

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

Single Audit Report
Year Ended June 30, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida Foundation, Inc. (the Foundation), a discrete component unit of the University of Central Florida, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net positions, and cash flows and the related notes to the financial statements for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 23, 2014 and October 2, 2013, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

McGladrey LLP

Orlando, Florida
October 23, 2014

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

Management's Discussion and Analysis

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, 2014 and 2013, 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, 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

The following schedule is a summary of the Foundation's statements of net position as of June 30, 2014, and the two preceding fiscal years.

Condensed Statement of Net Position
(For the Fiscal Years at June 30)

	2014	2013	2012
Assets:			
Current assets	\$ 21,980,246	\$ 21,824,706	\$ 23,717,852
Noncurrent assets	265,453,660	241,779,023	220,800,605
Total assets	\$ 287,433,906	\$ 263,603,729	\$ 244,518,457
Deferred outflows of resources	\$ 112,383	\$ 154,919	\$ 197,455
Liabilities:			
Current liabilities	\$ 5,351,320	\$ 5,589,586	\$ 5,904,036
Noncurrent liabilities	28,946,747	31,544,345	32,950,698
Total liabilities	\$ 34,298,067	\$ 37,133,931	\$ 38,854,734
Net Position:			
Invested in capital assets – net of related debt	\$ 51,315,194	\$ 51,462,909	\$ 44,282,745
Restricted – expendable	65,379,094	44,041,550	33,545,984
Restricted – nonexpendable endowments	119,093,792	116,561,428	114,219,425
Unrestricted	17,460,142	14,558,830	13,813,024
Total net position	\$ 253,248,222	\$ 226,624,717	\$ 205,861,178

The Foundation's assets totaled \$287.4 million as of June 30, 2014. This balance reflects an increase of \$23.8 million, or 9.0 percent, compared to June 30, 2013. Current assets contribute \$22 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 \$265.5 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. Noncurrent assets and the restricted – expendable net position increased by \$23.7 million and \$21.3 million, respectively, due primarily to positive market appreciation on long term investments.

The Foundation's liabilities totaled \$34.3 million as of June 30, 2014. This balance reflects a decrease of \$2.8 million, or 7.6 percent as compared to June 30, 2013. Current liabilities contribute \$5.4 million and primarily consist of the portion of debt obligations which are due within the next fiscal year, along with accounts payable and accrued expenses related to current year operations. Noncurrent liabilities contribute \$28.9 million to total liabilities and consist primarily of the Foundation's debt obligations which are not due within the next twelve months. The primary reason for the decrease is a payment of \$2.6 million which represents principal payments made toward debt during fiscal year 2014. Principal payments are made in accordance with the schedule set forth at the time of issuance.

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

Management's Discussion and Analysis

The changes in assets and liabilities resulted in an overall increase in net position from fiscal years 2012 to 2013 of approximately \$20.8 million. During fiscal year 2013, total assets increased by approximately \$19.1 million from fiscal year 2012. The Foundation's investment assets increased by approximately \$13.1 million due to positive investment earnings during fiscal year 2013. In addition, there was land valued at \$6 million donated to the foundation during fiscal year 2013 reflected as an increase to capital assets.

From 2012 to 2013, total liabilities decreased approximately \$1.7 million primarily due to payments on notes payable related to the Foundation's real estate.

The overall increase in total net position from 2013 to 2014 of \$26.6 million is a result of increased performance in our investments reflected in investment income on the statement of revenues, expenses, and changes in net position.

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 nonoperating. 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, 2014, and the two preceding fiscal years.

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

	2014	2013	2012
Operating revenue	\$ 51,709,625	\$ 45,860,719	\$ 23,674,092
Operating expenses	35,023,466	33,741,806	32,068,049
Operating gain (loss)	16,686,159	12,118,913	(8,393,957)
Nonoperating revenues	7,427,485	6,329,684	6,947,410
Gain (loss) before endowment contributions	24,113,644	18,448,597	(1,446,547)
Endowment contributions	2,509,861	2,314,942	1,505,360
Change in net position	26,623,505	20,763,539	58,813
Net position – beginning of year as restated	226,624,717	205,861,178	205,802,365
Net position – end of year	<u>\$ 253,248,222</u>	<u>\$ 226,624,717</u>	<u>\$ 205,861,178</u>

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

Management's Discussion and Analysis

The following summarizes the operating revenues by source that were used to fund operating activities for the fiscal year ended June 30, 2014, and the two preceding fiscal years.

