

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

Single Audit Report  
Year Ended June 30, 2017

## Contents

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|  |    |
|--|----|
| Independent Auditor's Report   | 1  |
| Management's Discussion and Analysis – Required Supplementary Information  | 3  |
| Financial Statements:  |    |
| Statements of net position   | 11 |
| Statements of revenues, expenses and changes in net position   | 12 |
| Statements of cash flows   | 13 |
| Notes to financial statements  | 15 |
| <hr/>  |    |
| Supplementary Information  |    |
| Schedules of revenues, expenses and changes in net position  | 44 |
| Endowments under major gift program  | 46 |
| <hr/>  |    |
| Other Information (Unaudited):   |    |
| Directors and terms  | 49 |
| Ex-officio members   | 50 |
| Officers and executive committee   | 51 |
| <hr/>  |    |
| Compliance Section:  |    |
| Independent Auditor's Report<br>on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of the Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 53 |
| Independent Auditor's Report<br>on Compliance For the Major State Project and Report on Internal<br>Control Over Compliance in Accordance with Chapter 10.550,<br><i>Rules of the Auditor General</i>                                  | 55 |
| Schedule of Expenditures of State Financial Assistance   | 57 |
| Notes to Schedule of Expenditures of State Financial Assistance  | 58 |
| Schedule of Findings and Questioned Costs  | 59 |
| Management Letter Required by Chapter 10.550,<br><i>Rules of the Auditor General</i> of the State of Florida   | 61 |

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RSM US LLP

## 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, 2017 and 2016, and the related statements of revenues, expenses and changes in net positions, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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, 2017 and 2016, and the changes in its 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 Standard 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 consolidated 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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements 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 report dated October 13, 2017 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*RSM US LLP*

Orlando, Florida  
October 13, 2017

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

**Management's Discussion and Analysis (Unaudited)**

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This management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University of Central Florida Foundation, Inc. (the Foundation), 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, 2017 and 2016 and should be read in conjunction with the financial statements and notes thereto.

The Foundation is presented as a discrete component unit of the University of Central Florida (the University) and is certified as a direct support organization. The Foundation's purpose is to solicit, receive, hold, invest and administer charitable contributions for the University.

**Overview of Financial Statements**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (GASB). See the notes to the financial statements for a summary of the Foundation's significant accounting policies.

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

**The Statement of Net Position**

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

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

**Management's Discussion and Analysis (Unaudited)**

The following schedule is a summary of the Foundation's statements of net position as of June 30, 2017 and the two preceding fiscal years.

**Condensed Statements of Net Position**  
**(For the Fiscal Years Ended June 30)**

|                                       | 2017                  | 2016                  | 2015                  |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>                         |                       |                       |                       |
| Current assets                        | \$ 35,086,237         | \$ 27,342,984         | \$ 21,835,234         |
| Noncurrent assets                     | 285,508,020           | 273,863,241           | 268,083,064           |
| <b>Total assets</b>                   | <b>\$ 320,594,257</b> | <b>\$ 301,206,225</b> | <b>\$ 289,918,298</b> |
| <b>Deferred outflows of resources</b> |                       |                       |                       |
|                                       | \$ 416                | \$ 27,310             | \$ 69,847             |
| <b>Liabilities</b>                    |                       |                       |                       |
| Current liabilities                   | \$ 7,423,294          | \$ 4,341,308          | \$ 5,169,748          |
| Noncurrent liabilities                | 19,896,699            | 25,641,250            | 27,426,417            |
| <b>Total liabilities</b>              | <b>\$ 27,319,993</b>  | <b>\$ 29,982,558</b>  | <b>\$ 32,596,165</b>  |
| <b>Net Position</b>                   |                       |                       |                       |
| Net investment in capital assets      | \$ 54,451,036         | \$ 52,604,837         | \$ 52,148,866         |
| Restricted – expendable               | 89,003,305            | 71,590,861            | 63,153,712            |
| Restricted – nonexpendable endowments | 130,431,162           | 126,195,611           | 122,971,130           |
| Unrestricted                          | 19,389,177            | 20,859,668            | 19,118,272            |
| <b>Total net position</b>             | <b>\$ 293,274,680</b> | <b>\$ 271,250,977</b> | <b>\$ 257,391,980</b> |

The Foundation's assets totaled \$320.6 million as of June 30, 2017. This balance reflects an increase of \$19.4 million or 6.4%, compared to June 30, 2016. Current assets contribute \$35.1 million to total assets and consist primarily of funds available to meet current obligations and pledges receivable that are expected to be collected within the next fiscal year. Noncurrent assets contribute \$285.5 million to the Foundation's total assets and consist primarily of buildings and infrastructure, net of accumulated depreciation, along with investments expected to be held beyond the next fiscal year. The total increase in assets of \$19.4 million is primarily due to an increase in cash held for upcoming obligation and an increase in the value of investment held longer than 12 months.

The Foundation's liabilities totaled \$27.3 million as of June 30, 2017. This balance reflects a decrease of \$2.7 million, or 9% as compared to June 30, 2016. Total liabilities include current obligations of \$7.4 million and obligations arising beyond the next twelve months of \$19.9 million. Principal payments made toward debt during fiscal year 2017 totaled \$2.2 million and were made in accordance with the schedules set forth at the time of issuance.

Restricted – expendable net position was \$89 million, which reflects an increase of \$17.4 million compared to June 30, 2016, due primarily to a \$13 million increase in the value of investments held longer than 12 months.

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

**Management's Discussion and Analysis (Unaudited)**

Changes in assets and liabilities during fiscal year 2016 resulted in an overall increase in net position of approximately \$13.9 million when compared to fiscal year 2015, due to increase in pledge receivables held by the Foundation. Pledge receivables increased by approximately \$13.4 million during fiscal year 2016.

**The Statement of Revenues, Expenses and Changes in Net Position**

The statements of revenues, expenses and changes in net position presents the Foundation's revenue and expense activity for a given fiscal year. GASB Statement No.35 categorizes revenue and expenses as either operating or nonoperation. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Foundation's changes in net position for the fiscal year ended June 30, 2017, and the two preceding fiscal years.

**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
**(For the Fiscal Years Ending June 30)**

|  | 2017           | 2016           | 2015           |
|--|----------------|----------------|----------------|
| Operating revenue                          | \$ 56,177,859  | \$ 42,461,046  | \$ 31,170,354  |
| Operating expenses                         | 50,509,451     | 42,675,563     | 39,741,747     |
| Operating gain (loss)                      | 5,668,408      | (214,517)      | (8,571,393)    |
| Nonoperating revenues                      | 12,084,531     | 10,893,104     | 8,928,346      |
| Gain (loss) before endowment contributions | 17,752,939     | 10,678,587     | 356,953        |
| Endowment contributions                    | 4,270,764      | 3,180,410      | 3,786,805      |
| Change in net position                     | 22,023,703     | 13,858,997     | 4,143,758      |
| Net position – beginning of year           | 271,250,977    | 257,391,980    | 253,248,222    |
| Net position – end of year                 | \$ 293,274,680 | \$ 271,250,977 | \$ 257,391,980 |

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

**Management's Discussion and Analysis (Unaudited)**

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The following summarizes the operating revenues by source that were used to fund operating activities for the fiscal year ended June 30, 2017, and the two preceding fiscal years.

**Operating Revenues**  
**(For the Fiscal Year Ending June 30)**

|                          | 2017                 | 2016                 | 2015                 |
|--------------------------|----------------------|----------------------|----------------------|
| Contributions            | \$ 29,983,376        | \$ 29,690,426        | \$ 19,370,572        |
| Rental income            | 9,899,103            | 9,822,334            | 9,784,455            |
| Investment income (loss) | 15,417,629           | 2,166,675            | 1,189,657            |
| Other operating revenues | 877,751              | 781,611              | 825,670              |
| Total operating revenues | <u>\$ 56,177,859</u> | <u>\$ 42,461,046</u> | <u>\$ 31,170,354</u> |

Total operating revenue of \$56.2 million includes contributions, investment earnings, receipts from rental activity and other miscellaneous operating activity. Contributions were \$30 million and represent 53% of total operating revenues. Investment income was \$15.4 million representing 27% of total operating income; this balance reflects an increase of \$13.3 million over 2016, due primarily to strong performance in domestic and international equity markets.

Fiscal year 2016 total operating revenue was \$42.5 million, an increase of \$11.3 million when compared to fiscal year 2015, primarily due to an increase in contributions. The contributions represented 70% of operating revenue in 2016.

Expenses are categorized as operating or non-operating. The majority of the Foundation's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Foundation has chosen to report the expenses by their functional classifications on the statement of revenues, expenses and changes in net position.

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

**Management's Discussion and Analysis (Unaudited)**

The following summarizes the operating expenses by source that were used to fund operating activities for the fiscal year ended June 30, 2017, and the two preceding fiscal years.

**Operating Expenses**  
**(For the Fiscal Year Ending June 30)**

|                            | 2017                 | 2016                 | 2015                 |
|----------------------------|----------------------|----------------------|----------------------|
| Operating expenses         |                      |                      |                      |
| Building operations        | \$ 6,761,538         | \$ 6,624,209         | \$ 6,705,250         |
| Athletics                  | 10,823,319           | 7,113,238            | 8,108,945            |
| Fund-raising               | 7,608,415            | 7,049,547            | 6,752,458            |
| Management and general     | 6,165,799            | 4,944,534            | 4,700,670            |
| Student aid                | 3,686,172            | 3,535,020            | 2,972,387            |
| Academic support           | 6,041,644            | 5,307,555            | 4,382,946            |
| Alumni relations           | 3,872,646            | 2,217,273            | 2,479,606            |
| General University support | 5,220,477            | 5,287,681            | 3,286,549            |
| Research                   | 329,441              | 596,506              | 352,936              |
| Total operating expenses   | <u>\$ 50,509,451</u> | <u>\$ 42,675,563</u> | <u>\$ 39,741,747</u> |

Total operating expenses of \$50.5 million for fiscal year 2017 include program related costs, general support to the university, fundraising, maintenance and operations of the rental property and other management and general expenses related to support of the Foundation's mission. This balance reflects an increase of \$7.8 million, or 18% over the same period ended June 30, 2016, due primarily to increased support to Athletics and Alumni programming. Other contributing factors for the increase relate to state enacted salary increases and additional costs incurred for the benefit of University programs.

Non-operating revenues of \$12.1 million for fiscal year 2017 include support received from the University and other affiliated entities to further the Foundation's mission. The corresponding expenses are included in the operating expense section of the statements of revenues, expenses and changes in net position. During fiscal years 2017 and 2016, non-operating revenue increased \$1.2 million and \$2 million, respectively.

**The Statement of Cash Flows**

The statement of cash flows provides information about the Foundation's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the Foundation's ability to generate net cash flows, its ability to meet its financial obligations as they come due and its need for external financing. Cash flows from operating activities show the net cash used by typically ongoing operating activities of the Foundation. Cash flows from capital and related financing activities include changes associated with the long-term debt activities of the Foundation. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and earnings income on those investments. 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.

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

**Management's Discussion and Analysis (Unaudited)**

The following summarizes the major sources and uses of cash for the fiscal year ended June 30, 2017, and the two preceding fiscal years.

**Condensed Statements of Cash Flows**  
**(For the Fiscal Years Ending June 30)**

|  | 2017          | 2016           | 2015          |
|--|---------------|----------------|---------------|
| Cash flows provided by (used in)         |               |                |               |
| Operating activities                     | \$ 494,224    | \$ (1,376,758) | \$ 1,974,821  |
| Investing activities                     | 5,562,917     | 5,227,735      | (3,129,097)   |
| Capital and related financing activities | (5,109,627)   | (3,833,361)    | (3,776,768)   |
| Non-capital financing activities         | 4,128,264     | 2,872,618      | 3,471,429     |
| Change in cash and cash equivalents      | 5,075,778     | 2,890,234      | (1,459,615)   |
| Cash and cash equivalents                |               |                |               |
| Beginning of year                        | 17,791,198    | 14,900,964     | 16,360,579    |
| End of year                              | \$ 22,866,976 | \$ 17,791,198  | \$ 14,900,964 |

Cash and cash equivalents increased by \$5.1 million during fiscal year 2017, in line with the increase in cash flows from operating activities due to an increase in cash received from contributions of \$8.9 million offset by an increase in funds provided to the university. Net cash flows provided by investing activities remained relatively unchanged for the year. Cash flows used in capital and financing activity increased by \$1.3 million, primarily due to spending on constituent database upgrade and building improvements. Cash flow provided by other noncapital financing activities increased by \$1.2 million due to an increase in contributions to permanently endowed funds.

During fiscal year 2016, cash and cash equivalents increased by \$2.9 million, in line with the decrease in cash flows used in operating activities due to a decrease in cash received from contributions of \$1.7 million coupled with an increase in funds provided to the university. Net cash flows provided by investing activity increased by \$8.4 million related to a reallocation of appreciated funds that were reinvested in to gain more exposure in the alternative investments market. Cash flows used in capital and financing activity remained relatively unchanged for the year while cash flow provided by other noncapital financing activities decreased \$0.7 million due a decrease in contributions to permanently endowed funds.

**Capital Assets and Long-Term Debt Activity** – The Foundation has \$75.7 million and \$75.9 million, included in noncurrent assets on the accompanying Statement of Net Position, as of June 30, 2017 and 2016, respectively. These balances are net of accumulated depreciation of \$26.2 million and \$24.3 million, respectively. The following table summarizes capital assets as of June 30, 2017, and the two preceding years.

|                                  | 2017                 | 2016                 | 2015                 |
|----------------------------------|----------------------|----------------------|----------------------|
| Property and equipment – net     | \$ 830,787           | \$ 341,150           | \$ 352,873           |
| Buildings and improvements – net | 19,748,807           | 21,431,755           | 23,259,157           |
| Nondepreciable assets            | 55,076,025           | 54,164,622           | 53,731,989           |
| <b>Total capital assets</b>      | <b>\$ 75,655,619</b> | <b>\$ 75,937,527</b> | <b>\$ 77,344,019</b> |

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

**Management's Discussion and Analysis (Unaudited)**

The balance at June 30, 2017 is comprised of 70.9% land totaling \$53.6 million, 26.1% of buildings and associated improvements totaling \$19.7 million, 1.9% of construction in progress totaling \$1.4 million related to upgrade of constituent database software and building improvements and the remaining 1.1% of other property and equipment. During fiscal year 2017, significant changes in capital assets related to depreciation expense of \$2 million and upgrade of constituent database software in progress of \$1.3 million. This upgrade is anticipated to be complete in the upcoming fiscal year.

