendable	44,041,550	33,545,984	34,949,849
Restricted – nonexpendable endowments	116,561,428	114,219,425	112,683,366
Unrestricted	14,725,431	13,996,952	15,166,403
Total net position	\$ 226,791,318	\$ 206,045,106	\$ 206,003,619

The changes in assets and liabilities resulted in an overall increase in net position from fiscal years 2012 to 2013 of approximately \$20.75 million. During fiscal year 2013, total assets increased by approximately \$19.1 million from fiscal year 2012. The Foundation's investment assets increased by approximately \$13.1 million due to positive investment earnings during fiscal year 2013. In addition, there was land valued at \$6 million donated to the foundation during fiscal year 2013 reflected as an increase to capital assets. Total liabilities decreased approximately \$1.7 million primarily due to payments on notes payable related to the Foundation's real estate.

During fiscal year 2012, total assets decreased by approximately \$1.2 million from fiscal year 2011. The Foundation's investment assets decreased by approximately \$2.7 million due to investment losses. This decrease was offset by an increase of approximately \$2.7 million in new net pledges. The remaining decrease in total assets was a combination of a decrease in cash of approximately \$405,000, a decrease in prepaids related to advance funding to UCF for salaries of approximately \$535,000, and a decrease in other assets. Total liabilities decreased approximately \$1.3 million primarily due to payments on notes payable related to the Foundation's real estate. The changes in assets and liabilities resulted in an overall increase in net position from fiscal years 2011 to 2012 of approximately \$41,000.

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Restricted net position is comprised of expendable and nonexpendable net position. These restrictions are placed on the assets by the donors or as stipulated in loan agreements. Nonexpendable assets represent endowment assets whose principal cannot be spent since they are required by the donor to be held in perpetuity.

As of June 30, 2013, approximately 51.4% of the Foundation's net position was restricted nonexpendable net position and 19.4% of net position represented restricted expendable net position. In addition, investments in capital assets net of related debt represent 22.7% of total net position, which includes land, buildings, and equipment, less any related debt outstanding used to acquire or construct those assets. The remaining balance of net position, or approximately 6.5% of the total net position, is unrestricted and may be used to meet the Foundation's ongoing obligations. At the end of the current and prior fiscal years, the Foundation reports positive balances in all net position categories.

Revenues, Expenses, and Changes in Net position

	2013	2012	2011
Operating revenue	\$ 45,860,719	\$ 23,674,092	\$ 47,569,683
Operating expenses	33,759,133	32,085,375	33,942,698
Operating gain (loss)	12,101,586	(8,411,283)	13,626,985
Nonoperating revenues	6,329,684	6,947,410	4,132,246
Gain (loss) before endowment contributions	18,431,270	(1,463,873)	17,759,231
Endowment contributions	2,314,942	1,505,360	4,041,305
Change in net position	20,746,212	41,487	21,800,536
Net position – beginning of year	206,045,106	206,003,619	184,203,083
Net position – end of year	\$ 226,791,318	\$ 206,045,106	\$ 206,003,619

Analysis of Operating Revenues

	2013	2012	2011
Contributions	\$ 16,601,834	\$ 12,561,866	\$ 10,308,147
Rental income	9,754,998	9,020,542	9,799,387
Investment income (loss)	15,731,854	(1,136,387)	24,606,830
Other operating revenues	3,772,033	3,228,071	2,855,319
Total operating revenues	\$ 45,860,719	\$ 23,674,092	\$ 47,569,683

Operating Revenue – Operating revenue includes contributions, investment earnings, rent, and other operating receipts. At the end of fiscal year 2013 total operating revenue was \$22.2 million higher than in fiscal year 2012. During fiscal year 2013, investments reflected overall earnings of \$15.7 million while fiscal year 2012 investments returned an overall loss of \$1.1 million, resulting in a total increase from prior fiscal year of \$16.8 million. The long-term pool of investment earnings, which includes interest, dividends, realized, and unrealized gains and (losses), returned 12.2% for fiscal year 2013, (1.13)% for fiscal year 2012, and 22.7% for fiscal year 2011. During fiscal year 2013, there was an increase in contributions over 2012 fiscal year by over \$4 million as well as an increase in rental income of approximately \$734,000 over fiscal year 2012. Rental income increased due to vacant space in one of the Foundation buildings during fiscal year 2012, which was subsequently filled in fiscal year 2013. In addition, there was an increase in other operating revenue of approximately \$544,000.

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At the end of fiscal year 2012, total operating revenue was less than fiscal year 2011 by \$23.9 million. During fiscal year 2012, investments reflected an overall decrease of \$1.1 million and fiscal year 2011 investments returned an overall increase of \$24.6 million, resulting in a total decrease from prior fiscal year of \$25.7 million. In addition, during fiscal year 2012 there was a decrease in rental income due to vacant space in one of the Foundation buildings. These decreases were partially offset by an increase in operating contribution revenue of \$2.25 million.

Nonoperating revenues and transfers – Nonoperating revenues include University support for the Foundation, other University revenues to support programs, UCF Athletics Association (UCFAA) support and UCF Convocation support for athletics fund-raising and giving programs. The corresponding expense related to University and UCFAA support for the Foundation is included in the operating expense section of the statements of revenues, expenses, and changes in net position. During fiscal year 2013, University support for the Foundation including salaries and expenses decreased by approximately \$647,000 from fiscal year 2012 due to budget cutbacks.

During fiscal year 2012, University support for the Foundation including salaries and expenses increased by approximately \$2.4 million from fiscal year 2011. This is a result of the University's investment in the Foundation's fund-raising efforts. In addition, UCFAA provided an increase of \$384,000 to the Foundation for athletics fund-raising and programs during the year from fiscal year 2011.

Endowment contributions – Approximately \$2.3 million in donor-restricted endowment contributions was recognized in fiscal year 2013, \$1.5 million was recognized in fiscal year 2012, and \$4 million in fiscal year 2011. During fiscal years 2011, 2012 and 2013, there was no state matching gift money appropriated from the Florida Board of Education Challenge Grant Program provided through the State of Florida Trust Fund for University Major Gifts. Matching donations from the state can vary year to year due to timing of receipts from the state and state budget constraints.

Analysis of Operating Expenses

	2013	2012	2011
Operating expenses:			
Building operations	\$ 7,111,438	\$ 7,038,882	\$ 7,178,709
Athletics	5,818,394	4,265,062	5,456,957
Fund-raising	4,953,951	5,213,307	3,903,397
Management and general	4,573,449	4,864,194	5,009,708
Student aid	3,779,443	2,803,976	4,082,471
Academic support	3,482,647	3,891,142	3,654,347
Alumni relations	2,150,735	2,019,402	2,743,269
General University support	1,839,654	1,734,437	1,621,945
Research	49,422	254,973	291,895
Total operating expenses	\$ 33,759,133	\$ 32,085,375	\$ 33,942,698

University of Central Florida Foundation, Inc.
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Management's Discussion and Analysis

Operating expenses for fiscal year 2013 were approximately \$1.67 million more than in fiscal year 2012. In fiscal year 2012, operating expenses were \$1.9 million less than fiscal year 2011. The following highlights summarize the significant changes from the previous years:

- In fiscal year 2013, building operations expenses were higher than in fiscal year 2012 by approximately \$73,000 and fiscal year 2012 building operations expenses were approximately \$140,000 less than fiscal year 2011. In fiscal year 2012, there was vacant building space subsequently rented in fiscal year 2013 resulting in higher expenses in fiscal year 2013 over fiscal year 2012.
- Athletics expenses were \$1.55 million higher in fiscal year 2013 than in fiscal year 2012 primarily due to expense and transfers related to the arena and the stadium debt payments funded by contributions. Athletics expenses were \$1.2 million lower in fiscal year 2012 than in fiscal year 2011. In fiscal year 2012, athletic revenues accepted and administered by the Foundation were approximately \$1.1 million less than in fiscal year 2011; therefore, the corresponding transfer to support the UCF Athletics Association, Inc. was also reduced.
- Fiscal year 2013 fund-raising expenses decreased from fiscal year 2012 by \$259,000. This was primarily due to a decrease in salaries related to staff vacancies in prospect research and donor relations during the year. Fiscal year 2012 fund-raising expenses increased approximately \$1.3 million over fiscal year 2011. This was due to a significant staffing increase in the development office during fiscal year 2012 related to fund-raising efforts in order to support the University's increasing programs and activities. During fiscal year 2012, the Foundation created a communications department, in which a portion of the Pegasus Magazine funding transferred from Alumni to Fundraising. In addition, there were increased expenses related to fund-raising consulting, and increased expenses related to athletic fund-raising.
- Management and general expenses in fiscal years 2013 and 2012 decreased from fiscal years 2012 and 2011 by approximately \$291,000 and \$145,000, respectively. By the end of fiscal year 2013, the Foundation had reorganized the information technology and advancement services departments creating an overall reduction in staff expenses. The reduction from fiscal year 2011 to fiscal year 2012 was due to incurring additional expenses in fiscal year 2011 for information technology support systems as well as increased expenses for data enrichment programs in its internal operations department to provide support for the Foundation's growth in fund-raising and alumni programs.
- Academic support in fiscal year 2013 decreased from fiscal year 2012 by approximately \$408,000 and increased in fiscal year 2012 over fiscal year 2011 by approximately \$237,000. During fiscal year 2012, there was \$1 million transferred to UCF for the College of Medicine self-insured program, while in fiscal year 2013 there was \$488,000 transferred to UCF for the College of Medicine building projects.
- Student aid support was \$975,000 higher in fiscal year 2013 over fiscal year 2012 primarily due to the timing of the amount of scholarship support transferred to the university related to the College of Medicine (COM). The University opened its COM to its first class in the fall of 2009 and the Foundation raised funds to support scholarships for the COM students. Over \$1.7 million was transferred to the university during fiscal year 2013, over \$800,000 was transferred during fiscal year 2012, and \$2.5 million during fiscal year 2011.

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- Alumni relations expenses increased during fiscal year 2013 from fiscal year 2012 by approximately \$131,000 due to hiring additional staff during the year. Expenses decreased during fiscal year 2012 from fiscal year 2011 by approximately \$724,000 due to open positions. During fiscal year 2012, the Pegasus magazine program was transferred to the Foundation's new communications department under fund-raising. The transfer created a decrease of \$380,000 in Alumni expenses. In addition, decreases in salary and other expenses accounted for the remainder of the decrease.
- General University support increased in fiscal years 2013 and 2012 over fiscal years 2012 and 2011 by approximately \$105,000 and \$112,000, respectively. The Foundation transferred more in salary support to the University and paid more expenses to support university departments during fiscal year 2013 versus fiscal year 2012 and in fiscal year 2012 compared to 2011.
- Research expenses decreased in fiscal year 2013 from fiscal year 2012 due to less program support for research transferred to the university and to the research foundation during the year. Expenses were approximately the same during fiscal years 2012 and 2011.