Operating Revenues
(For the Fiscal Year Ending June 30)

	2014	2013	2012
Contributions	\$ 12,353,587	\$ 16,601,834	\$ 12,561,866
Rental income	9,829,870	9,754,998	9,020,542
Investment income (loss)	24,564,406	15,731,854	(1,136,387)
Other operating revenues	4,961,762	3,772,033	3,228,071
Total operating revenues	<u>\$ 51,709,625</u>	<u>\$ 45,860,719</u>	<u>\$ 23,674,092</u>

Operating revenue includes contributions, investment earnings, receipts from rental activity, and other miscellaneous operating receipts. For the fiscal year ended June 30, 2014, total operating revenue was \$51.7 million, which reflects an increase of \$5.8 million, or 12.7 percent, over prior year. This increase is due primarily to gains reported on investments, which represents \$24.6 million, or 47.5 percent, of total operating revenue. Contributions were \$12.4 million and represent 23.9 percent of total operating revenues. This balance reflects a \$4.2 million net decrease from fiscal year 2013. Fiscal year 2013 included a \$6.0 million parcel of land that had been donated and which no similar contribution occurred in 2014. Other operating revenues reflect an increase of \$1.2 million related to the recognition of royalty revenue from an agreement with Bank of America, which was previously held as unearned revenue.

At the end of fiscal year 2013 total operating revenue was \$22.2 million higher than in fiscal year 2012. During fiscal year 2013, investments reflected overall earnings of \$15.7 million while fiscal year 2012 investments returned an overall loss of \$1.1 million, resulting in a total increase from prior fiscal year of \$16.8 million. The long-term pool of investment earnings, which includes interest, dividends, realized, and unrealized gains and (losses), returned 12.2 percent for fiscal year 2013 and (1.13) percent for fiscal year 2012. During fiscal year 2013, there was an increase in contributions over 2012 fiscal year by over \$4 million as well as an increase in rental income of approximately \$734,000 over fiscal year 2012. During fiscal year 2012, the Foundation had vacant space available. This space was subsequently occupied in fiscal year 2013, causing an increase in rental income for fiscal year 2013. In addition, there was an increase in other operating revenue of approximately \$544,000.

Expenses are categorized as operating or nonoperating. 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.
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Management's Discussion and Analysis

The following summarizes the operating expenses by source that were used to fund operating activities for the fiscal year ended June 30, 2014, and the two preceding fiscal years.

Operating Expenses
(For the Fiscal Year Ending June 30)

	2014	2013	2012
Operating expenses:			
Building operations	\$ 6,745,793	\$ 7,094,111	\$ 7,021,556
Athletics	5,350,530	5,818,394	4,265,062
Fund-raising	6,044,282	4,953,951	5,213,307
Management and general	4,310,524	4,573,449	4,864,194
Student aid	3,095,572	3,779,443	2,803,976
Academic support	4,530,496	3,482,647	3,891,142
Alumni relations	2,702,523	2,150,735	2,019,402
General University support	2,004,865	1,839,654	1,734,437
Research	238,881	49,422	254,973
Total operating expenses	<u>\$ 35,023,466</u>	<u>\$ 33,741,806</u>	<u>\$ 32,068,049</u>

Operating expenses include program related costs, fundraising, necessary costs associated with the maintenance and operations of the rental property, and other management and general expenses related to support of the Foundation's mission. Total operating expenses were \$35 million for the fiscal year ended June 30, 2014. This balance reflects an increase of \$1.3 million, or 3.8 percent, over the same period ended June 30, 2013, due primarily to salary increase enacted by the state, and hiring of positions that had been vacant in fiscal year 2013.

Nonoperating revenues include University support for the Foundation, other University revenues to support programs, UCF Athletics Association (UCFAA) support and UCF Convocation support for athletics fundraising and giving programs. The corresponding expense related to University and UCFAA support for the Foundation is included in the operating expense section of the statements of revenues, expenses, and changes in net position. During fiscal year 2014, nonoperating revenue increased \$1.1 million due primarily to state mandated salary adjustments funded by the University. During fiscal year 2013, University support for the Foundation including salaries and expenses decreased by approximately \$647,000 from fiscal year 2012 due to budget cuts.

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.
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Management's Discussion and Analysis

The following summarizes the major sources and uses of cash for the fiscal year ended June 30, 2014, and the two preceding fiscal years.

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

	2014	2013	2012
Cash flows provided by (used in)			
Operating activities	\$ 466,770	\$ (565,751)	\$ 1,194,282
Investing activities	(2,241,055)	6,952,940	1,800,480
Capital and related financing activities	(3,667,277)	(4,872,114)	(4,567,646)
Non-capital financing activities	2,187,326	1,984,761	1,167,695
Change in cash and cash equivalents	(3,254,236)	3,499,836	(405,189)
Cash and cash equivalents			
Beginning of year	19,614,815	16,114,979	16,520,168
End of year	<u>\$ 16,360,579</u>	<u>\$ 19,614,815</u>	<u>\$ 16,114,979</u>

Overall cash and cash equivalents decreased by \$3.3 million during fiscal year 2014. Cash flows provided by operating activities increased by \$1 million due primarily to cash provided from contributions coupled with a decrease in spending on building operations. Net cash flows used for investing activity increased by \$9.2 million related to a reallocation of funds that were invested in money market accounts to longer-term investments with an increased rate of return. Cash flows used in capital and related financing decreased by \$1.2 million related primarily to reduced spending on new capital assets that is anticipated to be deferred into fiscal year 2015. Net cash flows provided by noncapital financing activities consist primarily of contributions to endowments and remained relatively unchanged when compared to fiscal year 2013.