The balance at June 30, 2016 is comprised of 70.6% land totaling \$53.6 million, 28.2% of buildings and associated improvements totaling \$21.4 million and the remaining 1.2% of other property and equipment. During fiscal year 2016, the only significant change in capital assets related to depreciation expense of \$2 million.

A detailed schedule of capital assets and related activity can be found in Note 5 of the accompanying notes to the financial statements.

At June 30, 2017 and 2016, the Foundation had \$23.2 million and \$25.3 million in debt outstanding, respectively. The following table summarizes debt outstanding as of June 30, 2017, and the two preceding years.

|  | 2017                 | 2016                 | 2015                 |
|--|----------------------|----------------------|----------------------|
| Fairwinds Alumni Center                                    | \$ -                 | \$ -                 | \$ 161,713           |
| Research Pavilion, Innovative Center, and OTECH buildings: |                      |                      |                      |
| 2009 Series Note – taxable                                 | 1,130,000            | 2,290,000            | 3,385,000            |
| 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                              | -                    | 7,965,000            | 8,375,000            |
| University Tower and Bio-Molecular buildings:              |                      |                      |                      |
| 2017 Series Note – tax exempt                              | 7,535,000            | -                    | -                    |
| McCulloch Road property                                    | -                    | 565,000              | 965,000              |
| Renewal Annuity Notes:                                     |                      |                      |                      |
| Annuity Note A   | 979,010              | 980,442              | 981,776              |
| Annuity Note B   | 979,010              | 980,441              | 981,775              |
| <b>Total debt</b>  | <b>\$ 23,163,020</b> | <b>\$ 25,320,883</b> | <b>\$ 27,390,264</b> |

During fiscal years 2017 and 2016, the Foundation paid approximately \$2.2 million and \$2.1 million, respectively, related to principal payments on its notes. In 2017, the Foundation also refinanced the University Tower and Bio-Molecular buildings note to obtain a lower interest rate. Additional information on the Foundation's long-term debt obligations can be found in Note 6 of the accompanying notes to the financial statements.

**Economic Outlook**

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.

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

**Management's Discussion and Analysis (Unaudited)**

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The University is expected to continue to provide a significant 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 few years as the economy continues to improve it is anticipated to have a positive impact on the Foundation.

**Requests for Information**

Questions concerning information provided in the MD&A or other required supplemental information and financial statements and notes thereto, or requests for additional financial information should be addressed The UCF Foundation, 12424 Research Parkway, Suite 140, Orlando, Florida 32826-3249 or by calling (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, 2017 and 2016

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| <b>Assets</b>                               |                       |                       |
| Current Assets                              |                       |                       |
| Cash and cash equivalents                   | \$ 22,866,976         | \$ 17,791,198         |
| Receivables                                 | 155,104               | 137,011               |
| Pledges receivable – net                    | 9,121,753             | 8,984,732             |
| Beneficial remainder trust                  | 1,984,641             | -                     |
| Other current assets                        | 957,763               | 430,043               |
| <b>Total current assets</b>                 | <b>35,086,237</b>     | <b>27,342,984</b>     |
| Noncurrent Assets                           |                       |                       |
| Investments                                 | 193,872,799           | 183,727,622           |
| Pledges receivable – net                    | 13,296,386            | 11,404,967            |
| Beneficial remainder trust                  | -                     | 1,910,577             |
| Property and equipment – net                | 830,787               | 341,150               |
| Rental and other property – net             | 19,748,807            | 21,431,755            |
| Nondepreciable assets                       | 55,076,025            | 54,164,622            |
| Other noncurrent assets                     | 2,683,216             | 882,548               |
| Total noncurrent assets                     | 285,508,020           | 273,863,241           |
| <b>Total assets</b>                         | <b>320,594,257</b>    | <b>301,206,225</b>    |
| Deferred Outflows of Resources              |                       |                       |
| Unamortized bond refunding                  | 416                   | 27,310                |
| <b>Total deferred outflows of resources</b> | <b>416</b>            | <b>27,310</b>         |
| <b>Liabilities</b>                          |                       |                       |
| Current Liabilities                         |                       |                       |
| Accounts payable and accrued expenses       | 847,630               | 836,580               |
| Payables to related parties                 | 775,726               | 1,242,144             |
| Long-term liabilities – current portion:    |                       |                       |
| Notes payable – net                         | 3,708,020             | 2,157,862             |
| Unearned revenue                            | 1,986,742             | 11,820                |
| Annuity obligations                         | 94,289                | 77,576                |
| Compensated absences                        | -                     | 4,908                 |
| Deposits                                    | 10,887                | 10,418                |
| <b>Total current liabilities</b>            | <b>7,423,294</b>      | <b>4,341,308</b>      |
| Noncurrent Liabilities                      |                       |                       |
| Notes payable – net                         | 19,455,000            | 23,163,021            |
| Unearned revenue                            | -                     | 1,910,577             |
| Annuity obligations                         | 414,559               | 473,646               |
| Compensated absences                        | -                     | 65,209                |
| Deposits                                    | 27,140                | 28,797                |
| <b>Total noncurrent liabilities</b>         | <b>19,896,699</b>     | <b>25,641,250</b>     |
| <b>Total liabilities</b>                    | <b>27,319,993</b>     | <b>29,982,558</b>     |
| Net Position                                |                       |                       |
| Net investment in capital assets            | 54,451,036            | 52,604,837            |
| Restricted:                                 |                       |                       |
| Expendable                                  | 89,003,305            | 71,590,861            |
| Nonexpendable endowments                    | 130,431,162           | 126,195,611           |
| Unrestricted                                | 19,389,177            | 20,859,668            |
| <b>Total net position</b>                   | <b>\$ 293,274,680</b> | <b>\$ 271,250,977</b> |

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, 2017 and 2016**

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| Operating Revenues  |                       |                       |
| Contributions (net of provisions for uncollectible pledge receivables of \$411,711 and \$2,755,408) | \$ 29,983,376         | \$ 29,690,426         |
| Rental income   | 9,899,103             | 9,822,334             |
| Net realized and unrealized gains (losses) on investments   | 14,079,703            | 1,104,339             |
| Interest and dividends  | 1,337,926             | 1,062,336             |
| License plate proceeds  | 466,771               | 378,122               |
| Advertising and royalties   | 276,959               | 294,990               |
| Other miscellaneous   | 134,021               | 108,499               |
| <b>Total operating revenues, net</b>  | <b>56,177,859</b>     | <b>42,461,046</b>     |
| Operating Expenses  |                       |                       |
| Building operations   | 6,761,538             | 6,624,209             |
| Athletics   | 10,823,319            | 7,113,238             |
| Fund-raising  | 7,608,415             | 7,049,547             |
| Management and general  | 6,165,799             | 4,944,534             |
| Student aid   | 3,686,172             | 3,535,020             |
| Academic support  | 6,041,644             | 5,307,555             |
| Alumni relations  | 3,872,646             | 2,217,273             |
| General University support  | 5,220,477             | 5,287,681             |
| Research  | 329,441               | 596,506               |
| <b>Total operating expenses</b>   | <b>50,509,451</b>     | <b>42,675,563</b>     |
| <b>Operating gain (loss)</b>  | <b>5,668,408</b>      | <b>(214,517)</b>      |
| Nonoperating Revenues   |                       |                       |
| University support  | 11,939,937            | 10,130,148            |
| UCFAA support   | 179,049               | 750,747               |
| UCF Convocation support   | -                     | 47,120                |
| Change in value of split interest agreements  | (34,455)              | (34,911)              |
| <b>Total nonoperating revenues</b>  | <b>12,084,531</b>     | <b>10,893,104</b>     |
| <b>Gain Before Endowment Contributions</b>  | <b>17,752,939</b>     | <b>10,678,587</b>     |
| Endowment Contributions   | 4,270,764             | 3,180,410             |
| <b>Change in net position</b>   | <b>22,023,703</b>     | <b>13,858,997</b>     |
| Net Position – Beginning of Year  | 271,250,977           | 257,391,980           |
| Net Position – End of Year  | <b>\$ 293,274,680</b> | <b>\$ 271,250,977</b> |

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, 2017 and 2016**

|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
| Cash Flows From Operating Activities                               |                      |                      |
| Receipts from contributions  | \$ 25,763,916        | \$ 16,815,781        |
| Rental receipts  | 9,932,317            | 9,763,365            |
| All other receipts   | 849,666              | 708,788              |
| Payments for building operations                                   | (3,788,520)          | (3,310,445)          |
| Payments for fundraising activities                                | (2,559,440)          | (2,731,173)          |
| Payments to the University for salaries and benefits               | (5,664,121)          | (3,717,498)          |
| Payments for University programs, scholarships, and athletics      | (21,690,322)         | (17,572,096)         |
| Payments for general and administrative functions                  | (2,327,166)          | (1,304,842)          |
| Payments for income taxes  | (22,106)             | (28,638)             |
| <b>Net cash provided by (used in) operating activities</b>         | <b>494,224</b>       | <b>(1,376,758)</b>   |
| Cash Flows From Investing Activities                               |                      |                      |
| Purchases of investments   | (31,989,098)         | (30,928,849)         |
| Proceeds from sales and maturities of investments                  | 38,037,815           | 35,124,854           |
| Receipts from interest and dividends, net of fees                  | 1,328,027            | 1,063,041            |
| Disbursement for loan receivable                                   | (1,813,827)          | (31,311)             |
| <b>Net cash provided by (used in) investing activities</b>         | <b>5,562,917</b>     | <b>5,227,735</b>     |
| Capital and Related Financing Activities                           |                      |                      |
| Purchase or construction of capital assets                         | (1,691,369)          | (598,615)            |
| Principal paid on capital debt                                     | (2,155,000)          | (1,905,000)          |
| Proceeds from (payments to) the University for tenant improvements | -                    | -                    |
| Interest paid on capital debt                                      | (1,263,258)          | (1,329,746)          |
| <b>Net cash used in capital and related financing activities</b>   | <b>(5,109,627)</b>   | <b>(3,833,361)</b>   |
| Noncapital Financing Activities                                    |                      |                      |
| Principal paid on debt   | (2,862)              | (164,381)            |
| Endowment contributions received for other than capital purposes   | 4,270,764            | 3,180,410            |
| Interest paid on debt  | (139,638)            | (143,411)            |
| <b>Net cash flows provided by noncapital financing activities</b>  | <b>4,128,264</b>     | <b>2,872,618</b>     |
| Change in Cash, Restricted Cash and Cash Equivalents               | 5,075,778            | 2,890,234            |
| Cash, Restricted Cash and Cash Equivalents – Beginning of Year     | 17,791,198           | 14,900,964           |
| Cash, Restricted Cash and Cash Equivalents – End of Year           | <b>\$ 22,866,976</b> | <b>\$ 17,791,198</b> |
| Supplemental Disclosure of Noncash Related Investing Activities    |                      |                      |
| Unrealized gains (losses) on investments                           | <b>\$ 9,888,884</b>  | <b>\$ 1,523,276</b>  |

(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, 2017 and 2016**

|  | <b>2017</b>       | <b>2016</b>           |
|--|-------------------|-----------------------|
| Reconciliation of the Change in Net Position to Net Cash Provided                                      |                   |                       |
| By (Used In) Operating Activities  |                   |                       |
| Operating (loss) gain  | \$ 5,668,408      | \$ (214,517)          |
| Adjustments to reconcile operating (loss) gain to net cash provided by (used in) operating activities: |                   |                       |
| Depreciation   | 1,973,276         | 2,005,108             |
| Amortization   | 26,894            | 42,536                |
| Recognition of royalty revenue   | -                 | -                     |
| Provision for cancellation of pledges and other receivables  | 411,711           | 2,755,408             |
| Net realized and unrealized gains (losses) on investments  | (14,079,703)      | (1,104,339)           |
| Noncash support from University and other related entities   | 12,118,986        | 10,928,015            |
| Donated securities   | (2,191,021)       | (470,816)             |
| Interest and dividend income, net of investment fees   | (1,337,926)       | (1,062,336)           |
| Interest expense   | 1,308,844         | 1,453,323             |
| Changes in operating assets and liabilities:   |                   |                       |
| Investment interest and other receivables  | (8,194)           | (55,161)              |
| Receivables from related parties   | -                 | 22,171                |
| Pledges receivable   | (2,440,150)       | (15,159,237)          |
| Prepaid expenses and other assets  | (514,561)         | 102,980               |
| Accounts payable, accrued expenses, compensated absences and deposits                                  | 33,798            | (227,509)             |
| Payables to related parties  | (466,418)         | (399,076)             |
| Unearned revenue   | (9,720)           | 6,692                 |
| <b>Net cash provided by (used in) operating activities</b>   | <b>\$ 494,224</b> | <b>\$ (1,376,758)</b> |

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**

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**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 (collectively, 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 nonprofit 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 accounting principles generally accepted in the United States of America for governmental business-type activities. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

**Fund accounting:** To help 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 is reported in three categories as follows:

*Net Investment in Capital Assets:* Representing funds that consist of capital assets, net of accumulated depreciation and related unspent debt 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 net of any related unspent debt proceeds.

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

*Expendable:* 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. These programs include endowed chairs and professorships, research funding and student scholarships.

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

**Notes to Financial Statements**

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

*Nonexpendable Endowments:* Represents 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. These programs include endowed chairs and professorships, research funding and student scholarships. The corpus of the permanent endowments are retained while the net earnings or losses on endowment funds are included in expendable funds available for expenditure.

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

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

**Operating and nonoperating activities:** Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the University's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, hold, invest and administer charitable contributions for the benefit of the University. Operating revenues also include rental revenue from 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 of cash, investment securities or pledges receivable are recognized at fair value when all eligibility requirements have been met and are reported as increases in net position, with the exception of pledges to the endowment which are recognized when funds are received. Property and equipment donated to the Foundation are recorded at their estimated 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.

**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 for 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 2017 and 2016, the Foundation recognized \$3,432,246 and \$3,373,474, respectively, in rent revenue for recoveries from tenants.

**Fund-raising:** Costs associated with fund-raising activities are reported 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 equivalents. Noncurrent cash and cash equivalents at June 30, 2017 and 2016, 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.

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

**Notes to Financial Statements**

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

**Investments:** Investments are carried at fair value. Governmental Accounting Standards Board (GASB) guidance establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. See Note 2 for further discussion of fair value. The hedge funds carry their underlying investments at fair value. The funds that do not have readily determinable fair values are valued, as a practical expedient, at the net asset value of the units held by the Foundation at year end, as reported by the investment manager and within the valuation guidelines stipulated in respective investment agreements. The valuation for the real assets investment is determined by an independent appraisal management firm based on market data and research. 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 internal designations by the Board of Directors and management as well as investments not expected to be used during the Foundation's next fiscal year.