Analysis of Cash Flows

The statement of cash flows provides information about the Foundation's major sources and uses of cash and cash equivalents. For purposes of cash flow, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

	2013	2012	2011
Cash flows:			
Net cash provided by (used in) operating activities	\$ (565,751)	\$ 1,194,282	\$ (2,744,693)
Net cash provided by (used in) investing activities	6,952,940	1,800,480	(3,724,804)
Net cash used in capital and related financing activities	(4,872,114)	(4,567,646)	(3,442,553)
Cash flows provided by noncapital financing activities	1,984,761	1,167,695	3,696,230
Change in cash, restricted cash and cash equivalents	3,499,836	(405,189)	(6,215,820)
Cash, restricted cash, and cash equivalents – beginning of year	16,114,979	16,520,168	22,735,988
Cash, restricted cash, and cash equivalents – end of year	\$ 19,614,815	\$ 16,114,979	\$ 16,520,168

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Management's Discussion and Analysis

Overall cash, restricted cash, and cash equivalents increased in fiscal year 2013 compared to fiscal year 2012 by approximately \$3.5 million and decreased in fiscal year 2012 compared to fiscal year 2011 by approximately \$405,000, due to the following:

- The Foundation's net cash provided by operating activities decreased \$1.76 million in fiscal year 2013 from fiscal year 2012. During fiscal year 2013, there was \$1.1 million more expended over fiscal year 2012 in payments to the university to support salaries and benefits for university employees and there was \$1.7 million more in expenses paid to support university programs. These increases in outflows were partially offset by approximately \$460,000 more in receipts from contributions and \$720,000 more in other revenue, including event revenue and program related revenue, received. The Foundation's change in net cash provided by operating activities in fiscal year 2012 increased \$3.9 million over fiscal year 2011. During fiscal year 2012, the Foundation received approximately \$2.1 million less in contributions received and provided less payments to the University related to salaries and benefits, funding for building construction, and funding for scholarships resulting in an overall increase in operating cash.
- The Foundation's net cash provided by investing activities increased by approximately \$5.1 million in fiscal year 2013 from fiscal year 2012. During fiscal year 2013, there was \$9.6 million less in purchases of new investments than in fiscal year 2012, which was partially offset by \$4.5 million less in proceeds from the sales of investments. In fiscal year 2012, there was an increase in net cash provided by investing activities of approximately \$5.5 million compared to fiscal year 2011. This was primarily due to \$21.6 million less in purchases of new investments offset by \$16.2 less in proceeds from sales of investments.
- In fiscal year 2013, there was approximately \$305,000 more cash used in capital and related financing activities compared to fiscal year 2012 primarily due to an increase in capital purchases and to higher principal payments on debt. In fiscal year 2012, there was approximately \$1.1 million more cash used in capital and related financing activities compared to fiscal year 2011. The Foundation paid \$580,000 more in principal payments on debt and paid \$579,000 more in purchases of capital assets during fiscal year 2012 over fiscal year 2011.
- Net cash provided by noncapital and related financing activities was \$817,000 more in fiscal year 2013 than in fiscal year 2012 and \$2.5 million less in fiscal year 2012 than in fiscal year 2011. The Foundation received more in endowment contributions in fiscal years 2013 and 2011 than in fiscal year 2012.

Capital Assets

	2013	2012	2011
Property and equipment – net	\$ 530,956	\$ 648,591	\$ 779,318
Rental and other property – net	79,532,034	73,656,699	73,799,691
Total capital assets	\$ 80,062,990	\$ 74,305,290	\$ 74,579,009

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Management's Discussion and Analysis

Capital assets – The Foundation's investment in capital assets as of June 30, 2013 and 2012 was approximately \$98.4 million and \$90.7 million less accumulated depreciation of approximately \$18.4 million and \$16.4 million, leaving a net value of approximately \$80 million and \$74.3 million, respectively. The investment in capital assets includes land, buildings, building improvements, and equipment. During fiscal year 2013, land valued at \$6 million was donated to the Foundation. After accounting for the donation of the land, for purchases of new assets, and for the depreciation of existing assets, the Foundation's total capital asset net increase was approximately \$5.8 million in fiscal year 2013 from fiscal year 2012.

As of June 30, 2013, the Foundation owns eight buildings and six parcels of land. Additional information can be found in Note 5, Capital Assets, and Note 6, Long-Term Liabilities.

Debt administration – At June 30, 2013 and 2012, the Foundation had approximately \$31.1 million and \$32.6 million in debt outstanding, respectively. The following table summarizes debt outstanding:

Long-Term Debt

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Fairwinds Alumni Center	\$ 485,137	\$ 646,849	\$ 808,561
Research Pavilion, Innovative Center, and OTECH buildings:			
2009 Series Note – taxable	5,395,000	6,315,000	7,185,000
2009 Series Note – tax exempt	12,540,000	12,540,000	12,540,000
University Tower and Bio-Molecular buildings:			
2008 Series Note – tax exempt	9,125,000	9,470,000	9,795,000
McCulloch Road property	1,695,000	1,895,000	2,095,000
Renewal Annuity Notes:			
Annuity Note A	984,176	985,255	986,260
Annuity Note B	984,176	985,255	986,260
Total	<u>31,208,489</u>	<u>32,837,359</u>	<u>34,396,081</u>
Less deferred amount on refunding	<u>(154,919)</u>	<u>(197,455)</u>	<u>(239,990)</u>
Total debt	<u>\$ 31,053,570</u>	<u>\$ 32,639,904</u>	<u>\$ 34,156,091</u>

During fiscal years 2013 and 2012, the Foundation paid approximately \$1.6 million related to principal payments on its notes. During fiscal year 2011, the Foundation paid approximately \$979,000 related to principal payments on its notes. Additional information on the Foundation's long-term debt obligations can be found in Note 6, Long-Term Liabilities.

**University of Central Florida Foundation, Inc.
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Management's Discussion and Analysis

Legislative Changes Affecting Direct Support Organizations – During the 2005 state legislative session, language was approved that limited the ability of University direct support organizations to finance new projects. Such language expired as of June 30, 2006. The Foundation had previously determined that the 2005 proviso language presented a limitation on the ability of the Foundation to refinance short-term loans that were used to finance the acquisitions of the University Tower and the Biomolecular Research Annex buildings, and the McCulloch Road property. The original intent of the Foundation was to refinance these properties with a long-term loan prior to the original repayment dates. Florida Statutes Section 1010.62(3)(a), enacted as of July 1, 2006, enables University direct support organizations to finance projects, subject to the oversight and governance of the Florida Board of Governors, and provides an exemption for certain debt in existence as of the effective date of the statute. During fiscal year 2009, the Foundation took the necessary steps to refinance the University Tower and Biomolecular buildings. During fiscal years 2013 and 2012, SunTrust extended the note on the McCulloch Road property until fiscal years 2014 and 2013, respectively.

Effective July 1, 2011, state matching funds have been temporarily suspended for donations received in the major gifts matching program for donations received after June 30, 2011.

Economic Factors That May Affect the Future

The economic outlook of the Foundation is affected by several factors, including state support received from the University, charitable contributions, return on investments, and various other revenue sources.

The University is expected to continue to provide a portion of the Foundation's funding due to the increased potential of giving from annual and major gift contributors. Annual contributions and endowments have a direct impact on enhancing University programs. The economy affects state appropriations to the University, which may result in a change in the amount of support the Foundation receives from the University in the next fiscal year.

Overall, the global economy has affected contributions during the past two years and changes in the economy are expected to continue to have an impact on the Foundation. The investment markets specifically affect the endowment and other investments held by the Foundation. These factors affect the fair value of the Foundation's investments and the calculated spending amount on endowment funds. In addition, the Foundation's operations are impacted by fixed income and equity returns and are sensitive, in part, to future economic volatility of the financial markets. Also, a portion of the interest expense related to real estate is affected by the market interest rates. Currently, some improvement has been seen in the economic environment and this may result in an improved outlook for the various sources of revenue during the next fiscal year.

For additional information concerning the operations and financial information of the Foundation, contact the Foundation at (407) 882-1220.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,473,590	\$ 15,641,057
Investments	2,205,663	5,312,803
Investment interest and other receivables	132,906	120,477
Receivables from related parties	172,679	20,821
Pledges receivable – net	2,198,143	2,139,195
Prepaid expenses and other assets – net	659,052	500,825
Total current assets	21,842,033	23,735,178
Noncurrent assets:		
Cash and cash equivalents	3,141,225	473,922
Investments	152,605,169	140,257,849
Pledges receivable – net	3,967,134	3,855,210
Beneficial remainder trust	1,688,385	1,614,321
Prepaid expenses and other noncurrent assets – net	463,394	460,614
Property and equipment – net	530,956	648,591
Rental and other property – nondepreciable	53,672,680	48,278,655
Rental and other property – net	25,859,354	25,378,044
Total noncurrent assets	241,928,297	220,967,206
Total assets	263,770,330	244,702,384
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	742,397	1,188,742
Payables to related parties	1,340,750	1,038,274
Scholarship liability	-	52,965
Long-term liabilities – current portion:		
Notes payable – net	3,156,492	3,281,334
Unearned revenue	193,517	191,342
Annuity obligations	63,790	63,790
Compensated absences	26,104	33,988
Deposits	24,000	11,064
Total current liabilities	5,547,050	5,861,499
Noncurrent liabilities:		
Notes payable – net	27,897,078	29,358,570
Unearned revenue	2,743,441	2,559,585
Annuity obligations	434,267	465,495
Compensated absences	346,797	390,867
Deposits	10,379	21,262
Total noncurrent liabilities	31,431,962	32,795,779
Total liabilities	36,979,012	38,657,278
Net position		
Invested in capital assets – net of related debt	51,462,909	44,282,745
Restricted:		
Expendable	44,041,550	33,545,984
Nonexpendable endowments	116,561,428	114,219,425
Unrestricted	14,725,431	13,996,952
Total net position	\$ 226,791,318	\$ 206,045,106

See Notes to the Financial Statements.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Contributions (net of provisions for uncollectible pledge receivables of (\$447,043) and \$1,131,169)	\$ 16,601,834	\$ 12,561,866
Net realized and unrealized gains (losses) on investments	13,158,468	(3,763,188)
Rental income	9,754,998	9,020,542
Dues and other revenues, net	3,084,743	2,526,513
Interest and dividends	2,573,386	2,626,801
License plate proceeds	361,586	358,503
Advertising and royalties	325,704	343,055
Total operating revenues, net	45,860,719	23,674,092
Operating expenses:		
Building operations	7,111,438	7,038,882
Athletics	5,818,394	4,265,062
Fund-raising	4,953,951	5,213,307
Management and general	4,573,449	4,864,194
Student aid	3,779,443	2,803,976
Academic support	3,482,647	3,891,142
Alumni relations	2,150,735	2,019,402
General University support	1,839,654	1,734,437
Research	49,422	254,973
Total operating expenses	33,759,133	32,085,375
Operating gain (loss)	12,101,586	(8,411,283)
Nonoperating revenues:		
University support	5,659,813	6,307,490
UCFAA support	608,414	576,122
UCF Convocation support	61,457	63,798
Gain (loss) before endowment contributions	18,431,270	(1,463,873)
Endowment contributions	2,314,942	1,505,360
Change in net position	20,746,212	41,487
Net position – beginning of year	206,045,106	206,003,619
Net position – end of year	\$ 226,791,318	\$ 206,045,106

See Notes to the Financial Statements.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Receipts from contributions	\$ 10,244,728	\$ 9,784,815
Rental receipts	9,732,644	9,064,436
All other receipts	4,041,292	3,321,136
Payments for building operations	(3,643,193)	(3,066,432)
Payments for fundraising activities	(1,746,570)	(1,717,681)
Payments to the University for salaries and benefits	(4,880,662)	(3,761,862)
Payments for University programs, scholarships, and athletics	(13,409,092)	(11,656,901)
Payments for general and administrative functions	(872,537)	(839,849)
Payments for income taxes	(32,361)	66,620
Net cash (used in) provided by operating activities	(565,751)	1,194,282
Cash Flows From Investing Activities		
Purchases of investments	(6,464,963)	(16,124,935)
Proceeds from sales and maturities of investments	10,636,014	15,161,184
Receipts from interest and dividends, net of fees	2,781,889	2,874,231
Disbursement for loan receivable	-	(110,000)
Net cash provided by investing activities	6,952,940	1,800,480
Capital and Related Financing Activities		
Purchase or construction of capital assets	(1,758,487)	(1,538,735)
Principal paid on capital debt	(1,465,000)	(1,395,000)
(Payments to) proceeds from the University for tenant improvements	(85,713)	6,848
Interest paid on capital debt	(1,562,914)	(1,640,759)
Net cash used in capital and related financing activities	(4,872,114)	(4,567,646)
Noncapital financing activities		
Principal paid on debt	(163,870)	(163,723)
Endowment contributions received for other than capital purposes	2,314,942	1,505,360
Interest paid on debt	(166,311)	(173,942)
Net cash flows provided by noncapital financing activities	1,984,761	1,167,695
Change in cash, restricted cash and cash equivalents	3,499,836	(405,189)
Cash, restricted cash and cash equivalents – beginning of year	16,114,979	16,520,168
Cash, restricted cash and cash equivalents – end of year	\$ 19,614,815	\$ 16,114,979
Supplemental Disclosure of Noncash Related Investing Activities		
Unrealized gains (losses) on investments	\$ 11,659,102	\$ (6,011,459)

(Continued)