Overall cash, restricted cash, and cash equivalents increased in fiscal year 2013 compared to fiscal year 2012 by approximately \$3.5 million. The Foundation's net cash provided by operating activities decreased \$1.8 million in fiscal year 2013 from fiscal year 2012. During fiscal year 2013, there was \$1.1 million more expended over fiscal year 2012 in payments to the university to support salaries and benefits for university employees and there was \$1.7 million more in expenses paid to support university programs. These increases in outflows were partially offset by approximately \$460,000 more in receipts from contributions and \$720,000 more in other revenue, including event revenue and program related revenue, received. The Foundation's net cash provided by investing activities increased by approximately \$5.1 million in fiscal year 2013 from fiscal year 2012. During fiscal year 2013, there was \$9.6 million less in purchases of new investments than in fiscal year 2012, which was partially offset by \$4.5 million less in proceeds from the sales of investments. In fiscal year 2013, there was approximately \$305,000 more cash used in capital and related financing activities compared to fiscal year 2012 primarily due to an increase in capital purchases and to higher principal payments on debt. Net cash provided by noncapital and related financing activities was \$817,000 more in fiscal year 2013 than in fiscal year 2012 due to increased endowment contributions.

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

Capital Assets and Long-Term Debt Activity – The Foundation has \$78.5 million and \$80.1 million, included in noncurrent assets on the accompanying Statement of Net Position, as of June 30, 2014 and 2013, respectively. These balances are net of accumulated depreciation of \$20.3 million and \$18.4 million, respectively. The following table summarizes capital assets as of June 30, 2014 and the two preceding years.

	2014	2013	2012
Property and equipment – net	\$ 433,291	\$ 530,956	\$ 648,591
Buildings and improvements – net	24,417,791	25,859,354	25,378,044
Land (nondepreciable)	53,651,494	53,672,680	48,278,655
Total capital assets	\$ 78,502,576	\$ 80,062,990	\$ 74,305,290

The balance for June 30, 2014 is comprised of 68.3 percent land totaling \$53.7 million, 31.1 percent of buildings and associated improvements totaling \$24.4 million, and the remaining 0.6 percent of other property and equipment. During fiscal year 2014, the only significant change in capital assets related to depreciation expense of \$2.0 million. There are no current commitments pending for major capital additions at this time.

The balance for June 30, 2013 is comprised of 67 percent land totaling \$53.7 million, 32.3 percent of buildings and associated improvements totaling \$25.9 million, and the remaining 0.7 percent of other property and equipment. During fiscal year 2013, the Foundation received a donation of land valued at \$6 million causing an increase in assets for that year. Depreciation expense for the year caused a decrease in the assets value of \$2.0 million.

A detailed schedule of capital assets and related activity can be found in Note 6 of the accompanying notes to the financial statements.

At June 30, 2014 and 2013, the Foundation had \$29.3 million and \$31.1 million in debt outstanding, respectively. The following table summarizes debt outstanding as of June 30, 2014 and the two preceding years.

	2014	2013	2012
Fairwinds Alumni Center	\$ 323,424	\$ 485,137	\$ 646,849
Research Pavilion, Innovative Center, and OTECH buildings:			
2009 Series Note – taxable	4,420,000	5,395,000	6,315,000
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	8,760,000	9,125,000	9,470,000
McCulloch Road property	1,355,000	1,695,000	1,895,000
Renewal Annuity Notes:			
Annuity Note A	984,176	984,176	985,255
Annuity Note B	984,176	984,176	985,255
Total	29,366,776	31,208,489	32,837,359
Less deferred amount on refunding	(112,383)	(154,919)	(197,455)
Total debt	\$ 29,254,393	\$ 31,053,570	\$ 32,639,904

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

Management's Discussion and Analysis

During fiscal years 2014 and 2013, the Foundation paid approximately \$1.8 million and \$1.6 million, respectively, related to principal payments on its notes. Additional information on the Foundation's long-term debt obligations can be found in Note 7 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.