**Investment income:** Gains or losses on the sale of the investments are based on the weighted-average cost method. Realized gains(losses) are recognized based on the trade date for investments sold during the year. For investments held as of year-end any changes in fair value during the year are recorded as unrealized gains (losses) for the year. Interest and dividend income is recognized as revenue in the period earned.

**Pledges receivable:** In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all pledges that have met all the eligibility requirements 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 based on management's estimate. See Note 3 for more details.

**Prepaid expenses and other assets:** Prepaid expenses and other assets include various accounts receivable and prepaid leasing commissions.

**Capital assets:** Capital assets include buildings, property and equipment (including rental property), which is stated at cost as of the date of acquisition (estimated value at the date of donation for donated property). The Foundation has a capitalization threshold of \$25,000 for building and building improvements and \$5,000 for equipment and furniture. 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. As a result of any impairments, property with a permanent decrease in value is stated at the lower of the carrying value or fair value. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2017 and 2016.

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

**Notes to Financial Statements**

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

**Unearned revenue:** Unearned revenue relates to planned giving for which criteria required for current revenue recognition have not been met.

**Split interest agreements:** The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of annuities, life estate or charitable remainder trusts. At the time of receipt, contribution revenue is recognized based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuitant or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift ranging from 2.0% to 7.8%. Funds subject to split interest agreements are classified as restricted or unrestricted based upon donor designations.

Current Florida law requires charities to maintain certain minimum gift annuity reserves. As of June 30, 2017 and 2016, the Foundation held assets in excess of the minimum required by state law.

**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.

**Income taxes:** The Foundation is exempt from federal income taxes under Section 501(a) of the IRC as an organization described in Section 501(c)(3). However, the Foundation is subject to income tax on unrelated business income. The Foundation is classified as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv). The Foundation is generally only subject to U.S. federal tax examinations by tax authorities for all years since 2013.

The Foundation has reviewed and evaluated the relevant technical merits of its tax position in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

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

**Notes to Financial Statements**

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

**Recent accounting pronouncement:** In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for the periods beginning after December 15, 2019.

Management is currently evaluating the impact of this unadopted standard on the Foundation's financial statements and does not believe such impact will be material to the Foundation's financial statements.

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

**Cash and restricted cash:** At June 30, 2017 and 2016, the recorded amount of cash, restricted cash and cash equivalents of the Foundation's deposits was \$22,866,976 and \$17,791,198, respectively. Operating bank account balances were \$11,966,265 and \$13,983,676, respectively, as of June 30, 2017 and 2016.

**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 account and cash deposits.

At June 30, 2017 and 2016, \$10,466,266 and \$11,123,126, respectively, in cash deposits are not insured by federal deposit insurance and are not collateralized.

**Cash equivalents:** The cash equivalents include \$11,037,190 and \$5,168,072 as of June 30, 2017 and 2016, respectively, held in a series of money market funds held in brokerage accounts with an average duration of less than one year and a credit rating of AAA.

**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 non-endowed 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 non-endowed assets.

**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)**

Investments consist of the following at June 30:

|                               | <u>2017</u>           | <u>2016</u>           |
|-------------------------------|-----------------------|-----------------------|
| Domestic Equity               | \$ 16,654,740         | \$ 13,046,684         |
| International Equity          | 65,148,808            | 59,180,866            |
| Domestic Fixed Income         | 41,133,978            | 40,249,313            |
| International Fixed Income    | 14,535,924            | 12,526,480            |
| Global All Assets             | 23,125,128            | 20,701,548            |
| Hedge Funds                   | 24,825,834            | 23,845,335            |
| Private Equity                | 3,206,582             | 1,534,520             |
| Real Assets                   | 4,062,795             | 12,642,876            |
| Private Debt                  | 1,179,010             | -                     |
| <b>Total investments</b>      | <u>193,872,799</u>    | <u>183,727,622</u>    |
| Less current investments      | -                     | -                     |
| <b>Noncurrent investments</b> | <u>\$ 193,872,799</u> | <u>\$ 183,727,622</u> |

In fiscal year 2016, the Foundation implemented changes to the investment policy that included a global mandate and re-classification of asset classes. This process allowed the investment committee to provide select investment managers with broader strategies that are not confined to the traditional market capitalizations.

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

|  | <u>2017</u>          | <u>2016</u>         |
|--|----------------------|---------------------|
| Net realized gains (losses) on investments                             | \$ 4,190,819         | \$ (418,937)        |
| Net unrealized gains (losses) on investments                           | 9,888,884            | 1,523,276           |
| <b>Total net realized and unrealized gains (losses) on investments</b> | <u>\$ 14,079,703</u> | <u>\$ 1,104,339</u> |

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 net realized and unrealized gains and losses reported in the statements of revenue, expenses and changes in net position.

**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 be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2017 and 2016, 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.

**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)**

**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-type investments as of June 30, 2017 and 2016, using nationally recognized statistical ratings quality organizations:

| Debt Security Type              | Quality Rating | 2017<br>Fair Value   | 2016<br>Fair Value   |
|---------------------------------|----------------|----------------------|----------------------|
| Domestic Fixed Income           | AAA            | \$ 5,215,487         | \$ 4,407,933         |
| Domestic Fixed Income           | AA+            | -                    | 192,715              |
| Domestic Fixed Income           | AA             | 203,849              | 28,784,722           |
| Domestic Fixed Income           | A              | 4,320,668            | 6,731,704            |
| Domestic Fixed Income           | A-             | 86,866               | 86,124               |
| Domestic Fixed Income           | BBB            | 29,554,602           | -                    |
| Domestic Fixed Income           | BB             | 1,752,506            | 46,115               |
|                                 |                | <u>41,133,978</u>    | <u>40,249,313</u>    |
| International Fixed Income      | A              | 4,636,175            | 3,799,290            |
| International Fixed Income      | BBB            | 4,816,815            | 4,323,965            |
| International Fixed Income      | BB             | 5,082,934            | 4,403,225            |
|                                 |                | <u>14,535,924</u>    | <u>12,526,480</u>    |
| <b>Alternative Investments*</b> |                |                      |                      |
| Global All Assets               | A              | 7,884,209            | 7,114,478            |
| Global All Assets               | Not Rated      | 15,240,919           | 6,949,472            |
|                                 |                | <u>23,125,128</u>    | <u>14,063,950</u>    |
| Hedge Funds                     | Not Rated      | 7,302,885            | -                    |
|                                 |                | <u>7,302,885</u>     | <u>-</u>             |
| Private debt                    | BB-            | 1,075,588            | -                    |
| Private debt                    | Not Rated      | 103,422              | -                    |
|                                 |                | <u>1,179,010</u>     | <u>-</u>             |
| <b>Total</b>                    |                | <u>\$ 87,276,925</u> | <u>\$ 66,839,743</u> |

\***Alternative investments** consist of funds that may include equities, fixed income, real estate, and other types of investments. The schedule above reflects only the value of the alternative investments that pertain to debt-type securities and therefore bear credit risk.

**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)**

**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, 2017 and 2016, is as follows:

| Investment Type                 | Average Duration        | 2017<br>Fair Value   | 2016<br>Fair Value   |
|---------------------------------|-------------------------|----------------------|----------------------|
| Domestic Fixed Income           | Greater than five years | \$ 5,404,036         | \$ 4,703,774         |
| Domestic Fixed Income           | One to five years       | 34,112,401           | 35,545,539           |
| Domestic Fixed Income           | Less than one year      | 1,617,541            | -                    |
|                                 |                         | <u>41,133,978</u>    | <u>40,249,313</u>    |
| International Fixed Income      | Greater than five years | -                    | 4,323,965            |
| International Fixed Income      | One to five years       | 14,535,924           | -                    |
| International Fixed Income      | Less than one year      | -                    | 8,202,515            |
|                                 |                         | <u>14,535,924</u>    | <u>12,526,480</u>    |
| <b>Alternative Investments*</b> |                         |                      |                      |
| Global All Assets               | Greater than five years | 7,930,743            | 6,949,472            |
| Global All Assets               | One to five years       | 7,884,209            | 7,114,478            |
| Global All Assets               | Duraton not available   | 7,310,176            | -                    |
|                                 |                         | <u>23,125,128</u>    | <u>14,063,950</u>    |
| Hedge Funds                     | Duraton not available   | 5,195,880            | -                    |
| Hedge Funds                     | Greater than five years | 2,107,005            | -                    |
|                                 |                         | <u>7,302,885</u>     | <u>-</u>             |
| Private Debt                    | One to five years       | 1,075,588            | -                    |
| Private Debt                    | Duraton not available   | 103,422              | -                    |
|                                 |                         | <u>1,179,010</u>     | <u>-</u>             |
| <b>Total</b>                    |                         | <u>\$ 87,276,925</u> | <u>\$ 66,839,743</u> |

\***Alternative investments** consist of funds that may include equities, fixed income, real estate, and other types of investments. The schedule above reflects only the value of the alternative investments that pertain to debt-type securities and therefore bear related interest rate risk.

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

**Notes to Financial Statements**

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

**Fair value:** GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability.

The following valuation techniques and inputs were used to estimate the fair value of assets and liabilities carried at fair value on the statements of financial position. There have been no changes to these techniques and inputs during the year ended June 30, 2017 and 2016.

*Cash and Cash Equivalents:* The fair value of these short-term investments is classified as Level 1 based on quoted prices in an active market.

*Domestic Equity:* The fair value of domestic equity investments are valued at quoted prices in an active market. It also includes closely held stocks of private companies that were gifted to the foundation. The fair value of these investments were recorded at \$1 per gift received and consist of two closely held companies. Due to the uncertainty of these valuations, these values may differ materially from the values that would have been used had a ready market for these investments existed.

*Global All Assets:* The fair value of these equity and fixed income investments is classified as Level 1 based on quoted prices in an active market.

*Domestic Fixed Income:* The fair value of fixed income investments is classified as Level 1 based on quoted prices in an active market.

*International Equity:* The fair value of these equity investments is classified as Level 1 based on quoted prices in an active market.

*Real Assets:* The fair value of real assets investments are classified as Level 1 and 3 based on quoted prices in an active market. The Level 3 assets include one property consisting of 16 acres of land one mile north of the University. The Foundation sold 44 acres of the original 60 acres to a separate 501(c)(3) corporation in January 2017. The entitled use consists of low density residential property. The fair value of this property has been determined by an appraisal utilizing recent sale and property comparisons of *like* assets and was marked to market in January 2017.

**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)**

The following tables present the assets measured at fair value on a recurring basis on the statements of net position for the years ended June 30, 2017 and 2016, by the GASB Statement No. 72 hierarchy (as described above). The following levels are assigned based on the accounting unit the Foundation is invested in, not the makeup of the underlying instruments.

**Fiscal Year 2017**

| <b>Description</b>                | <b>Totals</b>      | <b>Level I Input</b> | <b>Level II Input</b> | <b>Level III Input</b> |
|-----------------------------------|--------------------|----------------------|-----------------------|------------------------|
| <b>Investments by level</b>       |                    |                      |                       |                        |
| Domestic Equity                   | \$ 10,180,855      | \$ 10,180,855        | \$ -                  | \$ -                   |
| Domestic Fixed Income             | 41,133,978         | 41,133,978           | -                     | -                      |
| Global All Assets                 | 15,194,385         | 15,194,385           | -                     | -                      |
| International Equity              | 29,906,377         | 29,906,377           | -                     | -                      |
| Real Assets                       | 4,062,795          | 462,795              | -                     | 3,600,000              |
| <b>Total investments by level</b> | <b>100,478,390</b> | <b>\$ 96,878,390</b> | <b>\$ -</b>           | <b>\$ 3,600,000</b>    |

**Investments measured by the net asset value (NAV) and not subject to level classification**

|   |                       |
|---|-----------------------|
| Domestic Equity                                 | 6,473,885             |
| Global All Assets                               | 7,930,743             |
| Hedge Funds                                     |                       |
| Credit  | 5,195,880             |
| Event Driven                                    | 6,719,329             |
| Global Macro                                    | 5,003,194             |
| Long Short                                      | 2,016,616             |
| Long Short Credit                               | 2,107,005             |
| Equity Linked                                   | 3,783,810             |
| International Equity                            | 35,242,431            |
| International Fixed Income                      | 14,535,924            |
| Private Equity                                  | 3,206,582             |
| Private Debt                                    | 1,179,010             |
| <b>Total investments measured at the NAV</b>    | <b>93,394,409</b>     |
| <b>Total investments measured at fair value</b> | <b>\$ 193,872,799</b> |

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)

Fiscal Year 2016

| Description   | Totals                | Level I Input        | Level II Input | Level III Input      |
|---|-----------------------|----------------------|----------------|----------------------|
| <b>Investments by level</b>   |                       |                      |                |                      |
| Domestic Equity   | \$ 8,968,893          | \$ 8,968,893         | \$ -           | \$ -                 |
| Domestic Fixed Income   | 40,249,313            | 40,249,313           | -              | -                    |
| Global All Assets   | 13,752,077            | 13,752,077           | -              | -                    |
| International Equity  | 17,072,767            | 17,072,767           | -              | -                    |
| Real Assets   | 12,642,876            | 642,876              | -              | 12,000,000           |
| <b>Total investments by level</b>   | <b>92,685,926</b>     | <b>\$ 80,685,926</b> | <b>\$ -</b>    | <b>\$ 12,000,000</b> |
| <b>Investments measured by the net asset value (NAV) that are not subject to level classification</b> |                       |                      |                |                      |
| Domestic Equity   | 4,077,791             |                      |                |                      |
| Global All Assets   | 6,949,471             |                      |                |                      |
| Hedge Funds   |                       |                      |                |                      |
| Credit  | 1,901,291             |                      |                |                      |
| Event Driven  | 9,444,980             |                      |                |                      |
| Global Macro  | 4,684,096             |                      |                |                      |
| Long Short  | 4,305,521             |                      |                |                      |
| Long Short Credit   | 1,909,205             |                      |                |                      |
| Equity Linked   | 1,600,242             |                      |                |                      |
| International Equity  | 42,108,099            |                      |                |                      |
| International Fixed Income  | 12,526,480            |                      |                |                      |
| Private Equity  | 1,534,520             |                      |                |                      |
| <b>Total investments measured at the NAV</b>  | <b>91,041,696</b>     |                      |                |                      |
| <b>Total investments measured at fair value</b>   | <b>\$ 183,727,622</b> |                      |                |                      |

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)