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of the change in net assets to net cash (used in) provided by operating activities:		
Operating gain (loss)	\$ 12,101,586	\$ (8,411,283)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	2,000,787	1,812,454
Amortization	99,331	99,754
Recognition of royalty revenue	(190,208)	(185,910)
Provision for cancellation of pledges and other receivables	(447,043)	1,131,169
Net realized and unrealized (gains) losses on investments	(13,229,996)	3,763,188
Noncash expenses from University budget allocation	5,659,813	6,307,490
Noncash expenses related to allocation from UCFAA	418,900	576,122
Donated securities	(181,234)	(48,077)
Donated property	(6,000,000)	-
Proceeds from the UCFAA and UCF Convocation for operations	186,223	63,798
Interest and dividend income, net of investment fees	(2,801,661)	(2,883,831)
Interest expense	1,729,224	1,814,701
Changes in operating assets and liabilities:		
Investment interest and other receivables	(12,429)	95,984
Receivables from related parties	(1,396)	44,569
Pledges receivable	276,171	(3,865,144)
Prepaid expenses and other assets	(165,469)	601,430
Accounts payable, accrued expenses, compensated absences and deposits	(496,246)	460,062
Payables to related parties	302,476	(326,100)
Unearned revenue	302,175	297,804
Annuity obligations	(63,790)	(63,790)
Scholarship fund liability	(52,965)	(90,108)
Net cash (used in) provided by operating activities	\$ (565,751)	\$ 1,194,282

See Notes to the Financial Statements.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The University of Central Florida Foundation, Inc. and its two blended component units (the "Foundation") serve as a Direct Support Organization (DSO) for the University of Central Florida (the "University" or "UCF"), a state university, as provided for in Section 1004.28 of the Florida Statutes and Board of Regents Rule 6C-9.011. The Foundation's principal function is to solicit, receive, hold, invest, and administer charitable contributions for the University. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes pursuant to Section 501(a) of the IRC and Chapter 220.13 of Florida Statutes, except for income from activities not related to its principal function.

Reporting entity: The Foundation is considered a discrete component unit of the University due to the University's budgetary oversight responsibility and due to the Foundation's significant operational and financial relationships with the University. The Foundation has determined that there are two component units that meet the criteria for blending into the Foundation's financial statements. The financial statements of the Foundation include the accounts of its blended component units, Knights Crossing Student Housing, LLC and the University of Central Florida Real Estate Foundation, LLC.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The Foundation prepares its financial statements on the accrual basis of accounting in accordance with government accounting principles generally accepted in the United States of America for business-type activities, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

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

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

Invested in capital assets – net of related debt – Representing funds that consist of capital assets, including restricted capital assets, net of accumulated depreciation, and related unspent proceeds, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to and expended on the acquisition, construction or improvement of those assets.

Restricted – Restricted funds include:

Expendable – Representing funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the University, including the expendable portion of endowment funds. As a general practice, the Foundation applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Nonexpendable Endowments – Representing the nonexpendable portion of endowment funds that are subject to donor, grantor, or other outside party restrictions as to use for the benefit of various programs at the University. Net earnings or losses on endowment funds are included in expendable funds for expenditure.

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

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

Revenue recognition: Contributions are recognized as increases in net position when received provided all eligibility requirements have been met or when pledged unconditionally, with the exception of pledges to the endowment which are recognized when received. Assets donated to the Foundation are recorded at their estimated fair values at the dates of donation. Donated services are not recognized by the Foundation. Conditional promises to give are not recognized until the eligibility requirements have been met and they become unconditional.

Rent revenue: In accordance with guidance related to accounting for leases, income on leases, which include scheduled increases in rental rates over the lease term (other than scheduled increases based on the Consumer Price Index), is recognized on a straight-line basis. The Foundation recognizes revenues from recoveries from tenants of operating expenses the Foundation paid on the tenant's behalf. These operating expenses include items such as real estate taxes, insurance, and other property operating costs. During fiscal years 2013 and 2012, the Foundation recognized \$3,146,725 and \$2,868,644, respectively, in rent revenue for recoveries from tenants.

Fund-raising: Costs associated with fund-raising activities are shown as fund-raising expenses in the accompanying statements of revenues, expenses, and changes in net position. Included are all direct costs associated with fund-raising activities and allocable costs of activities that include both fund-raising and program or management and general functions.

Cash, restricted cash and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Noncurrent cash and cash equivalents at June 30, 2013 and 2012, include cash that is unrestricted, restricted by the donor, or contractually restricted due to loan covenants and is not expected to be used during the Foundation's next fiscal year.

Investments: Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses, and changes in net position. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Gains or losses on the sale of the investments are based on the weighted-average cost method. Investments that are expected to be used within the next 12 months are classified as current investments. Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and amounts subject to other restrictions as well as investments not expected to be used during the Foundation's next fiscal year.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Pledges receivable: In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all eligible unconditional pledges that are verifiable, probable, and measurable are recorded at their estimated realizable value on a discounted basis. The Foundation has established an allowance to absorb the uncollectible portion of pledges. At June 30, 2013 and 2012, an allowance, based on management's estimate, of approximately \$1.7 million and \$2.2 million, respectively, was available to absorb any uncollectible balances.

Prepaid expenses and other assets: Prepaid expenses and other assets consist of debt issuance costs and other prepaid items. Debt issuance costs are amortized on a straight-line basis over the life of the related notes.

Capital assets: Capital assets include property and equipment (including rental property and other property), which is stated at cost as of the date of acquisition (fair value for donated property). The Foundation has a capitalization threshold of \$5,000. Property with a permanent decrease in value is stated at the lower of the carrying value or fair value. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	7 – 39
Equipment and furniture	3 – 7

Other property consists principally of land and is not subject to depreciation.

Impairment of capital assets: The Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2013 and 2012.

Scholarship fund liability: The Foundation acts as agent for a scholarship fund endowment. Earnings based on the current spending rate are recorded as a liability to the extent that the historic dollar value is maintained or represents additional contributions to the fund to be distributed.

Unearned revenue: Unearned revenue relates primarily to rent and royalty payments received in advance or conditional contributions.

Annuity obligations: The Foundation is obligated under agreements with certain donors to provide annuities based on the fair value of assets contributed. The Foundation has recorded an annuity payable equal to the present value of the total anticipated future payments to these donors or their beneficiaries.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Compensated absences: Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920, Florida Administrative Code. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. Compensated absences included as current are based on average actual usage and payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

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

Pronouncements issued: In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the Foundation has adopted this statement as of July 1, 2012.

In June 2011 GASB approved Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the Foundation has adopted this statement as of July 1, 2012.

The GASB issued other new or modifications to, or interpretations of, existing accounting guidance during 2012 and 2013. The Foundation has considered the new pronouncements and does not believe that any other new or modified pronouncements will have a material impact on the reported financial position, operations, or cash flows of the Foundation as of and for the year ended June 30, 2013.

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments

Cash, restricted cash and cash equivalents: At June 30, 2013 and 2012, the recorded amount of cash, restricted cash, and cash equivalents of the Foundation's deposits was \$19,614,815 and \$16,114,979, respectively. Included in fiscal years 2013 and 2012 is \$350,000 on deposit with Fairwinds Credit Union which is subject to withdrawal restrictions. Operating bank account balances were \$20,431,335 and \$16,631,771, respectively, as of June 30, 2013 and 2012.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

At June 30, 2013 and 2012, \$18,313,817 and \$14,527,907, respectively, in cash deposits are not insured by federal deposit insurance and are not collateralized.

Investments: The goal of the Foundation's investment program for endowments is set forth in the investment policy manual as approved by the Foundation's Board of Directors. Such goal is to provide a total return from assets invested that will preserve the purchasing power of the endowment assets, while generating an income stream to support the activities of the colleges and units of the University. The investment policy manual also provides information on asset classes, target allocations, and ranges of acceptable investment categories. However, the policy does not address specific types of risks such as credit risk, interest rate risk, and foreign currency risk that the Foundation may be exposed to as outlined below.

The objective for nonendowed assets is to produce the greatest possible total return with a minimum of risk. The investment policy manual provides information on asset classes, target allocations, and ranges of acceptable investment categories for nonendowed assets. The Foundation's investments as of June 30, 2013 and 2012, excluding mutual funds, are uninsured and registered with securities held by the Foundation's agent in the Foundation's name. Mutual funds do not have specific securities and are held in book entry form.

Investments consist of the following at June 30:

	2013	2012
Equity securities	\$ 2,122,682	\$ 1,760,226
Hedge funds	16,359,338	16,285,813
Private equity funds	93,002	83,198
Real assets	2,162,235	1,643,919
Real Estate Investment Trusts (REITs)	210,535	120,354
Exchange traded funds	815,130	1,496,242
Mutual funds – equity	85,825,194	76,251,969
Mutual funds – bonds	47,222,716	47,928,931
Total investments	154,810,832	145,570,652
Less current investments	2,205,663	5,312,803
Noncurrent investments	\$ 152,605,169	\$ 140,257,849

The following schedule provides a breakdown of net realized and unrealized gains and losses for the years ended June 30:

	2013	2012
Net realized gains on investments	\$ 1,499,366	\$ 2,248,271
Net unrealized gains (losses) on investments	11,659,102	(6,011,459)
Total net realized and unrealized gains (losses) on investments	\$ 13,158,468	\$ (3,763,188)

Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as part of the change in the fair value of investments.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

Custodial credit risk for investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the Foundation's policy to require that all securities are held by the Foundation's agent in the Foundation's name.

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

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule represents the ratings of the Foundation's debt instruments as of June 30, 2013 and 2012 using Standard and Poor's (S&P), nationally recognized statistical ratings quality organization:

Debt Security Type	Quality Rating	2013	2012
		Fair Value	Fair Value
Bond Mutual Funds	S&P AAA	\$ 11,807,516	\$ 6,243,638
Bond Mutual Funds	S&P AA+	1,529,507	1,608,238
Bond Mutual Funds	S&P AA	16,285,918	24,104,521
Bond Mutual Funds	S&P AA-	6,066,380	5,998,492
Bond Mutual Funds	S&P A	939,884	1,263,395
Bond Mutual Funds	S&P A-	1,603,658	-
Bond Mutual Funds	S&P BAA	83,355	-
Bond Mutual Funds	S&P BBB+	2,065,924	-
Bond Mutual Funds	S&P BBB	3,443,691	5,505,320
Bond Mutual Funds	S&P BBB-	-	55,094
Bond Mutual Funds	S&P BB	3,396,883	3,150,233
		47,222,716	47,928,931
Real Assets Fixed Income	S&P AA+	991,467	1,114,012
Total		\$ 48,214,183	\$ 49,042,943

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Interest rate risk as of June 30, 2013 and 2012 is as follows:

Investment Type	Average Duration	2013	2012
		Fair Value	Fair Value
Bond Mutual Funds	Greater than five years	\$ 14,819,799	\$ 6,148,250
Bond Mutual Funds	One to five years	25,027,712	35,362,065
Bond Mutual Funds	Less than one year	7,375,205	6,418,616
		47,222,716	47,928,931
Real Assets Fixed Income	One to five years	991,467	1,114,012
Total		\$ 48,214,183	\$ 49,042,943

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2013 and 2012, the Foundation did not have any equity or fixed income investments subject to this risk.

Note 3. Pledges Receivable

Pledges receivable and the related allowance for potentially uncollectible amounts at June 30 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Current pledges receivable:		
Due in one year or less	\$ 2,817,579	\$ 2,918,737
Less allowance for doubtful amounts	(619,436)	(779,542)
Current pledges receivable, net	<u>2,198,143</u>	<u>2,139,195</u>
Noncurrent pledges receivable:		
Due in greater than one year	5,085,069	5,260,082
Less allowance for doubtful amounts	(1,117,935)	(1,404,872)
Noncurrent pledges receivable, net	<u>3,967,134</u>	<u>3,855,210</u>
Total pledges receivable, net	<u>\$ 6,165,277</u>	<u>\$ 5,994,405</u>

Noncurrent pledges receivable are net of discounts amounting to \$320,282 and \$160,832 at June 30, 2013 and 2012, respectively. Pledges receivable were discounted using a risk-free interest rate at the time the pledge was initially recognized. Discount rates used range from .73% to 6.00%.