The University is expected to continue to provide a portion of the Foundation's funding due to the increased potential of giving from annual and major gift contributors. Annual contributions and endowments have a direct impact on enhancing University programs. The economy affects state appropriations to the University, which may result in a change in the amount of support the Foundation receives from the University in the next fiscal year. Overall, the global economy has affected contributions during the past 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, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,832,500	\$ 16,473,590
Investments	2,681,739	2,205,663
Investment interest and other receivables	102,594	132,906
Receivables from related parties	189,411	172,679
Pledges receivable – net	2,599,277	2,198,143
Prepaid expenses and other assets – net	574,725	641,725
Total current assets	21,980,246	21,824,706
Noncurrent assets:		
Restricted cash and cash equivalents	528,079	3,141,225
Investments	179,406,973	152,605,169
Pledges receivable – net	4,730,764	3,967,134
Beneficial remainder trust	1,762,449	1,688,385
Prepaid expenses and other noncurrent assets – net	522,819	314,120
Property and equipment – net	433,291	530,956
Rental and other property – nondepreciable	53,651,494	53,672,680
Rental and other property – net	24,417,791	25,859,354
Total noncurrent assets	265,453,660	241,779,023
Total assets	287,433,906	263,603,729
Deferred outflows of resources		
Unamortized bond refunding	112,383	154,919
Total deferred outflows of resources	112,383	154,919
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	1,048,660	742,397
Payables to related parties	1,229,847	1,340,750
Long-term liabilities – current portion:		
Notes payable – net	2,939,197	3,199,028
Unearned revenue	61	193,517
Annuity obligations	102,170	63,790
Compensated absences	24,913	26,104
Deposits	6,472	24,000
Total current liabilities	5,351,320	5,589,586
Noncurrent liabilities:		
Notes payable – net	26,427,579	28,009,461
Unearned revenue	1,762,449	2,743,441
Annuity obligations	401,324	434,267
Compensated absences	330,989	346,797
Deposits	24,406	10,379
Total noncurrent liabilities	28,946,747	31,544,345
Total liabilities	34,298,067	37,133,931
Net position		
Net Investment in capital assets	51,315,194	51,462,909
Restricted:		
Expendable	65,379,094	44,041,550
Nonexpendable endowments	119,093,792	116,561,428
Unrestricted	17,460,142	14,558,830
Total net position	\$ 253,248,222	\$ 226,624,717

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, 2014 and 2013

	2014	2013
Operating revenues:		
Contributions (net of provisions for uncollectible pledge receivables of (\$163,498 and \$447,043))	\$ 12,353,587	\$ 16,601,834
Net realized and unrealized gains on investments	22,331,264	13,158,468
Rental income	9,829,870	9,754,998
Dues and other revenues, net	2,932,683	3,084,743
Interest and dividends	2,233,142	2,573,386
License plate proceeds	361,330	361,586
Advertising and royalties	1,667,749	325,704
Total operating revenues, net	51,709,625	45,860,719
Operating expenses:		
Building operations	6,745,793	7,094,111
Athletics	5,350,530	5,818,394
Fund-raising	6,044,282	4,953,951
Management and general	4,310,524	4,573,449
Student aid	3,095,572	3,779,443
Academic support	4,530,496	3,482,647
Alumni relations	2,702,523	2,150,735
General University support	2,004,865	1,839,654
Research	238,881	49,422
Total operating expenses	35,023,466	33,741,806
Operating gain	16,686,159	12,118,913
Nonoperating revenues:		
University support	6,771,494	5,659,813
UCFAA support	607,098	608,414
UCF Convocation support	48,893	61,457
Gain before endowment contributions	24,113,644	18,448,597
Endowment contributions	2,509,861	2,314,942
Change in net position	26,623,505	20,763,539
Net position, as restated – beginning of year	226,624,717	205,861,178
Net position – end of year	\$ 253,248,222	\$ 226,624,717

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, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Receipts from contributions	\$ 11,009,603	\$ 10,244,728
Rental receipts	10,060,535	9,732,644
All other receipts	3,759,098	4,041,292
Payments for building operations	(3,017,944)	(3,643,193)
Payments for fundraising activities	(1,110,871)	(1,746,570)
Payments to the University for salaries and benefits	(5,417,696)	(4,880,662)
Payments for University programs, scholarships, and athletics	(13,628,213)	(13,409,092)
Payments for general and administrative functions	(1,137,362)	(872,537)
Payments for income taxes	(50,380)	(32,361)
Net cash provided by (used in) operating activities	466,770	(565,751)
Cash Flows From Investing Activities		
Purchases of investments	(18,824,558)	(6,464,963)
Proceeds from sales and maturities of investments	14,171,671	10,636,014
Receipts from interest and dividends, net of fees	2,411,832	2,781,889
Net cash (used in) provided by investing activities	(2,241,055)	6,952,940
Capital and Related Financing Activities		
Purchase or construction of capital assets	(413,488)	(1,758,487)
Principal paid on capital debt	(1,680,000)	(1,465,000)
Payments to the University for tenant improvements	(95,330)	(85,713)
Interest paid on capital debt	(1,478,459)	(1,562,914)
Net cash used in capital and related financing activities	(3,667,277)	(4,872,114)
Noncapital financing activities		
Principal paid on debt	(161,712)	(163,870)
Endowment contributions received for other than capital purposes	2,509,861	2,314,942
Interest paid on debt	(160,823)	(166,311)
Net cash flows provided by noncapital financing activities	2,187,326	1,984,761
Change in cash, restricted cash and cash equivalents	(3,254,236)	3,499,836
Cash, restricted cash and cash equivalents – beginning of year	19,614,815	16,114,979
Cash, restricted cash and cash equivalents – end of year	\$ 16,360,579	\$ 19,614,815
Supplemental Disclosure of Noncash Related Investing Activities		
Unrealized gains (losses) on investments	\$ 18,757,075	\$ 11,659,102