Redemptions and unfunded investment commitments  
Fiscal Year 2017

|  | Total               | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--|---------------------|----------------------|----------------------|--------------------------|
| <b>Investments measured at the net asset value (NAV)</b> |                     |                      |                      |                          |
| Domestic Equity  | \$ 6,473,885        | \$ -                 | NA                   | NA                       |
| Global All Assets  | 7,930,743           | -                    | NA                   | NA                       |
| Hedge Funds  |                     |                      |                      |                          |
| Credit   | 1,530,314           | -                    | Quarterly            | 65 Days                  |
| Credit   | 3,665,566           | -                    | Quarterly            | 90 Days                  |
| Event Driven   | 5,526,850           | -                    | Monthly              | 60 Days                  |
| Event Driven   | 1,192,479           | -                    | Quarterly            | 90 Days                  |
| Global Macro   | 5,003,194           | -                    | Monthly              | 3-62 Days                |
| Long Short   | 2,016,616           | -                    | Quarterly            | 35-45 Days               |
| Long Short Credit  | 2,107,005           | -                    | Monthly              | 30 Days                  |
| Equity Linked  | 1,681,974           | -                    | Monthly              | 30 Days                  |
| Equity Linked  | 2,101,836           | -                    | Quarterly            | 90 Days                  |
| International Equity                                     | 35,242,431          | -                    | NA                   | NA                       |
| International Fixed Income                               | 4,816,815           | -                    | Monthly              | 30 Days                  |
| International Fixed Income                               | 9,719,109           | -                    |                      |                          |
| Private Equity   | 3,206,582           | 7,594,013            | NA                   | NA                       |
| Private Debt   | 1,179,010           | -                    | NA                   | NA                       |
| <b>Total investments measured at the NAV</b>             | <b>\$93,394,409</b> | <b>\$7,594,103</b>   |                      |                          |

Redemptions and unfunded investment commitments  
Fiscal Year 2016

|  | Total                | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--|----------------------|----------------------|----------------------|--------------------------|
| <b>Investments measured at the net asset value (NAV)</b> |                      |                      |                      |                          |
| Domestic Equity  | \$ 4,077,791         | \$ -                 | NA                   | NA                       |
| Global All Assets  | 6,949,471            | -                    | NA                   | NA                       |
| Hedge Funds  |                      |                      |                      |                          |
| Credit   | 1,901,291            | -                    | Quarterly            | 90 Days                  |
| Event Driven   | 9,444,980            | -                    | Quarterly            | 60-90 Days               |
| Global Macro   | 4,684,096            | -                    | Monthly              | 3 Days                   |
| Long Short   | 4,305,522            | -                    | Quarterly            | 35-45 Days               |
| Long Short Credit  | 1,909,205            | -                    | Quarterly            | 30 Days                  |
| Equity Linked  | 1,600,242            | -                    | Monthly              | 30 Days                  |
| International Equity                                     | 42,108,099           | -                    | NA                   | NA                       |
| International Fixed Income                               | 12,526,480           | -                    | NA                   | NA                       |
| Private Equity   | 1,534,520            | 7,516,360            | NA                   | NA                       |
| <b>Total investments measured at the NAV</b>             | <b>\$ 91,041,697</b> | <b>\$ 7,516,360</b>  |                      |                          |

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

**Notes to Financial Statements**

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

**Net asset value:** GASB Statement No. 72, *Fair Value Measurement and Application*, permits the fair value of certain equity and debt investments that do not have readily determinable fair values to be based on their net asset value (NAV) per share.

The investments held at NAV reflect:

Domestic Equity includes one manager with one fund investing in domestic equities. This type represents a total of 3% of assets. This fund is operated by a money manager that is passively managed to an index. This fund is privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

Global All Assets includes one manager with one fund investing in a global strategy including domestic, international, and global companies. This type primarily invests in equities, but may contain real assets and fixed income type of securities including treasuries and commodities to hedge against inflationary risk. This type represents a total of 4% of assets and this fund is operated by a money manager that is actively managed. This fund is privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

Hedge Funds Credit includes three direct hedge fund managers that represents 3% of the total investment assets. The credit class of hedge funds seeks to profit from the mispricing of related debt securities; returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. This particular portfolio implements managers with a multi-sector expertise in high yield and structured credit. This type also includes one manager that invests in mortgage derivatives primarily through inverse floaters, principle only, interest only, and inverse securities. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Hedge Funds Event Driven includes 2 direct hedge fund managers that represent 3% of total investment assets. The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. Events may include: bankruptcies, financial restructurings, mergers, acquisitions and spin-offs. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Hedge Funds Global Macro includes two direct hedge fund manager and represents 3% of the total portfolio. The global macro hedge fund class includes hedge funds that trade highly liquid instruments, long and short, including currencies, commodities, fixed income instruments and equity indices. Two types of strategies are employed in this portfolio: discretionary strategies that employ broad analysis of economic, financial and political data to identify themes and systematic strategies that use algorithmic models to analyze historical data, both technical and fundamental. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

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

**Notes to Financial Statements**

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

Hedge Funds Long/Short includes one hedge fund of fund manager that represents 1% of total investment assets. The equity long/short hedge fund class includes investments in hedge funds that invest both long and short stocks and equity indices. Management of the hedge funds has the ability to shift investments across a variety of stocks, equity indices, and to a lesser extent other securities from a net long position to a net short position. In this portfolio, the managers are focused primarily on the U.S., Europe and Asia. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Hedge Funds Long/Short Credit includes one direct hedge fund manager that represents 1% of the total assets. The credit linked class of hedge funds seeks to profit from the mispricing of related debt securities; returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. This particular portfolio implements managers with a multi-sector expertise in high yield and structured credit. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Hedge Funds Equity Linked includes two direct hedge fund managers that represents 2% of the total investment assets. The equity linked class of hedge funds includes investments in debt instruments and options on equities. The equities options provide investors with principle protection while providing exposure to equities; returns are dependent on performance of the equities options. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

International Equity includes three managers and represents 18% of total investment assets. This class consists of two active managers and one passive manager investing in established and emerging international markets. The global managers utilize a strategy that includes domestic, international, and global companies. These funds are privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money managers which uses a quoted price in active markets for the underlying assets.

International Fixed Income includes three managers and represents 7% of total investment assets that are actively managed. Two of the funds invest in fixed income bonds ranging in credit ratings focused on domestic and international investments. One fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. These funds are privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of the three funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

Private Equity includes seven investment vehicles consisting of distinct limited partnerships or limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The total capital committed in the portfolio is \$12.1 million; the current value of this portfolio is \$3.2 million or 2% of assets. Private equity is capital not traded on a public, primary exchange. For the purposes of this portfolio, private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, private equity capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

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

**Notes to Financial Statements**

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

Private Debt includes three investment vehicles consisting of distinct limited partnerships or limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Currently there isn't any committed capital. All three funds have met the committed capital amounts and stands with a portfolio value of \$1.1 million or 1% of total assets. Private debt are private notes and debentures that are not traded on a public, primary exchange. For the purposes of this portfolio, the funds aim to take advantage of structural imbalances between demand and supply of credit for consumers, small and medium enterprises, and trade finance consisting of private notes and bonds with equity components. One of the funds invests primarily in Asian businesses while the other two strictly focus on U.S. domestic companies. In this portfolio, private debt is invested with general partners of legally formed limited partnerships whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments.

**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, 2017 and 2016, 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:

|                                    | 2017          | 2016          |
|------------------------------------|---------------|---------------|
| Pledges receivable                 | \$ 28,306,247 | \$ 25,592,381 |
| Less:                              |               |               |
| Allowance for doubtful amounts     | (4,654,798)   | (4,243,087)   |
| Discount on future payments        | (1,233,310)   | (959,595)     |
| Total pledges receivable, net      | \$ 22,418,139 | \$ 20,389,699 |
| Current pledges receivable, net    | \$ 9,121,753  | \$ 8,984,732  |
| Noncurrent pledges receivable, net | 13,296,386    | 11,404,967    |
|                                    | \$ 22,418,139 | \$ 20,389,699 |

Noncurrent pledges receivable are net of discounts amounting to \$1,233,310 and \$959,595 at June 30, 2017 and 2016, respectively. Pledges receivable were discounted using a risk-free interest rate at the time the pledge was initially recognized. Discount rates used range from 0.73% to 6.00%.

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

**Notes to Financial Statements**

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**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% for fiscal years 2017 and 2016.

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

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
| Total endowment balance                            | \$ 155,232,331        | \$ 144,921,082        |
| Less appreciation portion of restricted expendable | 24,801,169            | 18,725,471            |
| Permanently restricted nonexpendable balance       | <u>\$ 130,431,162</u> | <u>\$ 126,195,611</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**

|  | June 30,<br>2016 | Increases   | Decreases    | June 30,<br>2017 |
|--|------------------|-------------|--------------|------------------|
| Property and equipment:                        |                  |             |              |                  |
| Equipment and furniture                        | \$ 1,918,824     | \$ 609,885  | \$ -         | \$ 2,528,709     |
| Less accumulated depreciation                  | (1,577,674)      | (120,248)   | -            | (1,697,922)      |
| Net property and equipment                     | 341,150          | 489,637     | -            | 830,787          |
| Rental and other property:                     |                  |             |              |                  |
| Land (nondepreciable)                          | 53,640,384       | -           | -            | 53,640,384       |
| Construction-in-progress –<br>(nondepreciable) | 524,238          | 1,692,319   | (780,916)    | 1,435,641        |
| Rental and other property –<br>nondepreciable  | 54,164,622       | 1,692,319   | (780,916)    | 55,076,025       |
| Buildings and improvements                     | 43,712,834       | 80,595      | -            | 43,793,429       |
| Site improvements                              | 405,050          | 89,485      | -            | 494,535          |
| Less accumulated depreciation                  | (22,686,129)     | (1,853,028) | -            | (24,539,157)     |
| Rental and other property – net                | 21,431,755       | (1,682,948) | -            | 19,748,807       |
| Net rental and other property                  | 75,596,377       | 9,371       | (780,916)    | 74,824,832       |
| Total net capital assets                       | \$ 75,937,527    | \$ 499,008  | \$ (780,916) | \$ 75,655,619    |

  

|  | June 30,<br>2015 | Increases      | Decreases    | June 30,<br>2016 |
|--|------------------|----------------|--------------|------------------|
| Property and equipment:                        |                  |                |              |                  |
| Equipment and furniture                        | \$ 1,828,997     | \$ 89,827      | \$ -         | \$ 1,918,824     |
| Less accumulated depreciation                  | (1,476,124)      | (101,550)      | -            | (1,577,674)      |
| Net property and equipment                     | 352,873          | (11,723)       | -            | 341,150          |
| Rental and other property:                     |                  |                |              |                  |
| Land (nondepreciable)                          | 53,640,384       | -              | -            | 53,640,384       |
| Construction-in-progress –<br>(nondepreciable) | 91,605           | 584,604        | (151,971)    | 524,238          |
| Rental and other property –<br>nondepreciable  | 53,731,989       | 584,604        | (151,971)    | 54,164,622       |
| Buildings and improvements                     | 43,636,678       | 76,156         | -            | 43,712,834       |
| Site improvements                              | 405,050          | -              | -            | 405,050          |
| Less accumulated depreciation                  | (20,782,571)     | (1,903,558)    | -            | (22,686,129)     |
| Rental and other property – net                | 23,259,157       | (1,827,402)    | -            | 21,431,755       |
| Net rental and other property                  | 76,991,146       | (1,242,798)    | (151,971)    | 75,596,377       |
| Total net capital assets                       | \$ 77,344,019    | \$ (1,254,521) | \$ (151,971) | \$ 75,937,527    |

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

**Notes to Financial Statements**

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**Note 5. Capital Assets (Continued)**

Depreciation expense was charged to the following operating expense accounts for the years ended June 30, 2017 and 2016:

|                        | 2017         | 2016         |
|------------------------|--------------|--------------|
| Building operations    | \$ 1,876,530 | \$ 1,903,558 |
| Management and general | 96,746       | 101,550      |
|                        | \$ 1,973,276 | \$ 2,005,108 |

Other property consists of the following at June 30, 2017 and 2016:

**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 2017 and 2016, 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**

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**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 60-year ground lease with Northview Knights Housing, LLC for the purposes of operating student housing. 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. Upon termination or expiration of the ground lease, all rights, title and interest in and to the housing component and all improvements, alterations, additions, fixtures, equipment and furnishings shall automatically be conveyed and revert from the lessee to the lessor.

During fiscal years 2017 and 2016, the Foundation received payments of \$150,000 each for surplus rent under the ground lease.

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

**Notes to Financial Statements**

**Note 6. Long-Term Liabilities**

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

|  | June 30,<br>2016     | Additions           | Reductions          | June 30,<br>2017     | Amount Due<br>Within One<br>Year |
|--|----------------------|---------------------|---------------------|----------------------|----------------------------------|
| Research Pavilion, Innovative Center and<br>Orlando Tech Center –<br>Series 2009 Notes |                      |                     |                     |                      |                                  |
| 2009 Series Note – taxable   | \$ 2,290,000         | \$ -                | \$ 1,160,000        | \$ 1,130,000         | \$ 1,130,000                     |
| 2009 Series Note – tax exempt  | 12,540,000           | -                   | -                   | 12,540,000           | 100,000                          |
| University Tower and Biomolecular –<br>2008 Series Note-tax exempt                     | 7,965,000            | -                   | 7,965,000           | -                    | -                                |
| University Tower and Biomolecular –<br>2017 Series Note-tax exempt                     | -                    | 7,535,000           | -                   | 7,535,000            | 520,000                          |
| McCulloch Road Property  | 565,000              | -                   | 565,000             | -                    | -                                |
| Renewal Annuity Note:  |                      |                     |                     |                      |                                  |
| Annuity Note A   | 980,442              | -                   | 1,432               | 979,010              | 979,010                          |
| Annuity Note B   | 980,441              | -                   | 1,431               | 979,010              | 979,010                          |
| <b>Total notes payable</b>   | <b>\$ 25,320,883</b> | <b>\$ 7,535,000</b> | <b>\$ 9,692,863</b> | <b>\$ 23,163,020</b> | <b>\$ 3,708,020</b>              |
| Unearned revenue   | \$ 1,922,397         | \$ 593,097          | \$ 528,752          | \$ 1,986,742         | \$ 1,986,742                     |
| Annuity obligations  | 551,222              | 34,455              | 76,829              | 508,848              | 94,289                           |
| Compensated absences   | 70,117               | -                   | 70,117              | -                    | -                                |
| Deposits   | 39,215               | -                   | 1,188               | 38,027               | 10,887                           |
|  |                      |                     |                     |                      |                                  |
|  | June 30,<br>2015     | Additions           | Reductions          | June 30,<br>2016     | Amount Due<br>Within One<br>Year |
| Research Pavilion, Innovative Center and<br>Orlando Tech Center –<br>Series 2009 Notes |                      |                     |                     |                      |                                  |
| 2009 Series Note – taxable   | \$ 3,385,000         | \$ -                | \$ 1,095,000        | \$ 2,290,000         | \$ 1,160,000                     |
| 2009 Series Note – tax exempt  | 12,540,000           | -                   | -                   | 12,540,000           | -                                |
| University Tower and Biomolecular –<br>2008 Series Note-tax exempt                     | 8,375,000            | -                   | 410,000             | 7,965,000            | 430,000                          |
| McCulloch Road Property  | 965,000              | -                   | 400,000             | 565,000              | 565,000                          |
| Fairwinds Alumni Center  | 161,713              | -                   | 161,713             | -                    | -                                |
| Renewal Annuity Note:  |                      |                     |                     |                      |                                  |
| Annuity Note A   | 981,776              | -                   | 1,334               | 980,442              | 1,431                            |
| Annuity Note B   | 981,775              | -                   | 1,334               | 980,441              | 1,431                            |
| <b>Total notes payable</b>   | <b>\$ 27,390,264</b> | <b>\$ -</b>         | <b>\$ 2,069,381</b> | <b>\$ 25,320,883</b> | <b>\$ 2,157,862</b>              |
| Unearned revenue   | \$ 1,841,641         | \$ 774,641          | \$ 693,885          | \$ 1,922,397         | \$ 11,820                        |
| Annuity obligations  | 529,784              | 96,700              | 75,262              | 551,222              | 77,576                           |
| Compensated absences   | 378,725              | 29,585              | 338,193             | 70,117               | 4,908                            |
| Deposits   | 36,431               | 2,784               | -                   | 39,215               | 10,418                           |