Note 4. Endowments

The Foundation authorizes expenditures for the uses and purposes for which endowment funds were established. The State of Florida has adopted FS 1010.10, which provides policy for administration related to investment of endowment funds and the ability to spend net appreciation.

The Foundation's general spending calculation for eligible endowments was calculated in accordance with the Foundation's investment policy and used a spending rate of 4.0% and 4.5% for fiscal years 2013 and 2012, respectively.

The following displays the total ending endowment balances for nonexpendable endowments or donor-restricted endowments:

	<u>2013</u>	<u>2012</u>
Total endowment balance	\$ 133,827,336	\$ 121,087,980
Less appreciation portion of restricted expendable	17,265,908	6,868,555
Permanently restricted nonexpendable balance	<u>\$ 116,561,428</u>	<u>\$ 114,219,425</u>

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 5. Capital Assets

Capital assets are summarized as follows:

	June 30, 2012	Increases	Decreases	June 30, 2013
Property and equipment:				
Equipment and furniture	\$ 1,791,490	\$ 14,604	\$ -	\$ 1,806,094
Less accumulated depreciation	(1,142,899)	(132,239)	-	(1,275,138)
Net property and equipment	648,591	(117,635)	-	530,956
Rental and other property:				
Land (nondepreciable)	47,640,384	6,000,000	-	53,640,384
Construction-in-progress – (nondepreciable)	638,271	1,815,196	(2,421,171)	32,296
Rental and other property – nondepreciable	48,278,655	7,815,196	(2,421,171)	53,672,680
Buildings and improvements	40,259,518	2,351,607	(28,566)	42,582,559
Site improvements	372,633	16,290	-	388,923
Less accumulated depreciation	(15,254,107)	(1,866,669)	8,648	(17,112,128)
Rental and other property – net	25,378,044	501,228	(19,918)	25,859,354
Net rental and other property	73,656,699	8,316,424	(2,441,089)	79,532,034
Total net capital assets	\$ 74,305,290	\$ 8,198,789	\$ (2,441,089)	\$ 80,062,990
	June 30, 2011	Increases	Decreases	June 30, 2012
Property and equipment:				
Equipment and furniture	\$ 1,758,838	\$ 32,652	\$ -	\$ 1,791,490
Less accumulated depreciation	(979,520)	(163,379)	-	(1,142,899)
Net property and equipment	779,318	(130,727)	-	648,591
Rental and other property:				
Land (nondepreciable)	47,640,384	-	-	47,640,384
Construction-in-progress – (nondepreciable)	341,648	1,606,274	(1,309,651)	638,271
Rental and other property – nondepreciable	47,982,032	1,606,274	(1,309,651)	48,278,655
Buildings and improvements	39,160,375	1,166,226	(67,083)	40,259,518
Site improvements	333,231	39,402	-	372,633
Less accumulated depreciation	(13,675,947)	(1,596,251)	18,091	(15,254,107)
Rental and other property – net	25,817,659	(390,623)	(48,992)	25,378,044
Net rental and other property	73,799,691	1,215,651	(1,358,643)	73,656,699
Total net capital assets	\$ 74,579,009	\$ 1,084,924	\$ (1,358,643)	\$ 74,305,290

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the following operating expense accounts for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Building operations	\$ 1,873,383	\$ 1,604,683
Management and general	125,525	154,947
	<u>\$ 1,998,908</u>	<u>\$ 1,759,630</u>

Other property consists of the following at June 30, 2013 and 2012:

Rosen School of Hospitality Management Project: The Foundation received a contribution from a donor of \$18,282,403 during fiscal 2001 to purchase land and facilitate the construction of a new hospitality management building to be located in Orange County. A portion of that contribution, \$8,282,403, funded the purchase of 20-acre tract of land including closing costs of approximately \$82,400, on May 21, 2001. The land is recorded as a capital asset of the Foundation and is subject to a long-term ground lease with the UCF Hospitality School Student Housing Foundation, Inc. with a one-time minimal payment at the execution of the lease.

Knights Crossing/Knights Court Land: On February 15, 2001, Knights Crossing Student Housing LLC (KKSH), through a series of transactions, was deeded an 87.8-acre tract of land from CAPFA Capital Corp. (CAPFA), a public body corporate and politic of the State of Florida. CAPFA owns the 1,176-unit apartment complex to be used exclusively by UCF students and other eligible individuals. KKSH leased the land back to CAPFA over a 30-year period under a ground lease. CAPFA obtained a mortgage based on the ground lease and improvements to the land to fund the purchase of the apartment complex. On an annual basis, CAPFA remits to KKSH any remaining funds after operating expenses (as defined), debt service, and subordinated management fees. KKSH recorded the value of the land as a capital contribution at \$9,733,000 based on an independent appraisal dated August 28, 2001.

During fiscal years 2013 and 2012, there were no payments received for surplus rent under the ground lease due to maintenance and renovations.

Health Sciences Campus at Lake Nona: During fiscal 2007, the Tavistock Group donated 45 net usable acres of land with a fair value of \$17,425,000 to the Foundation. The University built the UCF Health Sciences Campus at Lake Nona on the land. During fiscal 2008, the Tavistock Group and the Foundation reconfigured the land, which increased the number of usable acres to 50 acres, which allowed for other medical entities to be located on adjoining property at Lake Nona. The additional five usable acres added value to the Foundation's land in the approximate fair value estimated amount of \$2,995,000 as of the date of the contribution. The land is recorded as a capital asset of the Foundation and is subject to a long-term ground lease with the University with a one-time minimal payment at the execution of the lease.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Northview Land – During fiscal 2013, the AHG Group LLC, donated approximately 8.5 acres of land with a fair value of \$6,000,000 to the Foundation. The land is recorded as a capital asset of the Foundation and is subject to a sixty-year ground lease with Northview Knights Housing, LLC for the purposes of operating student housing. Northview Knights Housing, LLC will construct and own the complex which is planned to open in fiscal year 2014. Upon a one-time minimal payment at the execution of the lease Northview Knights Housing, LLC will pay the Foundation 50% of the annual net cash flow received from the use and operation of the housing component during the first 34 years of the lease, and 60% during the remainder of the lease term.

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Notes to Financial Statements

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities is as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 6,315,000	\$ -	\$ 920,000	\$ 5,395,000	\$ 975,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular – 2008 Series Note-tax exempt	9,470,000	-	345,000	9,125,000	365,000
McCulloch Road Property	1,895,000	-	200,000	1,695,000	1,695,000
Fairwinds Alumni Center	646,849	-	161,712	485,137	161,712
Renewal Annuity Note:					
Annuity Note A	985,255	-	1,079	984,176	1,158
Annuity Note B	985,255	-	1,079	984,176	1,158
Less deferred amount on refunding	(197,455)	-	(42,536)	(154,919)	(42,536)
Total notes payable	\$ 32,639,904	\$ -	\$ 1,586,334	\$ 31,053,570	\$ 3,156,492
Unearned revenue	\$ 2,750,927	\$ 1,726,925	\$ 1,540,894	\$ 2,936,958	\$ 193,517
Annuity obligations	529,285	32,562	63,790	498,057	63,790
Compensated absences	424,855	79,685	131,639	372,901	26,104
Deposits	32,326	4,231	2,178	34,379	24,000
	June 30, 2011	Additions	Reductions	June 30, 2012	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 7,185,000	\$ -	\$ 870,000	\$ 6,315,000	\$ 920,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular – 2008 Series Note-tax exempt	9,795,000	-	325,000	9,470,000	345,000
McCulloch Road Property	2,095,000	-	200,000	1,895,000	1,895,000
Fairwinds Alumni Center	808,561	-	161,712	646,849	161,713
Renewal Annuity Note:					
Annuity Note A	986,260	-	1,005	985,255	1,079
Annuity Note B	986,260	-	1,005	985,255	1,079
Less deferred amount on refunding	(239,990)	-	(42,535)	(197,455)	(42,536)
Total notes payable	\$ 34,156,091	\$ -	\$ 1,516,187	\$ 32,639,904	\$ 3,281,335
Unearned revenue	\$ 2,564,969	\$ 789,870	\$ 603,912	\$ 2,750,927	\$ 191,342
Annuity obligations	560,513	32,562	63,790	529,285	63,790
Compensated absences	420,219	80,561	75,925	424,855	33,988
Deposits	23,366	8,960		32,326	11,064

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

**Research Pavilion, Innovative Center (IC), and the
Orlando Tech Center (OTC)**

Refinanced Debt issued on December 17, 2009:

On December 17, 2009, the Foundation entered into a \$19,925,000 16-year note, maturing October 1, 2025 for the purpose of refinancing the variable rate debt originally issued in 1996 through the Orange County Industrial Development Authority (described below) to fixed rate debt issued with Branch Banking and Trust (BB&T). The note is comprised of a \$12,540,000, tax-exempt portion with a fixed rate of 4.96%, and a \$7,385,000 taxable portion with a fixed rate of 5.83%. The buildings and lease revenue represent the security for the loan. Lease revenue related to the buildings is the source of the debt repayment and totaled \$6,789,714 during fiscal year 2013 and \$6,045,927 during fiscal year 2012. Of these amounts, \$1,869,922 during fiscal year 2013 and \$1,885,509 during fiscal year 2012 was used to pay principal and interest on the notes. The total amount of revenue pledged as security over the life of this note is \$24,247,802, which is the total remaining principal and interest for this note.

The Foundation allocated the 2009 note based on the remaining principal balances of the buildings and the associated bonds. The \$12,540,000 tax-exempt note is comprised of \$3,656,921 related to the Research Pavilion and \$8,883,079 related to OTC. The \$7,385,000 taxable note is comprised of \$1,782,881 related to IC and \$5,602,119 related to OTC. As of June 30, 2013 and 2012, the total remaining principal outstanding for both the taxable and tax-exempt series is \$17,935,000 and \$18,855,000, respectively.

University Tower and Biomolecular Building Loans: On December 20, 2004, the Foundation entered into a \$10,400,000 loan with Wachovia Bank for the purpose of acquiring two properties, the University Tower and the Biomolecular Research Annex office buildings. The tax-exempt portion of the loan totaled \$7,550,000 and the taxable portion of the loan totaled \$2,850,000 of which \$1,160,000 was held in escrow by Wachovia for expected capital and tenant improvements to the two buildings which was subsequently spent.

On December 30, 2008, the Foundation paid off the principal total of the variable rate debt and entered into a \$10,400,000 tax-exempt, 5.67% fixed rate, 20-year agreement maturing April 1, 2029, with BB&T Bank. Of the total \$10,400,000 issued, \$8.1 million relates to the University Tower and \$2.3 million relates to the Biomolecular building. Lease revenues related to both facilities are the security for the note and the source of debt repayment, which totaled \$2,998,439 during fiscal year 2013 and \$2,974,615 during fiscal year 2012, respectively. Of these amounts, \$878,689 and \$880,377 during fiscal years 2013 and 2012, respectively, were used to pay interest and principal on the loans. As of June 30, 2013 and 2012, the remaining principal outstanding is \$9,125,000 and \$9,470,000, respectively. The total amount of revenue pledged as security over the life of this note is \$14,127,310, which is the total remaining principal and interest for this note.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

McCulloch Road Property Loan: On April 21, 2005, the Foundation entered into a \$2,800,000 loan with SunTrust for the purpose of acquiring an 8.5-acre tract of land north of the University. Land was purchased on April 21, 2005, at a cost of \$2,600,000 and may be further developed for future retail operations. The remaining funds were used for development and other capital costs associated with the land. The loan is due on April 1, 2014, and bears interest at a variable rate based on the one-month LIBOR plus 310 basis points. The rate was 3.35% during fiscal year 2013 and ranged from 3.29% to 3.40% during fiscal year 2012. The land is used as security for the note and unrestricted funds are the source of debt repayment. During fiscal years 2013 and 2012, respectively, the Foundation paid interest and principal payments totaling \$262,015 and \$269,873. As of June 30, 2013 and 2012, the remaining principal outstanding is \$1,695,000 and \$1,895,000, respectively.