(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, 2014 and 2013

	2014	2013
Reconciliation of the change in net assets to net cash (used in) provided by operating activities:		
Operating gain	\$ 16,686,159	\$ 12,101,586
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	1,973,902	2,000,787
Amortization	83,101	99,331
Recognition of royalty revenue	(1,541,671)	(190,208)
Provision for cancellation of pledges and other receivables	(163,484)	(447,043)
Net realized and unrealized gains on investments	(22,445,773)	(13,229,996)
Noncash expenses from University budget allocation	6,771,494	5,659,813
Noncash expenses related to allocation from UCFAA	598,916	418,900
Donated securities	(179,220)	(181,234)
Donated property	-	(6,000,000)
Proceeds from the UCFAA and UCF Convocation for operations	134,462	186,223
Interest and dividend income, net of investment fees	(2,497,603)	(2,801,661)
Interest expense	1,639,282	1,729,224
Changes in operating assets and liabilities:		
Investment interest and other receivables	30,312	(12,429)
Receivables from related parties	1,210	(1,396)
Pledges receivable	(1,001,281)	276,171
Prepaid expenses and other assets	(63,930)	(165,469)
Accounts payable, accrued expenses, compensated absences and deposits	285,763	(496,246)
Payables to related parties	(110,903)	302,476
Unearned revenue	293,159	302,175
Annuity obligations	(27,125)	(63,790)
Scholarship fund liability	-	(52,965)
Net cash provided by (used in) operating activities	\$ 466,770	\$ (565,751)

See Notes to the Financial Statements.

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

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

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

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

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

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

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

The net position of the Foundation is 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

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

Rent revenue: In accordance with guidance related to accounting for leases, income on leases, which include scheduled increases in rental rates over the lease term (other than scheduled increases based on the Consumer Price Index), is recognized on a straight-line basis. The Foundation recognizes revenues from recoveries from tenants of operating expenses the Foundation paid on the tenant's behalf. These operating expenses include items such as real estate taxes, insurance, and other property operating costs. During fiscal years 2014 and 2013, the Foundation recognized \$3,086,964 and \$3,146,725, respectively, in rent revenue for recoveries from tenants.

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

Cash, restricted cash and cash equivalents: The Foundation considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. Noncurrent cash and cash equivalents at June 30, 2014 and 2013, 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

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

Investments: Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses, and changes in net position. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Fair value is determined based on quoted market prices. Gains or losses on the sale of the investments are based on the weighted-average cost method. 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 restrictions by the Board of Directors and management as well as investments not expected to be used during the Foundation's next fiscal year.

Pledges receivable: In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all eligible pledges that are verifiable, probable, and measurable are recorded at their estimated realizable value on a discounted basis. The Foundation has established an allowance to absorb the uncollectible portion of pledges based on management's estimate. See Note 4 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 property and equipment (including rental property and other property), which is stated at cost as of the date of acquisition (fair value for donated property). The Foundation has a capitalization threshold of \$5,000. Property with a permanent decrease in value is stated at the lower of the carrying value or fair value. Depreciation is provided on the straight-line method over the following estimated useful lives:

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

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

Impairment of capital assets: The Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2014 and 2013.

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

Notes to Financial Statements

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

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

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

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

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

Pronouncements issued: Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides additional guidance for the items listed in GASB 63 and includes additional changes in accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement specifically addresses the calculation of a deferred outflow or inflow for the refunding of debt, requires that debt issuance costs be expensed in the period in which that debt was issued. Changes to the financial statements, schedules and related disclosures are included in Note 2, Restatement of Prior Year Balances.

Note 2. Restatement of Prior Year Balances

The July 1, 2013 beginning net position of unrestricted net position was restated due to the implementation of GASB Statement 65 as follows:

Unrestricted net position:

Net Position, June 30, 2013	\$ 14,725,431
Adjustment to write-off debt issuance costs	(166,601)
Net Position as restated, June 30, 2013	<u>\$ 14,558,830</u>

In addition, the implementation of this statement resulted in a change in presentation of the deferred loss on refunding from a contra amount included as a reduction of the notes payable to a deferred outflow of resources presented separately in a separate section after total assets.

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

Notes to Financial Statements

Note 3. Cash, Restricted Cash, Cash Equivalents and Investments

Cash and restricted cash: At June 30, 2014 and 2013, the recorded amount of cash, restricted cash, and cash equivalents of the Foundation's deposits was \$16,360,579 and \$19,614,815, respectively, which included \$528,079 and \$3,141,225, respectively, of non-current cash included in the Foundation's investment pool. Included in fiscal years 2014 and 2013 is approximately \$350,000 on deposit with *FAIRWINDS* Credit Union which is subject to withdrawal restrictions and is included in the noncurrent portion of cash and cash equivalents in the statements of net position. Operating bank account balances were \$12,351,900 and \$10,391,755, respectively, as of June 30, 2014 and 2013.