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

**Notes to Financial Statements**

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**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 refinancing the variable rate debt originally issued in 1996 through the Orange County Industrial Development Authority 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 proceeds from the original note were used to purchase buildings in the Research Park vicinity of Orange County identified as Research Pavilion, Innovative Center and the Orlando Tech Center. The buildings represent security for the loan and lease revenues generated from these building has been pledged for debt repayment. For fiscal years 2017 and 2016, lease revenue totaled \$6,795,674 and \$6,666,003, of these amounts, \$1,864,770 and \$1,882,410 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 \$16,778,286, which equates to the total remaining principal and interest on the notes.

As of June 30, 2017 and 2016, the remaining outstanding principal for both the taxable and tax-exempt series was \$13,670,000 and \$14,830,000, respectively.

**University Tower and Biomolecular Building Loans:**

Refinanced debt issued on December 30, 2008:

On December 30, 2008, the Foundation entered into a \$10,400,000 20-year note maturing April 1, 2029, for the purpose of refinancing the variable rate debt originally issued in 2004 through Wachovia Bank, to a 5.67% fixed rate tax exempt debt, with BB&T. The proceeds from the original note were used to purchase buildings in the Research Park vicinity of Orange County identified as University Tower and the Biomolecular Building. The buildings represent security for the loan and lease revenues generated from these building has been pledged for debt repayment. For fiscal years 2017 and 2016, lease revenue totaled \$2,953,429 and \$3,006,331, respectively. Of these amounts, \$853,127 and \$884,863 were used to pay principal and interest on the notes, respectively.

As of June 30, 2017, the balance of this note has been refinanced with a lower fixed rate note.

Refinanced debt issued on May 12, 2017:

On May 12, 2017, the Foundation refinanced the 5.67% fixed rate tax exempt debt, with BB&T to a 3.34% fixed rate tax exempt debt. The principal balance at the time of refinance was \$7,535,000 with the debt still maturing on April 1, 2029. The proceeds from the original note were used to purchase buildings in the Research Park vicinity of Orange County identified as University Tower and the Biomolecular Building. The buildings represent security for the loan and lease revenues generated from these buildings has been pledged for debt repayment. The refinancing resulted in a total interest savings of \$1.3 million with a present value savings of \$1.066 million. The total amount of revenue pledged as security over the life of this note is \$9,207,046, which equates to the total remaining principal and interest on the notes.

As of June 30, 2017, the remaining outstanding principal was \$7,535,000.

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

**Notes to Financial Statements**

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**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 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, 2016, and originally had an interest rate based on the one-month LIBOR plus 310 basis points. In April 2016, the loan was modified with a new rate of 250 basis points plus LIBOR. The rate average was 3.09% and 2.83% during fiscal year 2017 and 2016, respectively. The rate in effect as of March 30, 2017, was 3.28%. The land is used as security for the note and unrestricted funds are the source of debt repayment. During fiscal years 2017 and 2016, respectively, the Foundation paid interest and principal payments totaling \$579,414 and \$424,937. As of June 30, 2017, this loan has been paid off with no balance remaining.

**FAIRWINDS Credit Union Line of Credit:** On November 2, 2004, the Foundation obtained a \$2.45 million line of credit from FAIRWINDS Credit Union, for the purpose of constructing the FAIRWINDS Alumni Center. As of June 30, 2006, the full amount of the line 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 1.00. The loan was due on December 31, 2015, and bears interest at a fixed rate of 4.59%. Contributions revenue has been pledged as the source of payment for principal and interest. During fiscal years 2016 and 2015, \$165,455 and \$172,876 was paid in interest and principal respectively. As of June 30, 2016, this loan has been paid off.

**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 \$1,999,340 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, 2017 and 2016, is \$1,958,020 and \$1,960,883, 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.

**Covenants:** The provisions of the notes and the line of credit described above 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 of 1.5 to 1 over the life of the loans. The Foundation was in compliance with all loan covenants for fiscal years 2017 and 2016.

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

**Notes to Financial Statements**

**Note 6. Long-Term Liabilities (Continued)**

**Interest expense:** Total interest expense for the year ended June 30, 2017, was \$1,308,843, which includes \$26,894 from annual amortization of the deferred refunding loss on refinancing of debt. In fiscal year 2016, interest expense was \$1,410,787 inclusive of \$42,536 from amortization. These amounts are included in building operations and general University support in the accompanying statements of revenues, expenses and changes in net position, as follows:

**Principal and interest requirements:** Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2017, are as follows:

|               | Principal            | Interest            | Total                |
|---------------|----------------------|---------------------|----------------------|
| 2018          | \$ 3,708,020         | \$ 923,380          | \$ 4,631,400         |
| 2019          | 1,837,000            | 798,481             | 2,635,481            |
| 2020          | 1,923,000            | 713,472             | 2,636,472            |
| 2021          | 2,007,000            | 624,410             | 2,631,410            |
| 2022          | 2,096,000            | 531,366             | 2,627,366            |
| 2023-2027     | 10,122,000           | 1,168,768           | 11,290,768           |
| 2028-2029     | 1,470,000            | 61,773              | 1,531,773            |
| <b>Totals</b> | <b>\$ 23,163,020</b> | <b>\$ 4,821,650</b> | <b>\$ 27,984,670</b> |

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, 2017, 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, 2017 and 2016, there were payments of \$76,829 and \$75,262, 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 \$34,455.

**Unearned revenue:** Unearned revenue at June 30, 2017 and 2016, is as follows:

|                                    | 2017             | 2016                |
|------------------------------------|------------------|---------------------|
| Planned giving from donors         | \$ 1,984,642     | \$ 1,910,577        |
| Prepaid rent from tenants          | 2,100            | 11,820              |
| <b>Total unearned revenue</b>      | <b>1,986,742</b> | <b>1,922,397</b>    |
| Less current portion               | 1,986,742        | 11,820              |
| <b>Noncurrent unearned revenue</b> | <b>\$ -</b>      | <b>\$ 1,910,577</b> |

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

**Notes to Financial Statements**

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**Note 6. Long-Term Liabilities (Continued)**

**Compensated absences:** Compensated absences represent the amount of unused vacation and sick time that has accrued. At June 30, 2016, the liability for paid leave for Foundation employees was \$70,117. Beginning in 2017, this liability will be reported by the University and will not be reflected on the Foundation's financial statements.

**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 2017 and 2016 were approximately \$406,273 and \$729,459, respectively.

**Note 8. Related Party Transactions**

The Foundation considers the University and the University's 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 Golden Knights Corporation, Inc.

The Foundation is the primary fundraiser for the University; in return, the University and the DSOs provide monetary support. The Foundation also receives rents and reimbursement for certain operating expenses from the University related to rents received from 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.  
(A Discrete Component Unit of the University of Central Florida)**

**Notes to Financial Statements**

**Note 8. Related Party Transactions (Continued)**

Significant transactions between the Foundation, University and their related DSOs in 2017 and 2016 were as follows:

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| Support received from the University and its DSO's: |                      |                      |
| University of Central Florida                       | \$ 11,939,937        | \$ 10,130,148        |
| University of Central Florida Athletics             | 179,049              | 750,747              |
| University of Florida Convocation Corporation       | -                    | 47,120               |
| <b>Total program support from related parties</b>   | <u>\$ 12,118,986</u> | <u>\$ 10,928,015</u> |

Funds received for rent and reimbursements related to leases

From the University:

|   |                     |                     |
|---|---------------------|---------------------|
| Total revenues  | \$ 9,306,243        | \$ 9,249,908        |
| <b>Total rent and reimbursements from related parties</b> | <u>\$ 9,306,243</u> | <u>\$ 9,249,908</u> |

Payables

To the University:

|                       |                |                |
|-----------------------|----------------|----------------|
| Rent reimbursements   | \$ 59,378      | \$ 28,761      |
| Payables for programs | 94,037         | 568,937        |
|                       | <u>153,415</u> | <u>597,698</u> |

To UCF Convocation Corporation, Inc.

65,167      2,028

To UCF Golden Knights Corporation, Inc.

434,658      520,439

To UCF Athletic Association, Inc.

122,486      121,979

**Total payables to related parties**

\$ 775,726      \$ 1,242,144

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 generally through competitive or negotiated procurement processes.

Included in Note 6, Long-Term Liabilities, 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 2017 and 2016.

Portions of the Foundation's pledge receivable balance of \$2,025,024 and \$939,584 as of June 30, 2017 and 2016, respectively, are commitments made by several members of the Foundation's Board of Directors. In addition, the Foundation received \$597,736 and \$669,856 during fiscal years 2017 and 2016, respectively, in contributions and other revenues from various members of the Foundation's Board of Directors.

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

**Notes to Financial Statements**

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**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, 2017, approximate future minimum rental payments to be received under noncancelable operating leases are as follows:

|      | University-<br>Affiliated<br>Tenants | Commercial<br>Tenants | Total                |
|------|--------------------------------------|-----------------------|----------------------|
| 2018 | \$ 6,052,577                         | \$ 223,153            | \$ 6,275,730         |
| 2019 | 5,496,660                            | 213,784               | 5,710,444            |
| 2020 | 3,577,273                            | 219,493               | 3,796,766            |
| 2021 | -                                    | 130,560               | 130,560              |
| 2022 | -                                    | 2,247                 | 2,247                |
|      | <u>\$ 15,126,510</u>                 | <u>\$ 789,237</u>     | <u>\$ 15,915,747</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, 2017 and 2016, were \$9,749,103 and \$9,672,334, respectively.

**Note 10. Administrative Fees**

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 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 2017 and 2016 of \$3,343,149 and \$3,202,137, respectively. For financial reporting purposes, these fees are eliminated.

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

**Notes to Financial Statements**

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**Note 11. Pension Plans**

**Florida Retirement System:** During the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement requires a cost-sharing employer to recognize a liability for its proportionate share of the net pension liability. However, the University does not determine a separate net pension liability amount for University personnel working for the Foundation. As a result, no liability has been accrued in these financial statements as the University accrues the entire amount. 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. As of July 1, 2011, legislation changed the Plan into a contributory system, requiring an employee contribution rate of 3.00% during fiscal years 2017, 2016 and 2015, with an employer contribution rate of 7.52%, 7.26%, and 7.37%, respectively, including 1.66% for the postemployment health insurance supplement in 2017 and 2016 and 1.26% for fiscal year 2015 and 0.06% for administrative costs in fiscal years 2017, and 0.04% in fiscal years 2016 and 2015.

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 were \$167,603, \$113,304 and \$117,030 for fiscal years ending June 30, 2017, 2016 and 2015, respectively. Employees contributed \$58,819, \$43,773 and \$47,138, respectively.

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

**Notes to Financial Statements**

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**Note 11. Pension Plans (Continued)**

**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 Foundation contributed on behalf of the participant an amount equal to 5.14% of the participant's gross monthly compensation during fiscal years 2017, 2016 and 2015.

There were 109 Foundation funded participants during fiscal year 2017 and 83 during fiscal year 2016. Required contributions made to the Program, net of employee contributions, totaled \$520,106, \$419,481 and \$345,993 during fiscal years 2017, 2016 and 2015, respectively. In addition, employee contributions were made in the amount of \$197,692, \$158,590 and \$132,912 during fiscal years 2017, 2016 and 2015, 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).

There were 22 participants during fiscal year 2017, 20 participants during fiscal year 2016 and 15 participants during fiscal year 2015. Required contributions made to the PEORP totaled \$93,519, \$77,074 and \$64,938, respectively. Employee participant contributions totaled \$36,536, \$31,849 and \$26,433 during fiscal years 2017, 2016 and 2015, respectively. The University does not determine a separate net pension liability amount for University personnel working for the Foundation. As a result, no liability has been accrued in these financial statements and the University accrues the entire amount.

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

**Notes to Financial Statements**

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**Note 11. Pension Plans (Continued)**

**Other post-employment 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, 2017, 2016 and 2015, the University recorded a net OPEB obligation 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 and no amounts are charged to the various state entities for this cost.