Fairwinds Credit Union Line of Credit: On November 2, 2004, the Foundation obtained a \$2.45 million line of credit from Fairwinds Credit Union, which is a related party due to an executive being on the board of directors, for the purpose of constructing the Fairwinds Alumni Center. The total construction costs were estimated to be approximately \$5.8 million, with funds provided through contributions. Contribution revenue is used to repay the line of credit. As of June 30, 2006, the full amount of \$2.45 million of the line of credit had been used for construction. On June 21, 2012, the Foundation, with the approval of Fairwinds Credit Union, agreed to a loan modification for the remaining principal amount of \$646,849. Such modification provided for a compensating balance in the amount of \$250,000, in lieu of the previous requirement to maintain a minimum Debt Service Coverage Ratio of no less than 1.10 to 1.0. The loan is due on December 31, 2016, and bears interest at a fixed rate of 4.59%. During fiscal years 2013 and 2012, \$187,681 and \$195,165 was paid in interest and principal respectively. As of June 30, 2013 and 2012, the remaining principal outstanding is \$485,137 and \$646,849, respectively. The total amount of revenue pledged as security over the life of this loan is \$537,217, which is the total remaining principal and interest for this loan.

Renewal Annuity Notes: In September 1997, two parcels of land with an estimated fair value of \$1,000,000 each were transferred to two Charitable Remainder Annuity Trusts (the Trusts), which named the Foundation as the irrevocable beneficiary of the Trusts. In October 1997, the Foundation purchased the land from the Trusts with two \$1,000,000 purchase money mortgage notes payable to the Trusts. The mortgage notes bear interest at 7.13% and include quarterly installment payments with an aggregate balloon payment of unpaid principal and interest of \$1,963,715 on October 17, 2017. These notes were previously secured by the land held for sale and restricted and unrestricted funds are the source of debt repayments. On September 25, 2003, the land was sold for \$2,000,000 and the Foundation received net proceeds, after approximately \$114,700 in closing costs, of \$1,885,300. The purchase money mortgage notes were converted to renewal annuity notes with the same terms. The remaining principal balance as of June 30, 2013 and 2012 is \$1,968,352 and \$1,970,510, respectively.

Under the arrangement, the Trust will remit to the ultimate donors of the land an amount that approximates the interest portion of payments received from the Foundation; the Foundation is entitled to receive the remainder of the Trust in October 2017.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Covenants: The provisions of the Research Pavilion, IC and OTC notes, Renewal Annuity Notes, Fairwinds Alumni Center, University Tower and Biomolecular building notes, and the McCulloch Road property loan contain certain covenants requiring the Foundation to, among other things, maintain use of property, provide insurance coverage, and timely reporting of financial performance. Additionally, certain notes require the Foundation to maintain a minimum debt service ratio over the life of the loans. The Foundation was in compliance with all loan covenants for fiscal years 2013 and 2012.

Interest expense: Total interest expense for the year ended June 30, 2013 was \$1,711,936 plus the amortization of the deferred refunding loss in the amount of \$42,536 for a total interest expense in fiscal year 2013 of \$1,754,472. In fiscal year 2012, interest expense was \$1,798,476 plus the amortization of the deferred refunding loss in the amount of \$42,535 for a total interest expense in fiscal year 2012 of \$1,841,011. These amounts are included in the various operating expense line items in the accompanying statements of revenues, expenses, and changes in net position, respectively.

Principal and interest requirements: Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2013, are as follows:

	Principal	Interest	Total
2014	\$ 3,199,028	\$ 1,609,177	\$ 4,808,205
2015	1,584,198	1,507,124	3,091,322
2016	1,669,381	1,415,683	3,085,064
2017	1,592,862	1,319,333	2,912,195
2018	3,643,020	1,221,923	4,864,943
2019-2023	9,880,000	3,833,060	13,713,060
2024-2028	8,805,000	1,163,878	9,968,878
2029	835,000	39,454	874,454
Totals:	<u>\$ 31,208,489</u>	<u>\$ 12,109,632</u>	<u>\$ 43,318,121</u>

The interest rates used to calculate future interest payments are the stated interest rates for the fixed rate loans. The effective interest rate at June 30, 2013, was used to estimate future interest payments on variable rate loans.

Annuity obligations: Annuity obligations represent the recorded annuity liability for the future payments to donors and/or their beneficiaries related to planned giving transactions where assets have been received by the Foundation. The liability is initially recorded at the estimated present value of the future payments and is reduced by current-year payments and increased by the yearly accretion of the discount or receipt of new donor annuities. As of June 30, 2013 and 2012, there were payments of \$63,790 and \$63,790, respectively, made on annuities. Payments to the annuitants are made from donated funds restricted for this purpose or from unrestricted funds. The accretion for all of the annuity obligations was approximately \$32,562.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Unearned revenue: Unearned revenue at June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Credit card royalties	\$ 1,241,398	\$ 1,131,606
Planned giving from donors	1,688,385	1,614,321
Prepaid rent from tenants	7,175	-
Other	-	5,000
Total unearned revenue	<u>2,936,958</u>	<u>2,750,927</u>
Less current portion	193,517	191,342
Noncurrent unearned revenue	<u>\$ 2,743,441</u>	<u>\$ 2,559,585</u>

Compensated absences: Compensated absences represent the amount of unused vacation and sick time that has accrued as of June 30, 2013 and 2012. At June 30, 2013 and 2012, the liability for paid leave for Foundation employees was approximately \$373,000 and \$425,000, respectively. Compensated absences are funded by a combination of unrestricted and restricted sources of funds.

Deposits: Deposits represent tenant security payments made by occupants of the University Tower, Research Pavilion, IC and OTC, other than University tenants. Deposits become current in the year that the lease terminates.

Note 7. Pass-Through Donations

Certain tangible properties are donated as gifts in kind directly to the University. These donations, which are passed through the Foundation, are recognized as support by the University but are not recognized as revenue by the Foundation because the Foundation serves only as an agent for the University. Total pass-through donations received in fiscal years 2013 and 2012 were approximately \$1,343,000 and \$419,000, respectively.

Note 8. Related Party Transactions

The Foundation considers the University and its related direct support organizations (DSOs) to be related parties for the purpose of the financial statements. The DSOs include the University of Central Florida Research Foundation, Inc., UCF Athletics Association, Inc., UCF Convocation Corporation, Inc., and UCF Golden Knights Corporation, Inc.

The Foundation is the primary fundraiser for the University; in return, the University and the DSOs provide monetary support, as well as administrative fees that are assessed by the Foundation. (see Note 10). The Foundation also receives rents and reimbursement for certain operating expenses from the University related to rents received related to the Research Pavilion, Orlando Tech Center, Innovative Center, University Tower, and the Biomolecular Research Annex buildings. The Foundation receives administrative and fundraising support from the University pertaining to expenses for salaries and related benefits that are funded as part of the University support. The Foundation and University are parties to a long-term 99-year ground lease as discussed in Note 5 for use of land at Lake Nona for the Health Sciences Campus.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 8. Related Party Transactions (Continued)

Significant transactions between the Foundation, University, and their related DSOs in 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Funds received to support UCF programs and activities of the Foundation:		
From the University:		
General Foundation support	\$ 4,741,597	\$ 5,223,194
Alumni support	918,216	1,084,296
Total from the University	<u>5,659,813</u>	<u>6,307,490</u>
From UCF Athletics Association, Inc.:		
Fundraising support activities	608,414	576,122
From UCF Convocation Corporation, Inc.:		
Fundraising support activities	61,457	63,798
Total funds received to support the Foundation from related parties	<u>\$ 6,329,684</u>	<u>\$ 6,947,410</u>
Funds received for rent and reimbursements related to leases:		
From the University and affiliated entities:		
Total revenues	\$ 9,465,629	\$ 8,776,880
Total rent and reimbursements related to leases from related parties	<u>\$ 9,465,629</u>	<u>\$ 8,776,880</u>

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 8. Related Party Transactions (Continued)

	<u>2013</u>	<u>2012</u>
Receivables:		
From the University	\$ 85,713	\$ -
From UCF Athletic Association, Inc.	68,702	2,018
From UCF Convocation Corporation, Inc.	16,868	18,803
From UCF Research Foundation, Inc.	1,396	-
Total receivables from related parties	\$ 172,679	\$ 20,821
Payables:		
To the University:		
Rent reimbursements	\$ 137,355	\$ 164,512
Payables for programs	189,010	34,722
	<u>326,365</u>	<u>199,234</u>
To UCF Research Foundation, Inc.	-	2,000
To UCF Convocation Corporation, Inc.	492,024	386
To UCF Golden Knights Corporation, Inc.	403,527	463,706
To UCF Athletic Association, Inc.	118,834	372,948
Total payables to related parties	\$ 1,340,750	\$ 1,038,274

In addition to the organizations identified above as related, the Foundation, from time to time, conducts business with entities whose officers or directors are members of the Foundation's Board of Directors. The Foundation has established policies and procedures in order to consummate such business as arm's length transactions, generally through competitive or negotiated procurement processes.

As identified in Note 6, Long Term Liabilities, the Foundation obtained a line of credit from Fairwinds Credit Union in 2004. A competitive Request for Proposal was issued to banking and credit institutions, with Fairwinds providing the most favorable terms. Subsequent to this transaction, during fiscal year 2009, the CEO of Fairwinds became a member of the Foundation Board of Directors and remained a board member during fiscal years 2013 and 2012.

Also included within Note 6 is disclosure related to a loan, specifically for the McCulloch property. SunTrust Bank provided the loan included in Note 6. In addition, SunTrust Bank provides investment custodial services for the Foundation. A board member of SunTrust served on the Foundation Board of Directors during fiscal years 2013 and 2012.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 8. Related Party Transactions (Continued)

Portions of the Foundation's pledge receivable balance of approximately \$255,000 and \$37,000 as of June 30, 2013 and 2012, respectively, are commitments made by several members of the Foundation's Board of Directors. In addition, the Foundation received approximately \$298,000 and \$308,000 during fiscal years 2013 and 2012, respectively, in contributions and other revenues from various members of the Foundation's Board of Directors.

Note 9. Operating Leases Paid to the Foundation

The Foundation leases office space to the University and other entities under operating leases with existing terms of one to six years. (see Note 6).

At June 30, 2013, approximate future minimum rental payments to be received under noncancelable operating leases are as follows:

	University- Affiliated Tenants	Commercial Tenants	Total
2014	\$ 6,188,712	\$ 186,826	\$ 6,375,538
2015	4,396,547	92,001	4,488,548
2016	4,527,186	49,791	4,576,977
2017	4,662,198	1,997	4,664,195
2018	4,801,803	-	4,801,803
	<u>\$ 24,576,446</u>	<u>\$ 330,615</u>	<u>\$ 24,907,061</u>

Under the master lease agreement with the University for office building space, lease obligations are subject to availability of funds through the legislature's annual budget process. Although the University's intent is to occupy such space for the foreseeable future, by law, the University cannot commit beyond one year.

Total lease revenue for the years ended June 30, 2013 and 2012, were approximately \$9,755,000 and \$9,021,000, respectively.

Note 10. Administrative Fees

In order to support its operations, the Foundation assesses a revenue fee and an endowment fee on funds it holds that are designated for University purposes. These fees are fully funded by the contributions and other revenues received and are included in the Foundation's contribution and various other revenue. The revenue fee represents an assessment for fund-raising, processing, administration, and management of monies received by the Foundation and totals 4% of donations and other revenue received for fiscal years 2013 and 2012 of approximately \$964,000 and \$871,000, respectively.

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Notes to Financial Statements

Note 10. Administrative Fees (Continued)

The endowment fee represents an allocation for management and administration of endowed funds and is assessed on all endowments, including eminent scholar chairs, major gifts, other, etc. that represents a transfer from restricted to unrestricted funds. The endowment fee is assessed on a monthly basis, is based on the fair value of the fund, and totals an annual rate of 2.25% on endowed funds, resulting in a fee for fiscal years 2013 and 2012 of approximately \$2,936,000 and \$2,708,000, respectively.

Note 11. Pension Plans

Florida Retirement System – Various employees working in regularly established positions of the Foundation are covered by the Florida Retirement System (FRS), a state-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan (the Plan). Plan provisions are established by Chapter 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238 Florida Statutes; and FRS Rules, Chapter 605, Florida Administrative Code, wherein plan eligibility, contributions, and benefits are defined and described in detail. Participating employers include all state departments, counties, district school boards, universities, and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible to enroll as members of the Plan.