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

At June 30, 2014 and 2013, \$10,344,124 and \$8,385,513, respectively, in cash deposits are not insured by federal deposit insurance and are not collateralized.

Cash equivalents: The cash equivalents include \$5,217,292 and \$10,039,581 held in a series of money market funds held in brokerage accounts with an average duration of less than 1 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 nonendowed assets is to produce the greatest possible total return with a minimum of risk. The investment policy manual provides information on asset classes, target allocations, and ranges of acceptable investment categories for nonendowed assets. The Foundation's investments as of June 30, 2014 and 2013, 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 3. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

Investments consist of the following at June 30:

	2014	2013
Equity securities	\$ 2,749,425	\$ 2,122,682
Hedge funds	19,419,888	16,359,338
Private equity funds	91,052	93,002
Real assets	7,862,562	2,162,235
Real Estate Investment Trusts (REITs)	70,160	210,535
Exchange traded funds	1,403,211	815,130
Mutual funds – domestic equity	67,743,293	58,238,885
Mutual funds – international equity	33,225,195	27,586,309
Mutual funds – domestic bonds	46,604,633	44,055,392
Mutual funds – international bonds	2,919,293	3,167,324
Total investments	182,088,712	154,810,832
Less current investments	2,681,739	2,205,663
Noncurrent investments	\$ 179,406,973	\$ 152,605,169

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

	2014	2013
Net realized gains on investments	\$ 3,574,189	\$ 1,499,366
Net unrealized gains on investments	18,757,075	11,659,102
Total net realized and unrealized gains on investments	\$ 22,331,264	\$ 13,158,468

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

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.

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.

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

Notes to Financial Statements

Note 3. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

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, 2014 and 2013 using Standard and Poor's (S&P), nationally recognized statistical ratings quality organization:

Debt Security Type	Quality Rating	2014 Fair Value	2013 Fair Value
Bond Mutual Funds	S&P AAA	\$ 5,886,703	\$ 11,807,516
Bond Mutual Funds	S&P AA+	-	1,529,507
Bond Mutual Funds	S&P AA	26,098,890	16,285,918
Bond Mutual Funds	S&P AA-	-	6,066,380
Bond Mutual Funds	S&P A	8,853,855	939,884
Bond Mutual Funds	S&P A-	-	1,603,658
Bond Mutual Funds	S&P BAA	-	83,355
Bond Mutual Funds	S&P BBB+	1,720,796	2,065,924
Bond Mutual Funds	S&P BBB	3,099,090	3,443,691
Bond Mutual Funds	S&P BB+	86,996	-
Bond Mutual Funds	S&P BB	3,777,596	3,396,883
		<u>49,523,926</u>	<u>47,222,716</u>
Real Assets Fixed Income	S&P AA+	-	991,467
Total		<u>\$ 49,523,926</u>	<u>\$ 48,214,183</u>

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, 2014 and 2013 is as follows:

Investment Type	Average Duration	2014 Fair Value	2013 Fair Value
Bond Mutual Funds	Greater than five years	\$ 3,600,083	\$ 14,819,799
Bond Mutual Funds	One to five years	40,037,140	25,027,712
Bond Mutual Funds	Less than one year	5,886,703	7,375,205
		<u>49,523,926</u>	<u>47,222,716</u>
Real Assets Fixed Income	One to five years	-	991,467
Total		<u>\$ 49,523,926</u>	<u>\$ 48,214,183</u>

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, 2014 and 2013, the Foundation did not have any equity or fixed income investments subject to this risk.

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

Notes to Financial Statements

Note 4. Pledges Receivable

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

	2014	2013
Current pledges receivable:		
Due in one year or less	\$ 3,157,381	\$ 2,817,579
Less allowance for doubtful amounts	(558,104)	(619,436)
Current pledges receivable, net	<u>2,599,277</u>	<u>2,198,143</u>
Noncurrent pledges receivable:		
Due in greater than one year	5,746,532	5,085,069
Less allowance for doubtful amounts	(1,015,768)	(1,117,935)
Noncurrent pledges receivable, net	<u>4,730,764</u>	<u>3,967,134</u>
Total pledges receivable, net	<u>\$ 7,330,041</u>	<u>\$ 6,165,277</u>

Noncurrent pledges receivable are net of discounts amounting to \$557,876 and \$320,282 at June 30, 2014 and 2013, respectively. Pledges receivable were discounted using a risk-free interest rate at the time the pledge was initially recognized. Discount rates used range from .73% to 6.00%.

Note 5. 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 2014 and 2013.