During the year ended June 30, 2017, basic types of insurance coverage remained the same as the types of coverage for June 30, 2015. 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, 2017

|  | Unrestricted        | Restricted         |                             | Net Investment<br>in Capital<br>Assets | Total             |
|--|---------------------|--------------------|-----------------------------|--|-------------------|
|  |                     | Expendable         | Nonexpendable<br>Endowments |  |                   |
| <b>Operating Revenues</b>                            |                     |                    |                             |  |                   |
| Contributions, net                                   | \$ 473,976          | \$ 29,509,400      | \$ -                        | \$ -                                   | \$ 29,983,376     |
| Rental income  | 9,899,103           | -                  | -                           | -                                      | 9,899,103         |
| Net realized and unrealized losses<br>on investments | 409,316             | 13,670,387         | -                           | -                                      | 14,079,703        |
| Interest and dividends                               | 724,520             | 613,406            | -                           | -                                      | 1,337,926         |
| License plate proceeds                               | 466,771             | -                  | -                           | -                                      | 466,771           |
| Advertising and royalties                            | 248,200             | 28,759             | -                           | -                                      | 276,959           |
| Other miscellaneous                                  | 10,512              | 121,694            | 1,815                       | -                                      | 134,021           |
| <b>Total operating revenues, net</b>                 | <b>12,232,398</b>   | <b>43,943,646</b>  | <b>1,815</b>                | <b>-</b>                               | <b>56,177,859</b> |
| <b>Operating Expenses</b>                            |                     |                    |                             |  |                   |
| Building operations                                  | 4,858,113           | -                  | -                           | 1,903,425                              | 6,761,538         |
| Athletics  | -                   | 10,823,319         | -                           | -                                      | 10,823,319        |
| Fundraising  | 6,931,583           | 676,832            | -                           | -                                      | 7,608,415         |
| Management and general                               | 6,075,721           | -                  | -                           | 90,078                                 | 6,165,799         |
| Student aid  | 667,781             | 3,018,391          | -                           | -                                      | 3,686,172         |
| Academic support                                     | 118,790             | 5,922,854          | -                           | -                                      | 6,041,644         |
| Alumni relations                                     | 3,743,015           | 129,631            | -                           | -                                      | 3,872,646         |
| General university support                           | 2,548,500           | 2,665,311          | -                           | 6,666                                  | 5,220,477         |
| Research   | -                   | 329,441            | -                           | -                                      | 329,441           |
| <b>Total operating expenses</b>                      | <b>24,943,503</b>   | <b>23,565,779</b>  | <b>-</b>                    | <b>2,000,169</b>                       | <b>50,509,451</b> |
| <b>Operating gain (loss)</b>                         | <b>(12,711,105)</b> | <b>20,377,867</b>  | <b>1,815</b>                | <b>(2,000,169)</b>                     | <b>5,668,408</b>  |
| <b>Nonoperating Revenues</b>                         |                     |                    |                             |  |                   |
| University Support                                   | 11,939,937          | -                  | -                           | -                                      | 11,939,937        |
| UCFAA Support  | 179,049             | -                  | -                           | -                                      | 179,049           |
| UCF Convocation Support                              | -                   | -                  | -                           | -                                      | -                 |
| Change in value of split interest agreements         | (4,272)             | (30,183)           | -                           | -                                      | (34,455)          |
| <b>Total nonoperating revenues</b>                   | <b>12,114,714</b>   | <b>(30,183)</b>    | <b>-</b>                    | <b>-</b>                               | <b>12,084,531</b> |
| <b>Gain before endowment contributions</b>           | <b>(596,391)</b>    | <b>20,347,684</b>  | <b>1,815</b>                | <b>(2,000,169)</b>                     | <b>17,752,939</b> |
| Endowment Contributions                              | -                   | -                  | 4,270,764                   | -                                      | 4,270,764         |
| <b>Gain (loss) before transfers</b>                  | <b>(596,391)</b>    | <b>20,347,684</b>  | <b>4,272,579</b>            | <b>(2,000,169)</b>                     | <b>22,023,703</b> |
| <b>Transfers</b>                                     |                     |                    |                             |  |                   |
| Net transfers in (out)                               | (361,780)           | 398,808            | (37,028)                    | -                                      | -                 |
| Internal fees in (out)                               | 3,334,048           | (3,334,048)        | -                           | -                                      | -                 |
| Capital asset adjustments in (out)                   | (3,846,368)         | -                  | -                           | 3,846,368                              | -                 |
| <b>Total transfers</b>                               | <b>(874,100)</b>    | <b>(2,935,240)</b> | <b>(37,028)</b>             | <b>3,846,368</b>                       | <b>-</b>          |
| Change in net position                               | (1,470,491)         | 17,412,444         | 4,235,551                   | 1,846,199                              | 22,023,703        |
| Net Position – Beginning of Year                     | 20,859,668          | 71,590,861         | 126,195,611                 | 52,604,837                             | 271,250,977       |
| Net Position – End of Year                           | \$ 19,389,177       | \$ 89,003,305      | \$ 130,431,162              | \$ 54,451,036                          | \$ 293,274,680    |

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, 2016

|  | Unrestricted        | Restricted         |                             | Net Investment<br>in Capital<br>Assets | Total             |
|--|---------------------|--------------------|-----------------------------|--|-------------------|
|  |                     | Expendable         | Nonexpendable<br>Endowments |  |                   |
| <b>Operating Revenues</b>                    |                     |                    |                             |  |                   |
| Contributions, net                           | \$ 492,017          | \$ 29,198,409      | \$ -                        | \$ -                                   | \$ 29,690,426     |
| Rental income                                | 9,822,334           | -                  | -                           | -                                      | 9,822,334         |
| Net realized and unrealized losses           |                     |                    |                             |  |                   |
| on investments                               | 440,552             | 663,787            | -                           | -                                      | 1,104,339         |
| Interest and dividends                       | 624,700             | 437,636            | -                           | -                                      | 1,062,336         |
| License plate proceeds                       | 378,122             | -                  | -                           | -                                      | 378,122           |
| Advertising and royalties                    | 265,361             | 29,629             | -                           | -                                      | 294,990           |
| Other miscellaneous                          | 40,157              | 64,791             | 3,551                       | -                                      | 108,499           |
| <b>Total operating revenues, net</b>         | <b>12,063,243</b>   | <b>30,394,252</b>  | <b>3,551</b>                | <b>-</b>                               | <b>42,461,046</b> |
| <b>Operating Expenses</b>                    |                     |                    |                             |  |                   |
| Building operations                          | 4,675,973           | -                  | -                           | 1,948,236                              | 6,624,209         |
| Athletics                                    | -                   | 7,113,238          | -                           | -                                      | 7,113,238         |
| Fundraising                                  | 6,611,105           | 438,442            | -                           | -                                      | 7,049,547         |
| Management and general                       | 4,851,783           | 10                 | -                           | 92,741                                 | 4,944,534         |
| Student aid                                  | 476,563             | 3,058,457          | -                           | -                                      | 3,535,020         |
| Academic support                             | 124,277             | 5,183,278          | -                           | -                                      | 5,307,555         |
| Alumni relations                             | 2,027,212           | 190,061            | -                           | -                                      | 2,217,273         |
| General university support                   | 3,298,987           | 1,982,027          | -                           | 6,667                                  | 5,287,681         |
| Research                                     | -                   | 596,506            | -                           | -                                      | 596,506           |
| <b>Total operating expenses</b>              | <b>22,065,900</b>   | <b>18,562,019</b>  | <b>-</b>                    | <b>2,047,644</b>                       | <b>42,675,563</b> |
| <b>Operating gain (loss)</b>                 | <b>(10,002,657)</b> | <b>11,832,233</b>  | <b>3,551</b>                | <b>(2,047,644)</b>                     | <b>(214,517)</b>  |
| <b>Nonoperating Revenues</b>                 |                     |                    |                             |  |                   |
| University Support                           | 10,130,148          | -                  | -                           | -                                      | 10,130,148        |
| UCFAA Support                                | 750,747             | -                  | -                           | -                                      | 750,747           |
| UCF Convocation Support                      | 47,120              | -                  | -                           | -                                      | 47,120            |
| Change in value of split interest agreements | (4,273)             | (30,638)           | -                           | -                                      | (34,911)          |
| <b>Total nonoperating revenues</b>           | <b>10,923,742</b>   | <b>(30,638)</b>    | <b>-</b>                    | <b>-</b>                               | <b>10,893,104</b> |
| <b>Gain before endowment contributions</b>   | <b>921,085</b>      | <b>11,801,595</b>  | <b>3,551</b>                | <b>(2,047,644)</b>                     | <b>10,678,587</b> |
| Endowment Contributions                      | -                   | -                  | 3,180,410                   | -                                      | 3,180,410         |
| <b>Gain (loss) before transfers</b>          | <b>921,085</b>      | <b>11,801,595</b>  | <b>3,183,961</b>            | <b>(2,047,644)</b>                     | <b>13,858,997</b> |
| <b>Transfers</b>                             |                     |                    |                             |  |                   |
| Net transfers in (out)                       | 159,766             | (200,286)          | 40,520                      | -                                      | -                 |
| Internal fees in (out)                       | 3,164,160           | (3,164,160)        | -                           | -                                      | -                 |
| Capital asset adjustments in (out)           | (2,503,615)         | -                  | -                           | 2,503,615                              | -                 |
| <b>Total transfers</b>                       | <b>820,311</b>      | <b>(3,364,446)</b> | <b>40,520</b>               | <b>2,503,615</b>                       | <b>-</b>          |
| Change in net position                       | 1,741,396           | 8,437,149          | 3,224,481                   | 455,971                                | 13,858,997        |
| Net Position – Beginning of Year             | 19,118,272          | 63,153,712         | 122,971,130                 | 52,148,866                             | 257,391,980       |
| Net Position – End of Year                   | \$ 20,859,668       | \$ 71,590,861      | \$ 126,195,611              | \$ 52,604,837                          | \$ 271,250,977    |

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, 2017

| Description Endowed   | Beginning<br>Corpus Balance<br>June 30, 2016 | Beginning<br>Total Balance<br>June 30, 2016 | Corpus<br>Contributed During<br>The Year | Gifts to<br>Spending<br>During<br>The Year | Interest<br>Income and<br>Investment<br>Earnings | Administrative<br>Fees | Other<br>Expenditures | Transfers | Ending<br>Corpus Balance<br>June 30, 2017 | Ending<br>Total Balance<br>June 30, 2017 |
|---|--|---|--|--|--|------------------------|-----------------------|-----------|---|--|
| ABC Fine Wine & Spirits Undergraduate Scholarship Endowment                             | \$ 630,000                                   | \$ 821,082                                  | \$ -                                     | \$ -                                       | \$ 79,914  | \$ (18,567)            | \$ (30,846)           | \$ -      | \$ 630,000                                | \$ 851,583                               |
| Accounting Advisory Board Endowed Scholarship Fund                                      | 159,130                                      | 209,370                                     | -  | -  | 18,560   | (4,312)                | (9,500)               | -         | 159,130                                   | 214,118                                  |
| Accounting Advisory Board Research Support Fund   | 342,629                                      | 462,734                                     | -  | -  | 39,514   | (9,181)                | -                     | -         | 342,629                                   | 493,067                                  |
| Agere Systems Eminent Scholar Chair of Computer Science                                 | 1,020,000                                    | 1,347,240                                   | -  | -  | 118,513  | (27,535)               | (8,269)               | -         | 1,020,000                                 | 1,429,949                                |
| Al & Nancy Burnett Eminent Scholar Chair in Accounting                                  | 1,020,500                                    | 1,683,184                                   | -  | -  | 144,944  | (33,676)               | (56,467)              | -         | 1,020,500                                 | 1,737,985                                |
| Alex Alexander Endowed Professorship  | 195,679                                      | 258,747                                     | -  | -  | 22,616   | (5,254)                | (5,187)               | -         | 195,679                                   | 270,922                                  |
| Alumni Trust "A" Endowment  | 186,953                                      | 237,627                                     | 584,398                                  | -  | 94,011   | (21,843)               | (27,500)              | 165,519   | 771,351                                   | 1,032,212                                |
| Alumni Trust "B" Endowment  | 150,000                                      | 209,097                                     | (150,000)                                | -  | -  | -                      | -                     | (209,097) | -   | -  |
| Alumni Trust "C" Endowment  | 150,040                                      | 196,758                                     | (150,040)                                | -  | -  | -                      | -                     | (196,758) | -   | -  |
| Alumni Trust "D" Endowment  | 151,167                                      | 188,997                                     | (151,167)                                | -  | -  | -                      | -                     | (188,997) | -   | -  |
| Anheuser-Busch Academic Enhancement Fund  | 750,000                                      | 1,036,467                                   | -  | -  | 81,535   | (18,944)               | -                     | -         | 750,000                                   | 1,099,058                                |
| ARDA Timeshare Professorship Endowed Fund   | 150,000                                      | 212,906                                     | -  | -  | 16,130   | (3,748)                | -                     | -         | 150,000                                   | 225,288                                  |
| Arthur & Sally Hillman Endowed Scholarship  | 299,069                                      | 356,411                                     | -  | -  | 31,731   | (7,372)                | -                     | -         | 299,069                                   | 380,770                                  |
| AT&T Wireless Endowed Scholarship Fund  | 150,000                                      | 167,260                                     | -  | -  | 15,915   | (3,698)                | (5,000)               | -         | 150,000                                   | 174,477                                  |
| BE2000 Leadership Endowed Scholarship Fund  | 1,063,996                                    | 1,601,125                                   | -  | -  | 141,772  | (32,939)               | (15,000)              | -         | 1,063,996                                 | 1,694,958                                |
| Beat M. and Jill L. Kahli Endowed Professorship in Oncology Nursing                     | 480,075                                      | 613,538                                     | -  | -  | 57,044   | (13,253)               | (20,177)              | -         | 480,075                                   | 637,152                                  |
| Bert Fish Memorial Eminent Scholar Chair In Nursing Education                           | 1,020,000                                    | 1,288,113                                   | -  | -  | 118,960  | (27,639)               | (45,832)              | -         | 1,020,000                                 | 1,333,602                                |
| Business Ethics Endowed Scholarship   | 145,000                                      | 159,278                                     | -  | -  | 15,449   | (3,589)                | (6,510)               | -         | 145,000                                   | 164,628                                  |
| C.G. Avery Professorship in Accounting  | 151,430                                      | 207,443                                     | -  | -  | 19,087   | (4,435)                | (4,851)               | -         | 151,430                                   | 217,244                                  |
| CAE Link Endowed Professorship  | 180,000                                      | 263,597                                     | -  | -  | 23,200   | (5,390)                | -                     | -         | 180,000                                   | 281,407                                  |
| Carl H. Galloway, Jr. Chair for Excellence in Business                                  | 1,000,000                                    | 1,960,100                                   | -  | -  | 158,169  | (36,749)               | (27,976)              | -         | 1,000,000                                 | 2,053,544                                |
| CBA Department of Marketing Endowed Faculty Development Account                         | 164,672                                      | 218,581                                     | -  | -  | 17,515   | (4,069)                | -                     | -         | 164,672                                   | 232,027                                  |
| Central Florida Chapter of the Air Force Association Air Force ROTC Endowed Scholarship | 157,245                                      | 186,979                                     | 2,000                                    | -  | 18,293   | (4,251)                | (6,250)               | -         | 159,245                                   | 196,771                                  |
| Central Florida Hotel Lodging Association Professorship                                 | 150,000                                      | 275,689                                     | -  | -  | 18,868   | (4,384)                | (4,892)               | -         | 150,000                                   | 285,281                                  |
| Central Florida Kidney Center Endowed Scholarship                                       | 150,000                                      | 168,652                                     | -  | -  | 16,339   | (3,796)                | (6,000)               | -         | 150,000                                   | 175,195                                  |
| Charles N. Millican Eminent Scholar Chair in Computer Science                           | 1,000,000                                    | 1,333,963                                   | -  | -  | 109,459  | (25,432)               | (1,792)               | -         | 1,000,000                                 | 1,416,198                                |
| Cobb Family Eminent Scholar Chair   | 1,087,500                                    | 1,748,788                                   | 1,000                                    | -  | 163,202  | (34,875)               | (18,887)              | -         | 1,088,500                                 | 1,859,228                                |
| College of Engineering Alumni Chapter Endowed Scholarship                               | 264,971                                      | 294,513                                     | 205                                      | -  | 28,126   | (6,534)                | (8,000)               | -         | 265,176                                   | 308,310                                  |
| Conway Garden Club Endowed Professorship Fund   | 150,000                                      | 188,761                                     | -  | -  | 17,289   | (4,017)                | (4,935)               | -         | 150,000                                   | 197,098                                  |
| Daniel D. Hammond Engineering Endowed Scholarship/Fellowship                            | 244,687                                      | 267,657                                     | -  | -  | 25,962   | (6,032)                | (9,000)               | -         | 244,687                                   | 278,587                                  |
| Darden Restaurants Academic Excellence Fund   | 4,000,002                                    | 5,782,914                                   | -  | -  | 438,208  | (101,813)              | (87,192)              | -         | 4,000,002                                 | 6,032,117                                |
| Davis-Shine Endowed Professorship in Conservation Biology                               | 150,000                                      | 183,335                                     | -  | -  | 17,289   | (4,017)                | (5,914)               | -         | 150,000                                   | 190,693                                  |
| Della Phillips Martha Schenck Chair of American Private Enterprise                      | 1,000,000                                    | 1,712,435                                   | -  | -  | 126,239  | (29,330)               | (55,815)              | -         | 1,000,000                                 | 1,753,529                                |
| DeVos / Orlando Magic Sport Business Management Endowed Scholarship                     | 150,000                                      | 178,883                                     | -  | -  | 16,081   | (3,736)                | (4,000)               | -         | 150,000                                   | 187,228                                  |
| DeVos Endowment for Academics and Sports  | 10,000,250                                   | 10,832,907                                  | -  | -  | 1,052,238  | (244,476)              | (427,780)             | -         | 10,000,250                                | 11,212,889                               |
| DeVos Sport Business Management Program Endowed Fund                                    | 5,000,025                                    | 5,724,482                                   | -  | -  | 530,520  | (123,261)              | (356,659)             | -         | 5,000,025                                 | 5,775,082                                |
| Doris H. Lester Endowed Merit Scholarship   | 150,000                                      | 159,919                                     | -  | -  | 15,475   | (3,595)                | (6,390)               | -         | 150,000                                   | 165,409                                  |
| Dorothy Anne Perkins Tomlinson Endowed Scholarship Fund                                 | 152,000                                      | 167,683                                     | 1,000                                    | 1,000                                      | 16,113   | (3,745)                | (6,000)               | -         | 153,000                                   | 176,051                                  |
| Dr. P. Phillips Institute for Research and Education                                    | 1,780,000                                    | 2,039,973                                   | -  | -  | 196,690  | (45,699)               | (14,836)              | -         | 1,780,000                                 | 2,176,128                                |
| Dr. Pattisapu R.J. Gangadharam Endowed Fund for Hydrocephalus Research                  | 187,700                                      | 218,578                                     | -  | -  | 19,797   | (4,600)                | -                     | -         | 187,700                                   | 233,775                                  |
| Dr. Phillips Institute for the Study of American Business Activity                      | 308,700                                      | 889,758                                     | -  | -  | 67,095   | (15,589)               | (62,912)              | -         | 308,700                                   | 878,352                                  |
| Edmond and Victoria Wirths Memorial Scholarship   | 267,589                                      | 335,463                                     | -  | -  | 28,391   | (6,596)                | (3,375)               | -         | 267,589                                   | 353,883                                  |
| EY Endowed Professorship of Accounting  | 154,549                                      | 249,076                                     | -  | -  | 22,509   | (5,230)                | (7,114)               | -         | 154,549                                   | 259,241                                  |
| Florida Blue Endowed Visiting Professorship in Nursing                                  | 300,000                                      | 390,058                                     | -  | -  | 32,978   | (7,662)                | (9,578)               | -         | 300,000                                   | 405,796                                  |
| Florida Hospital Foundation Endowed Chair in Cardiovascular Research                    | 1,750,341                                    | 2,270,431                                   | -  | -  | 203,808  | (47,352)               | (57,775)              | -         | 1,750,341                                 | 2,369,112                                |
| Frank M. Hubbard Engineering Endowed Scholarship  | 152,500                                      | 201,227                                     | -  | -  | 19,488   | (4,528)                | (12,000)              | 3,482     | 152,500                                   | 207,669                                  |
| Fullerton Family Fund Endowed   | 386,797                                      | 406,924                                     | -  | -  | 39,596   | (9,200)                | -                     | -         | 386,797                                   | 437,320                                  |
| Gerald R. Langston Endowed Scholarship  | 152,493                                      | 168,675                                     | -  | -  | 16,503   | (3,834)                | (5,000)               | -         | 152,493                                   | 176,344                                  |
| Gerry and Ruth Hartman Endowed Professorship  | 150,000                                      | 187,915                                     | -  | -  | 17,607   | (4,091)                | (2,500)               | -         | 150,000                                   | 198,931                                  |
| Greater Orlando Builders Association Foundation Endowed Scholarship                     | 150,000                                      | 192,800                                     | -  | -  | 18,486   | (4,295)                | (5,000)               | -         | 150,000                                   | 201,991                                  |