Benefits to the Plan vest as of six years of service or eight years for new employees enrolled after July 1, 2011. All members are eligible for normal retirement benefits based on the plan definition of normal retirement date which is determined on the date they enrolled in the plan. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP), subject to provision of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after the participation election date. During DROP participation, the deferred monthly benefit accruing on behalf of the participant, plus interest compounded monthly, is held in the FRS Trust Fund. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

The Plan's financial statements and other supplemental information are included in the State's Comprehensive Annual Financial Report, which is available from the State of Florida, Department of Financial Services in Tallahassee, Florida. An annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the State of Florida Division of Retirement in Tallahassee, Florida.

The state of Florida establishes contribution rates for Plan members. During fiscal year 2011, the contribution rate was 10.77%, which included 1.11% for the postemployment health insurance supplement and 0.03%, for administrative costs. As of July 1, 2011, legislation changed the Plan into a contributory system, requiring an employee contribution rate of 3.00% during fiscal years 2013 and 2012, with an employer contribution rate of 5.18 %, and 4.91, respectively, including 1.11% for the postemployment health insurance supplement and 0.03% for administrative costs in both years.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 11. Pension Plans (Continued)

The Foundation's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the Foundation. The Foundation's total contributions made to the Plan (none from employees prior to 2012) for fiscal year ended June 30, 2011, totaled \$184,317, which were equal to the required contributions for the fiscal year. Contributions made to the Plan in fiscal years ended June 30, 2013 and 2012 by the Foundation totaled \$79,963 and \$78,635, while employees contributed \$44,775 and \$47,625, respectively.

State University System Optional Retirement Program – Pursuant to Section 121.35, Florida Statutes, the Florida legislature created an Optional Retirement Program (the Program) for eligible State University System faculty and administrators. The Program, which became effective July 1, 1984, was expanded in 1988 to include the State University System Executive Service. The Program is designed to aid the university system in recruiting employees by offering more portability to those employees who are not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions may elect to participate in the Program rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. A small amount remains in the Optional Retirement Program Trust Fund for program administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute by salary deduction an amount equal to the percentage contributed by the Foundation to the participant's annuity account. The employing university contributed on behalf of the participant an amount equal to 10.43% of the participant's gross monthly compensation during 2011. As of July 1, 2011, following legislative changes, the Program became contributory, with a 3.00% required contribution from employees. During fiscal years 2013 and 2012 contribution from employers was 5.14% and 7.92%, respectively, which includes an administrative cost of .01% and an unfunded actuarial liability cost of 0.49% in both years.

There were 64, 50, and 49 Foundation funded participants during fiscal years 2013, 2012, and 2011 respectively. Required contributions made to the Program, net of employee contributions, totaled approximately \$221,530, \$309,601 and \$372,504 during fiscal years 2013, 2012 and 2011, respectively. In addition, employee contributions were made in the amount of \$118,719, \$117,274 and \$124,519 during fiscal years 2013, 2012 and 2011, respectively.

Public Employee Optional Retirement Program – Pursuant to Section 121.4501, Florida Statutes, effective June 1, 2002, the Florida legislature created a Public Employee Optional Retirement Program (PEORP), also known as the FRS Investment Program. The Program is a defined contribution plan, sponsored by the State of Florida, available as an option to the FRS, and is self-directed by the employees. Foundation employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. With each pay period, the Foundation contributes a percentage (same as FRS rate) of the participating employees' earnings to an annuity plan. Pension benefits are determined by the dollars in the account at the time of retirement. As of fiscal year 2012, legislative changes required an employee contribution into the Program (same as FRS rates).

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Notes to Financial Statements

Note 11. Pension Plans (Continued)

There were 14, 17 and 16 participants during fiscal years 2013, 2012 and 2011, and required contributions made to the PEORP totaled \$33,340, \$41,209 and \$87,734, respectively. Employee participant contributions totaled \$18,963 during fiscal year 2013 and \$25,178 during fiscal year 2012.

Other Postemployment Healthcare Benefits – During the year ended June 30, 2008, the University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As required by Section 112.081, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University subsidizes the premium rates paid by retirees, including Foundation funded participants, by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) rates. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. During the years ended June 30, 2013, 2012 and 2011, the University recorded a net OPEB obligation of approximately \$35,492,000, \$25,828,000 and \$15,988,000, which represents the unfunded liability for providing these benefits (subsidies) to its retirees. The University does not determine a separate unfunded liability amount for University personnel working for the Foundation.

Note 12. Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation purchases commercial insurance. Insurance for job-related illnesses or injuries to University employees is the responsibility of the state of Florida.

During the year ended June 30, 2013, basic types of insurance coverage remained the same as the types of coverage for June 30, 2012. No settlements have exceeded coverage levels in place during the past three fiscal years.

Note 13. Contingencies

The Foundation participates in state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Foundation. Liabilities, if any, from such audits, if any, are recorded when the amounts of such liabilities become reasonably determinable.

Supplementary Information

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Supplemental Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

	Unrestricted	Restricted		Invested in Capital Assets, Net of Related Debt	Total
		Expendable	Nonexpendable Endowments		
Operating revenues:					
Contributions	\$ 116,067	\$ 16,485,767	\$ -	\$ -	\$ 16,601,834
Rent	9,754,998	-	-	-	9,754,998
Net realized and unrealized losses on investments	525,322	12,633,146	-	-	13,158,468
Interest and dividends	329,072	2,244,314	-	-	2,573,386
Dues and other revenues – net	219,406	2,865,337	-	-	3,084,743
License plate revenues	361,586	-	-	-	361,586
Advertising and royalties	-	325,704	-	-	325,704
Total operating revenues	11,306,451	34,554,268	-	-	45,860,719
Operating expenses:					
Building operations	5,246,704	-	-	1,864,734	7,111,438
Athletics	-	5,818,394	-	-	5,818,394
Fundraising	4,493,629	460,322	-	-	4,953,951
Management and general	4,447,924	-	-	125,525	4,573,449
Student aid	195,103	3,584,340	-	-	3,779,443
Academic support	139,826	3,342,821	-	-	3,482,647
Alumni relations	2,000,813	149,922	-	-	2,150,735
General university support	1,327,868	511,786	-	-	1,839,654
Research	-	49,422	-	-	49,422
Total operating expenses	17,851,867	13,917,007	-	1,990,259	33,759,133
Operating gain (loss)	(6,545,416)	20,637,261	-	(1,990,259)	12,101,586
Nonoperating revenues:					
University Support	5,659,813	-	-	-	5,659,813
UCFAA Support	608,414	-	-	-	608,414
UCF Convocation Support	61,457	-	-	-	61,457
Change in net position before endowment contributions	(215,732)	20,637,261	-	(1,990,259)	18,431,270
Endowment contributions	-	-	2,314,942	-	2,314,942
Change in net position	(215,732)	20,637,261	2,314,942	(1,990,259)	20,746,212
Transfers:					
Net transfers in (out)	619,510	(646,571)	27,061	-	-
Internal fees in (out)	3,495,124	(3,495,124)	-	-	-
Capital asset adjustments in (out)	(3,170,423)	(6,000,000)	-	9,170,423	-
Total transfers	944,211	(10,141,695)	27,061	9,170,423	-
Net surplus/(deficit)	728,479	10,495,566	2,342,003	7,180,164	20,746,212
Net position – beginning of year	13,996,952	33,545,984	114,219,425	44,282,745	206,045,106
Net position – end of year	\$ 14,725,431	\$ 44,041,550	\$ 116,561,428	\$ 51,462,909	\$ 226,791,318

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Supplemental Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2012

	Unrestricted	Restricted		Invested in Capital Assets, Net of Related Debt	Total
		Expendable	Nonexpendable Endowments		
Operating revenues:					
Contributions	\$ 202,798	\$ 12,359,068	\$ -	\$ -	\$ 12,561,866
Rent	9,020,542	-	-	-	9,020,542
Net realized and unrealized losses					
on investments	131,700	(3,894,888)	-	-	(3,763,188)
Interest and dividends	374,729	2,252,072	-	-	2,626,801
Dues and other revenues – net	13,952	2,512,561	-	-	2,526,513
License plate revenues	358,503	-	-	-	358,503
Advertising and royalties	-	343,055	-	-	343,055
Total operating revenues	10,102,224	13,571,868	-	-	23,674,092
Operating expenses:					
Building operations	5,452,290	-	-	1,586,592	7,038,882
Fundraising	4,846,135	367,172	-	-	5,213,307
Management and general	4,709,247	-	-	154,947	4,864,194
Athletics	-	4,265,062	-	-	4,265,062
Academic support	89,853	3,801,289	-	-	3,891,142
Student aid	201,665	2,602,311	-	-	2,803,976
Alumni relations	1,814,980	204,422	-	-	2,019,402
General university support	1,444,869	289,568	-	-	1,734,437
Research	-	254,973	-	-	254,973
Total operating expenses	18,559,039	11,784,797	-	1,741,539	32,085,375
Operating gain (loss)	(8,456,815)	1,787,071	-	(1,741,539)	(8,411,283)
Nonoperating revenues:					
University Support	6,307,490	-	-	-	6,307,490
UCFAA Support	576,122	-	-	-	576,122
UCF Convocation Support	63,798	-	-	-	63,798
Change in net position before endowment contributions					
	(1,509,405)	1,787,071	-	(1,741,539)	(1,463,873)
Endowment contributions					
	-	-	1,505,360	-	1,505,360
Change in net position					
	(1,509,405)	1,787,071	1,505,360	(1,741,539)	41,487
Transfers:					
Net transfers in (out)	(47,041)	16,342	30,699	-	-
Internal fees in (out)	3,207,278	(3,207,278)	-	-	-
Capital asset adjustments in (out)	(2,820,283)	-	-	2,820,283	-
Total transfers	339,954	(3,190,936)	30,699	2,820,283	-
Net surplus /(deficit)	(1,169,451)	(1,403,865)	1,536,059	1,078,744	41,487
Net position – beginning of year	15,166,403	34,949,849	112,683,366	43,204,001	206,003,619
Net position – end of year	\$ 13,996,952	\$ 33,545,984	\$ 114,219,425	\$ 44,282,745	\$ 206,045,106

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Chairs Under the Eminent Scholars Program
Schedule of Receipts, Expenditures and Endowments Balances
Year Ended June 30, 2013