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

	2014	2013
Total endowment balance	\$ 152,717,147	\$ 133,827,336
Less appreciation portion of restricted expendable	33,623,355	17,265,908
Permanently restricted nonexpendable balance	<u>\$ 119,093,792</u>	<u>\$ 116,561,428</u>

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

Notes to Financial Statements

Note 6. Capital Assets

Capital assets are summarized as follows:

	June 30, 2013	Increases	Decreases	June 30, 2014
Property and equipment:				
Equipment and furniture	\$ 1,806,094	\$ 6,588	\$ -	\$ 1,812,682
Less accumulated depreciation	(1,275,138)	(104,253)	-	(1,379,391)
Net property and equipment	530,956	(97,665)	-	433,291
Rental and other property:				
Land (nondepreciable)	53,640,384	-	-	53,640,384
Construction-in-progress – (nondepreciable)	32,296	456,770	(477,956)	11,110
Rental and other property – nondepreciable	53,672,680	456,770	(477,956)	53,651,494
Buildings and improvements	42,582,559	411,958	(24,435)	42,970,082
Site improvements	388,923	16,127	-	405,050
Less accumulated depreciation	(17,112,128)	(1,862,121)	16,908	(18,957,341)
Rental and other property – net	25,859,354	(1,434,036)	(7,527)	24,417,791
Net rental and other property	79,532,034	(977,266)	(485,483)	78,069,285
Total net capital assets	\$ 80,062,990	\$ (1,074,931)	\$ (485,483)	\$ 78,502,576

	June 30, 2012	Increases	Decreases	June 30, 2013
Property and equipment:				
Equipment and furniture	\$ 1,791,490	\$ 14,604	\$ -	\$ 1,806,094
Less accumulated depreciation	(1,142,899)	(132,239)	-	(1,275,138)
Net property and equipment	648,591	(117,635)	-	530,956
Rental and other property:				
Land (nondepreciable)	47,640,384	6,000,000	-	53,640,384
Construction-in-progress – (nondepreciable)	638,271	1,815,196	(2,421,171)	32,296
Rental and other property – nondepreciable	48,278,655	7,815,196	(2,421,171)	53,672,680
Buildings and improvements	40,259,518	2,351,607	(28,566)	42,582,559
Site improvements	372,633	16,290	-	388,923
Less accumulated depreciation	(15,254,107)	(1,866,669)	8,648	(17,112,128)
Rental and other property – net	25,378,044	501,228	(19,918)	25,859,354
Net rental and other property	73,656,699	8,316,424	(2,441,089)	79,532,034
Total net capital assets	\$ 74,305,290	\$ 8,198,789	\$ (2,441,089)	\$ 80,062,990

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

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged to the following operating expense accounts for the years ended June 30, 2014 and 2013:

	2014	2013
Building operations	\$ 1,866,031	\$ 1,873,383
Management and general	100,343	125,525
	\$ 1,966,374	\$ 1,998,908

Other property consists of the following at June 30, 2014 and 2013:

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 2014 and 2013, there were no payments received for surplus rent under the ground lease due to maintenance and renovations.

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

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

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Northview Land – During fiscal 2013, the AHG Group LLC, donated approximately 8.5 acres of land with a fair value of \$6,000,000 to the Foundation. The land is recorded as a capital asset of the Foundation and is subject to a sixty-year ground lease with Northview Knights Housing, LLC for the purposes of operating student housing. Northview Knights Housing, LLC will 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.

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

Notes to Financial Statements

Note 7. Long-Term Liabilities

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

	June 30, 2013	Additions	Reductions	June 30, 2014	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 5,395,000	\$ -	\$ 975,000	\$ 4,420,000	\$ 1,035,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular – 2008 Series Note-tax exempt	9,125,000	-	365,000	8,760,000	385,000
McCulloch Road Property	1,695,000	-	340,000	1,355,000	1,355,000
Fairwinds Alumni Center	485,137	-	161,713	323,424	161,712
Renewal Annuity Note:					
Annuity Note A	984,176	-	-	984,176	1,243
Annuity Note B	984,176	-	-	984,176	1,242
Total notes payable	<u>\$ 31,208,489</u>	<u>\$ -</u>	<u>\$ 1,841,713</u>	<u>\$ 29,366,776</u>	<u>\$ 2,939,197</u>
Unearned revenue	\$ 2,936,958	\$ 1,256,896	\$ 2,431,344	\$ 1,762,510	\$ 61
Annuity obligations	498,057	69,962	64,525	503,494	102,170
Compensated absences	372,901	80,592	97,591	355,902	24,913
Deposits	34,379	-	3,501	30,878	6,472
	June 30, 2012	Additions	Reductions	June 30, 2013	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 6,315,000	\$ -	\$ 920,000	\$ 5,395,000	\$ 975,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular – 2008 Series Note-tax exempt	9,470,000	-	345,000	9,125,000	365,000
McCulloch Road Property	1,895,000	-	200,000	1,695,000	1,695,000
Fairwinds Alumni Center	646,849	-	161,712	485,137	161,712
Renewal Annuity Note:					
Annuity Note A	985,255	-	1,079	984,176	1,158
Annuity Note B	985,255	-	1,079	984,176	1,158
Total notes payable	<u>\$ 32,837,359</u>	<u>\$ -</u>	<u>\$ 1,628,870</u>	<u>\$ 31,208,489</u>	<u>\$ 3,199,028</u>
Unearned revenue	\$ 2,750,927	\$ 1,726,925	\$ 1,540,894	\$ 2,936,958	\$ 193,517
Annuity obligations	529,285	32,562	63,790	498,057	63,790
Compensated absences	424,855	79,685	131,639	372,901	26,104
Deposits	32,326	4,231	2,178	34,379	24,000