(Continued)

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, 2017

| Description Endowed   | Beginning<br>Corpus Balance<br>June 30, 2016 | Beginning<br>Total Balance<br>June 30, 2016 | Corpus<br>Contributed During<br>The Year | Gifts to<br>Spending<br>During<br>The Year | Interest<br>Income and<br>Investment<br>Earnings | Administrative<br>Fees | Other<br>Expenditures | Transfers | Ending<br>Corpus Balance<br>June 30, 2017 | Ending<br>Total Balance<br>June 30, 2017 |
|---|--|---|--|--|--|------------------------|-----------------------|-----------|---|--|
| Harris Corporation Broadcast Center Endowment Fund  | \$ 150,000                                   | \$ 204,877                                  | \$ -                                     | \$ -                                       | \$ 16,128  | \$ (3,747)             | \$ (3,387)            | \$ -      | \$ 150,000                                | \$ 213,871                               |
| Harris Rosen Endowed Fund   | 2,170,000                                    | 2,270,796                                   | -  | -  | 91,090   | (51,300)               | -                     | -         | 2,170,000                                 | 2,310,586                                |
| Helene Fuld Health Trust Scholarship Fund Endowed   | 612,814                                      | 693,537                                     | 263,336                                  | 262,500                                    | 75,073   | (18,132)               | (80,110)              | -         | 876,150                                   | 1,196,204                                |
| HFTP Financial Management and Technology Professorship Endowed Fund                       | 150,000                                      | 207,490                                     | -  | -  | 16,219   | (3,768)                | -                     | -         | 150,000                                   | 219,941                                  |
| Hospitality and Travel Industry Education and Research Program                            | 6,000,605                                    | 8,455,208                                   | 152                                      | -  | 636,656  | (147,920)              | (117,890)             | -         | 6,000,757                                 | 8,826,206                                |
| Howard Phillips Eminent Scholar Chair in Real Estate                                      | 1,020,000                                    | 1,233,812                                   | -  | -  | 108,834  | (25,286)               | (65,502)              | -         | 1,020,000                                 | 1,251,858                                |
| Hubbs-Sea World Endowed Professorship   | 150,000                                      | 164,120                                     | -  | -  | 15,919   | (3,699)                | (6,700)               | -         | 150,000                                   | 169,640                                  |
| Hughes Simulation Systems Professorship   | 180,060                                      | 432,539                                     | -  | -  | 26,429   | (6,140)                | -                     | -         | 180,060                                   | 452,828                                  |
| Hydrocephalus and Neuroscience Endowed Fund   | 157,500                                      | 183,589                                     | -  | -  | 16,941   | (3,936)                | -                     | -         | 157,500                                   | 196,594                                  |
| J. Willard and Alice S. Marriott Foundation Academic Excellence Fund                      | 150,000                                      | 189,107                                     | 50                                       | -  | 15,921   | (3,699)                | -                     | -         | 150,050                                   | 201,379                                  |
| Jack D. Holloway Endowed Scholarship  | 600,000                                      | 754,009                                     | -  | -  | 70,701   | (16,427)               | (14,000)              | -         | 600,000                                   | 794,283                                  |
| James and Annie Ying Eminent Scholar in Biology Program Endowment                         | 150,000                                      | 171,054                                     | -  | -  | 16,592   | (3,855)                | (6,983)               | -         | 150,000                                   | 176,808                                  |
| Jim Heistand NAIOP Eminent Scholar Endowed Chair in Real Estate                           | 820,550                                      | 980,141                                     | -  | -  | 95,778   | (22,253)               | (33,000)              | -         | 820,550                                   | 1,020,666                                |
| John L. Brinson Endowed Scholarship   | 101,000                                      | 124,724                                     | -  | -  | 12,114   | (2,814)                | (3,500)               | -         | 101,000                                   | 130,524                                  |
| John L. Brinson Ethics Professorship  | 50,520                                       | 108,443                                     | -  | -  | 6,948  | (1,614)                | (12,296)              | -         | 50,520                                    | 101,481                                  |
| Kenneth G. Dixon School of Accounting Endowment Fund                                      | 5,020,620                                    | 6,203,233                                   | -  | -  | 547,873  | (127,292)              | (212,385)             | -         | 5,020,620                                 | 6,411,429                                |
| Kimball Foundation Minority Scholarship Endowment   | 152,300                                      | 184,569                                     | -  | -  | 17,964   | (4,174)                | (6,934)               | -         | 152,300                                   | 191,425                                  |
| KPMG Peat Marwick Professorship Endowment   | 172,875                                      | 228,345                                     | -  | -  | 21,618   | (5,023)                | (7,458)               | -         | 172,875                                   | 237,482                                  |
| Langford Family Foundation Endowed Scholarship Fund                                       | 169,545                                      | 183,774                                     | -  | -  | 17,840   | (4,145)                | (7,200)               | -         | 169,545                                   | 190,269                                  |
| Lockheed Martin Eminent Scholar Chair of Science and Math                                 | 1,759,755                                    | 2,384,345                                   | -  | -  | 202,912  | (47,144)               | (81,414)              | -         | 1,759,755                                 | 2,458,699                                |
| Lockheed Martin Professorship in Engineering  | 150,000                                      | 214,074                                     | -  | -  | 20,809   | (4,835)                | (4,600)               | -         | 150,000                                   | 225,448                                  |
| Lockheed Martin St. Laurent Professorship   | 160,000                                      | 245,767                                     | -  | -  | 23,761   | (5,521)                | (2,600)               | -         | 160,000                                   | 261,407                                  |
| Lockheed Martin Transition to Mathematics and Science Teaching Endowed Fund               | 677,500                                      | 787,504                                     | -  | -  | 71,014   | (16,499)               | (16,217)              | -         | 677,500                                   | 825,802                                  |
| Lucia C. Cooke Endowed Music Scholarship Fund   | 162,903                                      | 224,564                                     | -  | -  | 17,622   | (4,094)                | (5,500)               | -         | 162,903                                   | 232,592                                  |
| Mary P. McNamara Scholarship Endowment #1   | 150,000                                      | 182,133                                     | -  | -  | 17,727   | (4,119)                | (6,842)               | -         | 150,000                                   | 188,899                                  |
| Mary P. McNamara Scholarship Endowment #2   | 150,000                                      | 164,253                                     | -  | -  | 15,932   | (3,702)                | (6,706)               | -         | 150,000                                   | 169,777                                  |
| McArdle Graduate Assistantship in Real Estate Fund  | 150,000                                      | 179,199                                     | -  | -  | 16,233   | (3,772)                | (5,000)               | -         | 150,000                                   | 186,660                                  |
| Mildred W. Coyle Eminent Scholar Endowed Chair  | 1,020,000                                    | 1,210,717                                   | -  | -  | 108,247  | (25,150)               | (48,941)              | -         | 1,020,000                                 | 1,244,873                                |
| Moss Family Endowed Scholarship Fund  | 594,891                                      | 657,141                                     | -  | -  | 63,681   | (14,796)               | (20,000)              | -         | 594,891                                   | 686,026                                  |
| NAIOP Jim Brown Endowed Real Estate and Business Ethics Scholarship Fund NAIOP - National | 204,100                                      | 246,505                                     | -  | -  | 21,720   | (5,046)                | (8,000)               | -         | 204,100                                   | 255,179                                  |
| Northrop Grumman Scholarship Fund (Formerly Litton Scholarship End)                       | 214,743                                      | 390,677                                     | -  | -  | 34,307   | (7,971)                | (8,000)               | -         | 214,743                                   | 409,013                                  |
| Orange County Convention and Visitors Bureau Endowed Chair                                | 4,000,004                                    | 4,771,572                                   | -  | -  | 410,943  | (95,478)               | (158,557)             | -         | 4,000,004                                 | 4,928,480                                |
| Orlando Sentinel Endowed Scholarship  | 252,500                                      | 293,263                                     | -  | -  | 26,152   | (6,076)                | (3,000)               | -         | 252,500                                   | 310,339                                  |
| Orlando Shakespeare Theater Endowment in Playwriting                                      | 775,000                                      | 854,477                                     | -  | -  | 81,625   | (18,965)               | (34,000)              | -         | 775,000                                   | 883,137                                  |
| Progress Energy Endowed Scholarship Fund  | 151,500                                      | 219,639                                     | -  | -  | 20,283   | (4,713)                | (15,000)              | -         | 151,500                                   | 220,209                                  |
| Richard T. Crotty Orange County Endowed Chair   | 1,020,000                                    | 1,481,131                                   | -  | -  | 121,356  | (28,196)               | (2,005)               | -         | 1,020,000                                 | 1,572,286                                |
| Robert E. & Elisabeth S. Carey Library Endowment  | 338,343                                      | 434,337                                     | -  | -  | 35,919   | (8,346)                | (16,000)              | -         | 338,343                                   | 445,910                                  |
| Robert N. Heintzelman Eminent Scholar Endowed Chair Fund                                  | 1,020,570                                    | 1,240,220                                   | -  | -  | 117,462  | (27,291)               | -                     | -         | 1,020,570                                 | 1,330,391                                |
| Robertson Student Support Fund  | 287,279                                      | 349,054                                     | -  | -  | 30,080   | (6,989)                | -                     | -         | 287,279                                   | 372,145                                  |
| Sadler National Merit Scholarship Endowment   | 675,000                                      | 739,770                                     | -  | -  | 71,756   | (16,672)               | (30,201)              | -         | 675,000                                   | 764,653                                  |
| SAIC Endowed Professorship  | 150,000                                      | 180,548                                     | -  | -  | 16,593   | (3,855)                | (846)                 | -         | 150,000                                   | 192,440                                  |
| Skura Family Endowed Freedom Scholarship  | 700,025                                      | 775,874                                     | -  | -  | 75,259   | (17,485)               | (30,883)              | -         | 700,025                                   | 802,765                                  |
| Sonny's Endowment for the President's Scholars Program                                    | 150,100                                      | 192,993                                     | 50                                       | -  | 15,923   | (3,700)                | (9,000)               | -         | 150,150                                   | 196,266                                  |
| Suchoski Graduate Fellowship Endowed Fund   | 300,000                                      | 404,068                                     | -  | -  | 38,059   | (8,843)                | (6,500)               | -         | 300,000                                   | 426,784                                  |
| Tess and Abe Wise Endowed Professorship in Judaic Studies                                 | 157,176                                      | 202,735                                     | -  | -  | 18,255   | (4,241)                | -                     | -         | 157,176                                   | 216,749                                  |
| The Al Ghazali Endowed Distinguished Professorship in Islamic Studies                     | 690,543                                      | 891,111                                     | -  | -  | 81,337   | (18,898)               | -                     | -         | 690,543                                   | 953,550                                  |
| The Bob Neel Rotary Club of Orlando Endowed Scholarship                                   | 188,155                                      | 210,992                                     | -  | -  | 20,466   | (4,755)                | -                     | (8,614)   | 188,155                                   | 218,089                                  |
| The Chatlos Foundation Endowed Chair in Nursing   | 1,020,000                                    | 1,213,591                                   | -  | -  | 117,505  | (27,301)               | (40,453)              | -         | 1,020,000                                 | 1,263,342                                |
| The Darden Chair in Restaurant Management   | 1,020,000                                    | 1,614,116                                   | -  | -  | 126,236  | (29,330)               | -                     | -         | 1,020,000                                 | 1,711,022                                |
| The Dr. Neil Euliano Endowed Chair in Italian Studies                                     | 1,020,000                                    | 1,132,256                                   | -  | -  | 110,240  | (25,613)               | (38,144)              | -         | 1,020,000                                 | 1,178,739                                |
| The Elizabeth Willey Endowed Scholarship Fund   | 150,200                                      | 180,689                                     | -  | -  | 17,586   | (4,086)                | (6,788)               | -         | 150,200                                   | 187,401                                  |
| The Harris Rosen Endowment Fund for the Hospitality Management Program Scholarship        | 2,170,000                                    | 2,217,378                                   | -  | 130,000                                    | 222,148  | (51,614)               | (150,000)             | -         | 2,170,000                                 | 2,367,912                                |
| The Judith and David Albertson Endowment in the Arts                                      | 560,000                                      | 656,689                                     | -  | -  | 60,363   | (14,025)               | (9,734)               | -         | 560,000                                   | 693,293                                  |
| The Lester N. Mandell Endowed Distinguished Lecture Series                                | 615,100                                      | 788,960                                     | -  | -  | 68,330   | (15,876)               | (4,750)               | -         | 615,100                                   | 836,664                                  |