Description Endowed	Beginning Corpus Balance June 30, 2013	Beginning Net Balance June 30, 2012	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30, 2013	Ending Total Balance June 30, 2013
Agere Systems Eminent Scholar Chair of Computer Science	\$ 1,020,000	\$ 1,173,385	\$ -	\$ -	\$ 132,911	\$ (26,014)	\$ (10,955)	\$ -	\$ 1,020,000	\$ 1,269,327
Al and Nancy Burnett Eminent Scholar Chair in Accounting	1,020,500	1,579,879	-	-	170,481	(33,368)	(51,328)	-	1,020,500	1,665,664
Beat M. and Jill L. Kahli Endowed Chair in Oncology Nursing	480,000	499,493	75	-	61,456	(12,031)	-	-	480,075	548,993
Bert Fish Eminent Scholar Chair In Nursing	1,020,000	1,149,971	-	-	133,789	(26,186)	(4,079)	-	1,020,000	1,253,495
Carl H. Galloway, Jr. Chair for Excellence in Business	1,000,000	1,774,304	-	-	186,345	(36,473)	(30,546)	-	1,000,000	1,893,630
Charles N. Millican Chair of Computer Science	1,000,000	1,193,877	-	-	129,253	(25,298)	(20,973)	-	1,000,000	1,276,859
Cobb Family Eminent Scholar Chair	1,082,500	1,477,420	2,000	-	161,561	(31,711)	-	-	1,084,500	1,609,270
Darden Chair in Restaurant Management	1,020,000	1,343,297	-	-	148,725	(29,109)	-	-	1,020,000	1,462,913
Della Phillips Martha Schenck Chair of American Private Enterprise	1,000,000	1,453,662	-	-	146,788	(28,730)	-	-	1,000,000	1,571,720
Dr. Neil Euliano Endowed Chair in Italian Studies	1,020,000	985,145	-	-	121,072	(23,697)	-	-	1,020,000	1,082,520
Florida Hospital Foundation Endowed Chair in Cardiovascular Research	1,750,341	1,940,522	-	-	229,370	(44,895)	-	-	1,750,341	2,124,997
Howard Phillips Eminent Scholar Endowed Chair in Real Estate	1,020,000	1,052,827	-	-	126,240	(24,709)	(26,632)	-	1,020,000	1,127,726
Jim Heistand NAIOP Eminent Scholar Endowed Chair in Real Estate	817,500	868,308	3,000	-	105,689	(20,817)	-	-	820,500	956,180
Judith and David Albertson Eminent Scholar Endowed Chair	480,000	484,656	-	-	59,621	(11,669)	-	-	480,000	532,608
Lester N. Mandell Eminent Scholar Endowed Chair	615,100	644,279	-	-	79,258	(15,512)	-	-	615,100	708,025
Lockheed Martin Eminent Scholar Chair of Science and Math	1,759,035	2,128,967	200	12,400	230,147	(45,551)	(50,444)	-	1,759,235	2,275,719
Mildred W. Coyle Eminent Scholar Endowed Chair	1,020,000	1,093,742	-	-	125,560	(24,576)	(9,883)	-	1,020,000	1,184,843
Orange County Convention and Visitors Bureau Endowed Chair	4,000,004	3,910,960	-	-	460,905	(90,212)	-	-	4,000,004	4,281,653
Orange County Eminent Scholar Endowed Chair in Economic Research	1,020,000	1,238,363	-	-	131,518	(25,742)	-	-	1,020,000	1,344,139
Robert N. Heintzelman Eminent Scholar Endowed Chair Fund	1,020,570	1,170,708	-	-	131,731	(25,783)	(34,208)	-	1,020,570	1,242,448
SunTrust, NA Eminent Scholar Chair of Banking	1,020,000	1,847,639	-	-	189,582	(37,106)	(4,168)	-	1,020,000	1,995,947
William S. and Alice M. Jenkins Eminent Scholar Chair of Community Arts	1,007,547	1,236,432	-	950	145,342	(28,486)	(23,260)	-	1,007,547	1,330,978
Total Endowed	\$ 25,193,097	\$ 30,247,836	\$ 5,275	\$ 13,350	\$ 3,407,344	\$ (667,675)	\$ (266,476)	\$ -	\$ 25,198,372	\$ 32,739,654

NOTE: The above list includes fully and partially funded Chairs Under the Eminent Scholars Program with state matching funds.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Endowments Under Major Gifts Program
Schedule of Receipts, Expenditures and Endowments Balances
Year Ended June 30, 2013

Description Endowed	Beginning Corpus Balance June 30,2012	Beginning Net Balance June 30,2012	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30,2013	Ending Total Balance June 30,2013
ABC Fine Wine & Spirits Undergraduate Scholarship Endowment	\$ 630,000	\$ 775,944	\$ -	\$ -	\$ 90,671	\$ (17,747)	\$ (9,000)	\$ -	\$ 630,000	\$ 839,868
Accounting Advisory Board Research Support Fund	342,629	417,910	-	-	44,220	(8,655)	(33,230)	-	342,629	420,245
Accounting Advisory Board Endowed Scholarship	159,130	193,792	-	-	21,058	(4,122)	(10,999)	-	159,130	199,729
Al Ghazali Endowed Distinguished Professorship in Islamic Studies	690,543	739,310	-	-	89,064	(17,432)	(7,071)	-	690,543	803,871
Alex Alexander Endowed Professorship	195,679	262,401	-	-	25,532	(4,997)	(16,010)	-	195,679	266,926
Alumni Trust "A" "Endowment"	167,532	195,898	-	-	23,489	(4,597)	(4,967)	-	167,532	209,823
Alumni Trust "B" "Endowment"	150,000	195,449	-	-	23,018	(4,505)	(8,335)	-	150,000	205,627
Alumni Trust "C" "Endowment"	150,040	180,746	-	-	21,615	(4,231)	(5,036)	-	150,040	193,094
Alumni Trust "D" "Endowment"	151,167	162,336	-	-	19,607	(3,837)	(6,501)	-	151,167	171,605
Anheuser Busch Academic Enhancement Fund	750,000	864,826	-	-	94,575	(18,511)	(1,000)	-	750,000	939,890
ARDA Timeshare Professorship	150,000	178,752	-	-	18,710	(3,662)	-	-	150,000	193,800
Arthur and Sally Hillman Computer Science Graduate Fellowship	299,069	304,224	-	-	36,806	(7,204)	(5,000)	-	299,069	328,826
AT&T Wireless Endowed Scholarship	150,000	190,949	-	113	18,461	(3,613)	(1,001)	-	150,000	164,909
BE 2000 Leadership Endowed Scholarship Fund	1,063,996	1,396,376	-	-	160,856	(31,484)	(24,000)	-	1,063,996	1,501,748
Blue Cross and Blue Shield of Florida Endowed Professorship in Nursing	300,000	359,496	-	-	38,251	(7,487)	(7,473)	-	300,000	382,787
Bob Neel Rotary Club of Orlando Endowed Scholarship	187,500	189,752	-	-	23,079	(4,516)	-	-	187,500	208,315
Business Ethics Endowed Scholarship	145,000	146,470	-	-	17,918	(3,506)	-	-	145,000	160,882
C.G. Avery Professorship Endowment	151,430	203,753	-	-	22,488	(4,401)	(9,384)	-	151,430	212,456
CAE Link Endowed Professorship	180,000	282,593	-	-	26,805	(5,246)	(24,198)	-	180,000	279,954
CBA Department of Marketing Endowed Faculty Development Account	164,672	181,496	-	-	20,317	(3,978)	-	-	164,672	197,835
Central Florida Chapter ROTC Endowed Scholarship	150,075	169,639	6,270	-	19,721	(4,145)	(8,249)	-	156,345	183,236
Central Florida Kidney Center Endowed Scholarship	150,000	154,059	-	3,117	18,952	(3,829)	(3,000)	-	150,000	169,299
CFH and MA Professorship in Conference and Convention Management	150,000	252,493	-	-	22,286	(4,362)	(3,590)	-	150,000	266,827
Chatlos Foundation Endowed Fund	1,020,000	1,214,514	-	-	131,779	(25,793)	(17,364)	-	1,020,000	1,303,136
Conway Garden Club Endowed Professorship Fund	150,000	163,247	-	-	19,390	(3,795)	(5,634)	-	150,000	173,208
Daniel D. Hammond Engineering Endowed Scholarship	244,687	245,905	-	-	30,114	(5,894)	(999)	-	244,687	269,126
Darden Restaurants Academic Excellence Fund	4,000,002	4,986,596	-	-	508,293	(99,487)	(131,538)	-	4,000,002	5,263,864
Davis-Shine Endowed Professorship in Conservation Biology	150,000	163,247	-	-	19,390	(3,795)	(5,634)	-	150,000	173,208
Devos Endowment for Academics and Sports Fund	10,000,000	9,831,704	-	-	1,209,478	(236,729)	(46)	-	10,000,000	10,804,407
DeVos Sport Business Management Program Endowed Fund	150,000	154,987	-	-	18,653	(3,651)	(3,154)	-	150,000	166,835
Dick and Shirley Wetherill Endowed Music Scholarship	5,000,025	5,458,821	-	232,500	615,370	(129,745)	(441,823)	-	5,000,025	5,735,123
Doris H. Lester Merit Scholarship Fund	242,699	282,365	-	-	29,911	(5,854)	(1,001)	-	242,699	305,421
Dorothy Anne Perkins Tomlinson Endowed Scholarship Fund	150,000	141,112	-	-	17,356	(3,397)	-	-	150,000	155,071
Dr. P. Phillips Institute for Research and Education in Real Estate Research	150,000	151,979	1,000	-	18,451	(3,658)	(1,001)	-	151,000	166,771
Dr. P. Phillips Institute for the Study of American Business Activity	1,780,000	1,708,525	-	-	207,940	(40,696)	(12,923)	-	1,780,000	1,862,846
Edmond R. and Victoria Wirths Endowed Scholarship	187,700	186,661	-	-	22,963	(4,495)	-	-	187,700	205,129
Elizabeth Willey Scholarship Endowment	308,700	755,158	-	-	78,045	(15,277)	-	-	308,700	817,926
Ernst and Young Professorship Endowment	267,589	283,673	-	-	32,931	(6,446)	(2,249)	-	267,589	307,909
Frank M. Hubbard Engineering Endowed Scholarship	150,200	167,009	-	-	19,952	(3,905)	(3,799)	-	150,200	179,257
Fullerton Family Fund Endowed	154,549	242,715	-	-	26,519	(5,191)	(18,522)	-	154,549	245,521
Gerald R. Langston Endowed Scholarship	152,000	190,182	500	-	22,108	(4,347)	(6,000)	-	152,500	202,443
Gerry and Ruth Hartman Endowed Professorship	151,819	147,722	-	-	18,687	(3,658)	-	-	151,819	162,751
Harris and Trisha Rosen Endowed Fund	152,493	147,000	-	-	18,083	(3,539)	-	-	152,493	161,544
Harris Corporation Broadcast Center Endowment Fund Students	150,000	158,782	-	1,000	19,350	(3,787)	(2,501)	-	150,000	172,844
HFTP Financial Management and Technology Professorship Endowed Fund	2,170,000	2,238,597	-	-	203,978	(53,523)	-	-	2,170,000	2,389,052
Hospitality and Travel Industry Education and Research Program	2,170,000	2,054,993	-	154,138	252,574	(55,436)	(150,000)	-	2,170,000	2,256,269
Hubbs Sea World Endowed Professorship	150,000	175,269	-	-	18,707	(3,661)	-	-	150,000	190,315
Hughes Simulation Systems Professorship	575,050	552,710	-	-	67,995	(13,309)	-	-	575,050	607,396
Hydrocephalus and Neuroscience Endowed Fund	150,000	173,148	-	-	18,813	(3,682)	-	-	150,000	188,279
J. Willard and Alice S. Marriot Foundation Academic Excellence Fund	6,000,200	7,141,403	-	-	738,425	(144,530)	-	-	6,000,200	7,735,298
	150,000	150,102	-	-	18,465	(3,613)	-	-	150,000	164,954
	180,060	376,804	-	-	31,137	(6,095)	-	-	180,060	401,846
	157,500	154,487	-	-	18,758	(3,672)	(1,999)	-	157,500	167,574
	150,000	162,753	-	-	18,464	(3,614)	(7,351)	-	150,000	170,252

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Endowments Under Major Gifts Program
Schedule of Receipts, Expenditures and Endowments Balances (Continued)
Year Ended June 30, 2013

Description Endowed	Beginning Corpus Balance June 30, 2012	Beginning Net Balance June 30, 2012	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30, 2013	Ending Total Balance June 30, 2013
Jack D. Holloway Endowed Scholarship Endowment	\$ 600,000	\$ 684,055	\$ -	\$ -	\$ 80,217	\$ (15,701)	\$ (24,999)	\$ -	\$ 600,000	\$ 723,572
John L. Brinson Endowed Scholarship	150,000	158,583	-	-	19,245	(3,767)	(2,138)	-	150,000	171,923
John L. Brinson Ethics Professorship	101,000	115,045	-	-	13,745	(2,690)	(3,000)	-	101,000	123,100
Kenneth G. Dixon School of Accounting Endowment Fund	50,520	109,164	-	-	8,185	(1,602)	(2,500)	-	50,520	113,247
Kimball Foundation Minority Scholarship Endowment	5,020,500	5,319,752	-	-	635,485	(124,382)	(57,953)	-	5,020,500	5,772,902
KPMG Peat Marwick Professorship Endowment	152,300	172,498	-	-	20,382	(3,989)	(4,000)	-	152,300	184,891
Langford Family Foundation Endowed Scholarship Fund	172,875	205,314	-	-	24,527	(4,801)	(5,581)	-	172,875	219,459
Lockheed Martin Professorship in Engineering	169,545	167,887	-	-	20,505	(4,012)	-	-	169,545	184,380
Lockheed Martin St. Laurent Professorship	150,000	228,537	-	-	24,516	(4,799)	(10,203)	-	150,000	238,051
Teaching Endowed Fund	160,000	262,219	-	-	27,993	(5,478)	-	-	160,000	284,734
Lucia C. Cooke Endowed Music Scholarship	677,500	697,036	-	-	82,372	(16,123)	(16,840)	-	677,500	746,445
Margaret Scott Brown Memorial Endowed Music Fund	162,903	201,002	-	-	20,439	(4,000)	-	-	162,903	217,441
Mary P. Mcnamara Scholarship Endowment #1	242,649	246,452	-	-	29,889	(5,851)	-	-	242,649	270,490
Mary P. Mcnamara Scholarship Endowment #2	150,000	169,152	-	-	20,113	(3,937)	(5,000)	-	150,000	180,328
McArdle Graduate Assistantship in Real Estate	150,000	152,632	-	-	18,482	(3,619)	-	-	150,000	167,495
Mid-Florida Home Builders Scholarship Endowment	150,000	146,425	-	-	17,787	(3,481)	-	-	150,000	160,731
Moss Family Endowed Scholarship Fund	150,000	184,825	-	-	22,103	(4,326)	(5,149)	-	150,000	197,453
Scholarship	594,891	609,804	-	-	73,867	(14,459)	-	-	594,891	669,212
Northrop Grumman Scholarship Fund	204,100	210,411	-	-	25,194	(4,931)	-	-	204,100	230,674
Orlando Sentinel Endowed Scholarship	214,743	392,408	-	-	37,723	(7,384)	-	-	214,743	422,747
Orlando Shakespeare Theater Endowment in Playwriting	252,500	243,295	-	-	29,332	(5,741)	(4,001)	-	252,500	262,885
Progress Energy Endowed Scholarship	775,000	769,644	-	-	94,680	(18,531)	-	-	775,000	845,793
Robert E. and Elisabeth S. Carey Memorial Endowment	151,500	272,626	-	-	23,897	(4,677)	(20,002)	-	151,500	271,844
Robertson Student Support Fund	338,343	367,288	-	-	41,665	(8,155)	-	-	338,343	400,798
Sadler National Merit Scholarship Endowment	287,279	285,363	-	-	34,891	(6,829)	-	-	287,279	313,425
SAIC Endowed Professorship	675,000	657,937	-	-	83,232	(16,290)	-	-	675,000	724,879
Skura Family Endowed Freedom Scholarship	150,000	166,601	-	-	19,247	(3,767)	(7,521)	-	150,000	174,560
Sonny's Endowment for the President's Scholars Program	700,026	714,435	-	-	87,295	(17,086)	(4,826)	-	700,026	779,818
of Optics/CREOL	150,100	165,707	-	800	18,470	(3,647)	(197)	-	150,100	181,133
Studies	300,000	350,050	-	-	38,986	(7,630)	(4,002)	-	300,000	377,404
School of Communication	157,176	172,708	-	585	20,473	(4,030)	(422)	-	157,176	189,314
Chapter Scholarship Endowment	1,767,795	1,804,076	35	-	211,812	(41,458)	(13,339)	-	1,767,830	1,961,126
UCF History Endowment Fund	264,971	263,197	-	-	32,610	(6,383)	(1,250)	-	264,971	288,174
University Club of Orlando Scholarship Fund	150,083	156,943	-	-	18,563	(3,633)	(2,721)	-	150,083	169,152
University Club of Orlando LEADS Scholarship Fund #1	157,500	157,485	-	-	19,372	(3,790)	-	-	157,500	173,067
Vivian and Barry Woods Educational Endowment	150,000	163,371	-	-	19,538	(3,824)	(4,551)	-	150,000	174,534
Walt Disney World Academic Excellence Fund	237,250	239,900	-	10,000	29,507	(6,175)	(5,500)	-	237,250	267,732
Scholarship	2,560,002	2,684,145	-	-	310,844	(60,841)	(2,301)	-	2,560,002	2,931,847
Environmental Studies	300,000	295,583	-	-	36,929	(7,228)	(1,000)	-	300,000	324,284
Wharton Smith Group Endowed Professorship	151,500	315,532	-	-	27,294	(5,342)	(4,636)	-	151,500	332,848
William C. Schwartz Graduate Research Fellowship	150,000	163,948	-	-	19,151	(3,748)	(1,000)	-	150,000	178,351
Total Endowed	161,249	194,992	100	-	21,191	(4,153)	-	-	161,349	212,130
	\$ 62,604,535	\$ 68,958,861	\$ 7,905	\$ 402,253	\$ 7,831,326	\$ (1,562,631)	\$ (1,216,214)	\$ -	\$ 62,612,440	\$ 74,421,500

Other Information

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Directors and Terms

Term Expires June 30, 2016 – 9 Individuals

Keith J. Flannery
Larry Chastang
Philip L. Kean
Paul J. Mirabella
J. Oscar Rodriguez

Jim Atchison
Carol M. Craig
Bruce K. Gould
Michael J. Sarpu

Term Expires June 30, 2015 – 10 Individuals

Judy Albertson
Richard O. Baldwin, Jr.*
Scott Buescher
Hany M. Girgis
James R. Hopes

Phyllis Klock*
Ronald C. Thow
Rajesh S. Toleti
Richard J. Walsh
Rita A. Lowndes

Term Expires June 30, 2014 – 9 Individuals

Anthony J. Connelly
James A. Jahna, Sr.
Nelson J. Marchioli
Margery Pabst
James W. Ferrell

John R. Sprouls
Marcos Marchena
Larry F. Tobin*
Michael Manglardi

Term Expires June 30, 2013 – 6 Individuals

Rita Adler
Melanie Fernandez*
Suresh Gupta

Anthony J. Nicholson
Kevin P. Barkman
Beat M. Kahli

* Audit Committee member

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Ex-Officio Members

President, University of Central Florida (UCF)	Dr. John C. Hitt
President, University of Central Florida Athletics Association	Mr. David Albertson
Chairman, Seminole County Board of County Commissioners	Mr. Bob Dallari
President, Florida High Tech Corridor Council, Inc.	Mr. Randy E. Berridge
Mayor, City of Orlando	The Honorable Buddy Dyer
Orange County Mayor, Orange County Board of County Commissioners	The Honorable Teresa Jacobs
Mayor, City of Oviedo	The Honorable Dominic Persampiere
President & CEO, Metro Orlando Economic Development Commission	Mr. Rick Weddle
Chair, UCF Alumni Association, Inc.	Ms. Dianne Owen
Chair, UCF Board of Trustees	The Honorable Michael J. Grindstaff

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Officers and Executive Committee

Officers

Chair	The Honorable Judy Albertson
Vice Chair	The Honorable Phyllis Klock
Co-Vice Chair	Mr. James W. Ferrell, '80
Secretary	Mr. Ronald C. Thow, '93
Treasurer	Mr. Larry F. Tobin, '83
Immediate Past Chair	Mr. Michael Manglardi, '84
Chief Executive Officer	Mr. Robert J. Holmes, Jr.
Chief Financial Officer	Mr. A. J."Bert" Francis II,'77
Chief Operating Officer	Mr. Ben McMahan

Executive Committee

The Honorable Judy Albertson, Chair
The Honorable Phyllis Klock, Vice Chair
Mr. James W. Ferrell, Co-Vice Chair & Chair, Investment Committee
Mr. Larry F. Tobin, Treasurer & Chair, Finance Committee
Mr. Ronald C. Thow, Secretary and Chair, Due Diligence Committee
Dr. John C. Hitt, President, UCF
Mr. Michael Manglardi, Immediate Past Chair & Chair, Directorship Committee
The Honorable Michael J. Grindstaff, Chair of the UCF Board of Trustees
The Honorable Marcos Marchena, Chair, Real Estate Committee
Ms. Melanie Fernandez, Chair, Audit Committee
Ms. Dianne Owen, Chair, UCF Alumni Association Board of Directors

Executive Support Staff

Mr. Robert J. Holmes, Jr., Foundation Chief Executive Officer
Mr. Ben McMahan, Foundation Chief Operating Officer
Mr. A. J."Bert" Francis II, Foundation Chief Financial Officer
Ms. Joyce Henckler, Foundation Chief Development Officer
Ms. Margaret Cole, Foundation Associate VP for Administration & Legal Counsel
Mr. Thomas Messina, Foundation Associate VP & Executive Director Alumni Relations
Dr. Daniel C. Holsenbeck, Vice President for University Relations, UCF
Mr. William F. Merck, II, Vice President for Administration and Finance, UCF



**Independent Auditor's Report on
Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
University of Central Florida Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the University of Central Florida Foundation, Inc. (the "Foundation") which comprise the statement of net position as of and for the year ended June 30, 2013 and the related statement of revenue, expenses and changes in net position, cash flows and related notes to the financial statements, which collectively comprise Foundation's basic financial statements, and have issued our report thereon dated October 2, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The logo for McGladrey LLP, written in a cursive script.

Orlando, Florida
October 2, 2013



**Independent Auditor's Report
on Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Project and on
Internal Control Over Compliance in Accordance With
Chapter 10.550, Rules of the Auditor General**

The Board of Directors
University of Central Florida Foundation, Inc.

Report on Compliance for Each Major State Project

We have audited the University of Central Florida Foundation's (the Foundation's) compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Foundation's major state financial assistance projects for the year ended June 30, 2013. The Foundation's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10,550, *Rules of the Auditor General* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Orlando, Florida
October 2, 2013

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013

State Agency, Project Title	CSFA Number	Expenditures
Department of Education and Commissioner of Education University Major Gift Program	48.074	\$ 1,482,690
Department of Highway Safety and Motor Vehicles University of Central Florida License Plate Project	76.029	<u>435,197</u>
Total expenditures of state financial assistance		<u><u>\$ 1,917,887</u></u>

See Notes to Schedule of Expenditures of State Financial Assistance.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013**

1. Basis of Accounting

The accompanying schedule of expenditures of state financial assistance includes the state project activity of the University of Central Florida Foundation, Inc. (the "Foundation"), a discrete component unit of the University of Central Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Nature of Funding

During fiscal year 2006, the State of Florida established a program in the form of matching grants for eligible donations for the establishment of permanent endowments. The program established standard policies and procedures to evaluate the eligibility of private donations submitted for the state matching funds, specify the purpose and use of endowment proceeds, determine monetary value of a gift, align pledge donations with requirements, and document the receipt of gifts and donations. All eligible contributions are matched in accordance with the percentage schedule set forth in the Florida Statutes Section 1011.94.

The University Major Gifts program has been temporarily suspended by the State of Florida, and no funding was received from the state in the form of matching funds during the year ended June 30, 2013. The expenditures under the University Major Gift program in the accompanying Schedule of Expenditures of State Financial Assistance represent expenditures of earnings on endowments that have received state matching funds in prior years. These expenditures include amounts spent from earnings on both the state match portion and the private donor portions of the endowments.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No	

State Financial Assistance

Internal control over major projects:			
Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported	
Type of auditor's report issued on compliance for major projects:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, <i>Rules of the Auditor General of the State of Florida</i> ?	_____ Yes	_____ X _____ No	

Identification of major projects:

<u>CSFA Number(s)</u>	<u>Name of State Projects</u>
48.074	University Major Gift Program

Dollar threshold used to distinguish between type A and type B projects:	\$	300,000
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**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

II – Financial Statements Findings

None reported.

III – State Financial Assistance Findings

None reported.

IV – Summary Schedule of Prior Audit Findings

No findings reported in prior audits.



**Management Letter Required By
Chapter 10.650 of the Rules of the
Auditor General of the State of Florida**

The Board of Directors
University of Central Florida Foundation, Inc.

We have audited the financial statements of the University of Central Florida Foundation, Inc. (the "Foundation"), a discrete component unit of the University of Central Florida, as of and for the year ended June 30, 2013, and have issued our report thereon dated October 2, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General* of the State of Florida. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Project and on Internal Control over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 2, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which requires a statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the preceding financial audit report. It also requires a statement as to whether or not the local government entity complied with Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit we determined the Foundation complied with Section 218.415. Disclosure in the management letter of violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, that have occurred or are likely to have occurred that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, no matters came to our attention requiring disclosure pursuant to these rules. It also requires the management letter to include any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, state awarding agencies and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Orlando, Florida
October 2, 2013