(Continued)

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, 2017

| Description Endowed   | Beginning<br>Corpus Balance<br>June 30, 2016 | Beginning<br>Total Balance<br>June 30, 2016 | Corpus<br>Contributed During<br>The Year | Gifts to<br>Spending<br>During<br>The Year | Interest<br>Income and<br>Investment<br>Earnings | Administrative<br>Fees | Other<br>Expenditures | Transfers           | Ending<br>Corpus Balance<br>June 30, 2017 | Ending<br>Total Balance<br>June 30, 2017 |
|---|--|---|--|--|--|------------------------|-----------------------|---------------------|---|--|
| The Margaret Scott Brown Memorial Music Fund  | \$ 242,649                                   | \$ 301,011                                  | \$ -                                     | \$ -                                       | \$ 25,767  | \$ (5,987)             | \$ -                  | \$ -                | \$ 242,649                                | \$ 320,791                               |
| The Shirley and Dick Wetherill Endowed Music Scholarship Fund                                 | 242,699                                      | 334,767                                     | -  | -  | 25,787   | (5,991)                | (9,000)               | -                   | 242,699                                   | 345,563                                  |
| The SunTrust Bank, Central Florida, N.A. Eminent Scholar Chair of Banking                     | 1,020,000                                    | 2,037,987                                   | -  | -  | 161,737  | (37,578)               | (99,958)              | -                   | 1,020,000                                 | 2,062,188                                |
| The Walter & Betty Boardman Endowed Professorship in Environmental Studies for Public Adminis | 151,500                                      | 355,597                                     | -  | -  | 23,167   | (5,383)                | (8,204)               | -                   | 151,500                                   | 365,177                                  |
| Tony and Sonja Nicholson Endowment for the Nicholson School of Communication                  | 1,767,830                                    | 2,125,083                                   | -  | 134  | 188,555  | (43,809)               | (47,958)              | -                   | 1,767,830                                 | 2,222,005                                |
| UCF History Endowment Fund  | 150,083                                      | 175,054                                     | -  | 77   | 16,003   | (3,718)                | (8,034)               | -                   | 150,083                                   | 179,382                                  |
| University Club of Orlando Lead Scholarship #2  | 157,500                                      | 173,251                                     | -  | -  | 16,702   | (3,881)                | (5,600)               | -                   | 157,500                                   | 180,472                                  |
| University Club of Orlando Scholarship Fund   | 150,000                                      | 178,481                                     | -  | -  | 17,220   | (4,001)                | (2,800)               | -                   | 150,000                                   | 188,900                                  |
| Vivian and Barry Woods Educational Endowment  | 251,250                                      | 277,647                                     | -  | 2,500                                      | 26,793   | (6,225)                | (10,500)              | -                   | 251,250                                   | 290,215                                  |
| Walt Disney World Academic Excellence Fund  | 2,560,002                                    | 3,246,511                                   | -  | -  | 267,983  | (62,263)               | (300)                 | -                   | 2,560,002                                 | 3,451,931                                |
| Walt Disney World Co. Design and Engineering Endowed Scholarship                              | 300,000                                      | 329,883                                     | -  | -  | 31,837   | (7,397)                | (11,500)              | -                   | 300,000                                   | 342,823                                  |
| Wharton-Smith Group Endowed Professorship   | 150,000                                      | 176,943                                     | -  | -  | 16,511   | (3,836)                | (3,000)               | -                   | 150,000                                   | 186,618                                  |
| William S. and Alice M. Jenkins Eminent Scholar Chair in Community Arts                       | 1,007,548                                    | 1,360,985                                   | -  | -  | 128,373  | (29,764)               | -                     | -                   | 1,007,548                                 | 1,459,594                                |
| William C. Schwartz Endowed Graduate Fellowship Fund  | 161,349                                      | 222,476                                     | -  | -  | 20,950   | (4,867)                | (5,000)               | -                   | 161,349                                   | 233,559                                  |
|   | <u>\$ 88,203,875</u>                         | <u>\$ 112,659,478</u>                       | <u>\$ 400,984</u>                        | <u>\$ 396,211</u>                          | <u>\$ 9,819,092</u>                              | <u>\$ (2,309,084)</u>  | <u>\$ (3,011,591)</u> | <u>\$ (434,465)</u> | <u>\$ 88,604,859</u>                      | <u>\$ 117,971,832</u>                    |

## **Other Information**

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

**Directors and Terms**

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Term Expires June 30, 2020 – 7 Individuals

Alan Florez '98  
Douglas Gearity  
Tracey Henley  
Mike Okaty '96

James Ferrell '80  
Bruce Gould  
J. Oscar Rodriguez '86

Term Expires June 30, 2019 – 7 Individuals

Gideon Lewis '00  
Judy Albertson  
Richard O. Baldwin, Jr. '80\*

Scott Buescher  
Phyllis Klock\*  
Ronald C. Thow '93  
Rick Walsh '77

Term Expires June 30, 2018 – 10 Individuals

David Boone, '75  
Loretta Corey  
John D. Euliano  
Diane Mahony, '96  
Mary Beth Morgan

Melanie Fernandez '86  
James A. Jahna, Sr. '81  
Nelson J. Marchioli '72  
Margery L. Pabst-Steinmetz  
Joyce Virga, '98

Term Expires June 30, 2017- 4 Individuals

Joseph Melbourne  
Antonio Moreno '91  
Rita Adler  
Suresh Gupta

\*Audit Committee member

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

**Ex-Officio Members**

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|  |                                   |
|--|-----------------------------------|
| President, University of Central Florida (UCF)                 | Dr. John C. Hitt                  |
| President, University of Central Florida Athletics Association | Mr. David Albertson               |
| Chair, UCF Alumni Board  | Mrs. Sara Bernard '00             |
| Chair, UCF Board of Trustees                                   | The Honorable Marcos Marchena '82 |

**Ex-Officio Affiliate Members**

|   |                                   |
|---|-----------------------------------|
| Chairman, Seminole County Board of County Commissioners             | Mr. John Horan                    |
| President, Florida High Tech Corridor Council, Inc.<br>(7/16-1/17)  | Mr. Randy Berridge                |
| President, Florida High Tech Corridor Council, Inc.<br>(2/17-6/17)  | Mr. Edward Schons                 |
| Mayor, City of Orlando  | The Honorable Buddy Dyer          |
| Mayor, City of Oviedo   | The Honorable Dominic Persampiere |
| Orange County Mayor, Orange County Board of County<br>Commissioners | The Honorable Teresa Jacobs       |

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

**Ex-Officio Members**

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**Officers and Executive Committee**

**Officers**

|                         |                             |
|-------------------------|-----------------------------|
| Chair                   | Mr. Nelson J. Marchioli '72 |
| Vice Chair              | Mr. John D. Euliano         |
| Co-Vice Chair           | Mr. Antonio Moreno '91      |
| Secretary               | Mr. Ronald C. Thow, '93     |
| Treasurer               | Ms. Melanie Fernandez '86   |
| Immediate Past Chair    | The Honorable Phyllis Klock |
| Chief Executive Officer | Mr. Michael J. Morsberger   |
| Chief Financial Officer | Ms. Misty Shepherd          |
| Chief Operating Officer | Ms. Dorcas Wilkinson        |

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

**Ex-Officio Members**

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**Executive Committee**

Mr. Nelson J. Marchioli, Chair

Mr. John D. Euliano, Vice Chair

Mr. Antonio Moreno, Co-Vice Chair

The Honorable Phyllis Klock, Immediate Past Chair, Chair, Governance Committee

Mr. James W. Ferrell, Chair, Investment Committee

Ms. Melanie Fernandez, Treasurer & Chair, Finance Committee

Mr. Ronald C. Thow, Secretary

Dr. John C. Hitt, President, UCF

The Honorable Marcos Marchena, Chair of the UCF Board of Trustees

Mr. James Jahna, Chair, Real Estate Committee

Mr. Richard O. Baldwin, Chair, Audit Committee

Mrs. Sara Bernard, UCF Alumni Board of Directors

Mr. J. Oscar Rodriguez, Chair, Information Technology Committee

Mr. David Albertson, Chair, UCF Athletics Associate Board

**Executive Support Staff**

Mr. Michael J. Morsberger, Chief Executive Officer

Mrs. Dorcas Wilkinson, Sr. Associate Vice President for Advancement Administration (COO)

Mrs. Misty Shepherd, Chief Financial Officer

Mrs. Karen Monteleone, Director of Foundation Board Relations and Development

**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, 2017, 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 13, 2017.

**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.

*RSM US LLP*

Orlando, Florida  
October 13, 2017

**Report on Compliance for the Major State Project and  
Report on Internal Control Over Compliance in Accordance With  
Chapter 10.550, *Rules of the Auditor General***

**Independent Auditor's Report**

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

**Report on Compliance for the 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 Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state financial assistance project for the year ended June 30, 2017. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Foundation's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *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 its major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

**Opinion on the 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 its major state project for the year ended June 30, 2017.

### **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 its major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*RSM US LLP*

Orlando, Florida  
October 13, 2017

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, 2017

| <u>State Agency, Project Title</u>   | <u>CSFA<br/>Number</u> | <u>Expenditures</u>        |
|--|------------------------|----------------------------|
| Department of Education and Commissioner of Education<br>University Major Gift Program                 | 48.074                 | \$ 3,011,591               |
| Department of Highway Safety and Motor Vehicles<br>University of Central Florida License Plate Project | 76.029                 | <u>387,278</u>             |
| <b>Total expenditures of state financial assistance</b>  |                        | <u><u>\$ 3,398,869</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, 2017**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the Schedule) 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, for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net position or cash flows of the Foundation.

Expenditures reported in the Schedule are recognized on the accrual basis of accounting. Such expenditures are reported following the cost principles established by the State of Florida Single Audit Act and individual grant agreements wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 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, 2017. 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, 2017**

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**I - Summary of Independent Auditor's Results**

Financial Statements

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

State Financial Assistance

|   |           |                                    |  |
|---|-----------|------------------------------------|--|
| Internal control over major projects:   |           |                                    |  |
| Material weakness(es) identified?   | _____ Yes | _____ <u>X</u> _____ No            |  |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> _____ None Reported |  |

|  |                   |                         |  |
|--|-------------------|-------------------------|--|
| Type of auditor's report issued on compliance for major projects:  | <u>Unmodified</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         | _____ <u>X</u> _____ No |  |

Identification of major project:

|                       |                               |
|-----------------------|-------------------------------|
| <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 |
|--|----|---------|

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

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**II – Financial Statements Findings**

No matters to report.

**III – State Financial Assistance Findings**

No matters to report.

**IV – Other Reporting**

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to state financial assistance projects.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Florida Single Audit Act.



RSM US LLP

**Management Letter Required By  
Chapter 10.550 of the *Rules of the  
Auditor General of the State of Florida***

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

**Report on the Financial Statements**

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, 2017, and have issued our report thereon dated October 13, 2017.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

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 For the Major Project and Report 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 13, 2017, 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*.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, 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.

**Official Title and Legal Authority**

Sections 10.5543(1)(i)4., Rules of the Auditor General requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Foundation's financial statements.

**Financial Management**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of This Letter**

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

*RSM US LLP*

Orlando, Florida  
October 13, 2017