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

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

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

Refinanced Debt issued on December 17, 2009:

On December 17, 2009, the Foundation entered into a \$19,925,000 16-year note, maturing October 1, 2025 for the purpose of refinancing the variable rate debt originally issued in 1996 through the Orange County Industrial Development Authority (described below) to fixed rate debt issued with Branch Banking and Trust (BB&T). The note is comprised of a \$12,540,000, tax-exempt portion with a fixed rate of 4.96%, and a \$7,385,000 taxable portion with a fixed rate of 5.83%. The buildings and lease revenue represent the security for the loan. Lease revenue related to the buildings is the source of the debt repayment and totaled \$6,906,278 during fiscal year 2014 and \$6,789,714 during fiscal year 2013. Of these amounts, \$1,883,091 during fiscal year 2014 and \$1,869,922 during fiscal year 2013 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 \$22,378,921, which is the total remaining principal and interest on the notes.

The Foundation allocated the 2009 note based on the remaining principal balances of the buildings and the associated bonds. The \$12,540,000 tax-exempt note is comprised of \$3,656,921 related to the Research Pavilion and \$8,883,079 related to OTC. The \$7,385,000 taxable note is comprised of \$1,782,881 related to IC and \$5,602,119 related to OTC. As of June 30, 2014 and 2013, the total remaining principal outstanding for both the taxable and tax-exempt series is \$16,960,000 and \$17,935,000, respectively.

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

On December 30, 2008, the Foundation paid off the principal total of the variable rate debt and entered into a \$10,400,000 tax-exempt, 5.67% fixed rate, 20-year agreement maturing April 1, 2029, with BB&T Bank. Of the total \$10,400,000 issued, \$8.1 million relates to the University Tower and \$2.3 million relates to the Biomolecular building. Lease revenues related to both facilities are the security for the note and the source of debt repayment, which totaled \$2,923,592 during fiscal year 2014 and \$2,998,439 during fiscal year 2013, respectively. Of these amounts, \$864,728 and \$878,689 during fiscal years 2014 and 2013, respectively, were used to pay interest and principal on the loans. As of June 30, 2014 and 2013, the remaining principal outstanding is \$8,760,000 and \$9,125,000, respectively. The total amount of revenue pledged as security over the life of this note is \$13,157,369, which is the total remaining principal and interest for this note.

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

Note 7. Long-Term Liabilities (Continued)

McCulloch Road Property Loan: On April 21, 2005, the Foundation entered into a \$2,800,000 loan with SunTrust for the purpose of acquiring an 8.5-acre tract of land north of the University. Land was purchased on April 21, 2005, at a cost of \$2,600,000 and may be further developed for future retail operations. The remaining funds were used for development and other capital costs associated with the land. The loan is due on April 1, 2015, and originally had an interest rate based on the one-month LIBOR plus 310 basis points. In May 2014, the loan was modified with a new rate of 250 basis points plus LIBOR. The rate average was 3.35% during fiscal year 2014 and 2013. The rate in effect as of June 30, 2014 was 2.65%. The land is used as security for the note and unrestricted funds are the source of debt repayment. During fiscal years 2014 and 2013, respectively, the Foundation paid interest and principal payments totaling \$381,660 and \$262,015. As of June 30, 2014 and 2013, the remaining principal outstanding is \$1,355,000 and \$1,695,000, respectively.

FAIRWINDS Credit Union Line of Credit: On November 2, 2004, the Foundation obtained a \$2.45 million line of credit from FAIRWINDS Credit Union, which is a related party due to an executive being on the board of directors, for the purpose of constructing the FAIRWINDS Alumni Center. The total construction costs were estimated to be approximately \$5.8 million, with funds provided through contributions. Contribution revenue is used to repay the line of credit. As of June 30, 2006, the full amount of \$2.45 million of the line of credit had been used for construction. On June 21, 2012, the Foundation, with the approval of FAIRWINDS Credit Union, agreed to a loan modification for the remaining principal amount of \$646,849. Such modification provided for a compensating balance in the amount of \$250,000, in lieu of the previous requirement to maintain a minimum Debt Service Coverage Ratio of no less than 1.10 to 1.00. The loan is due on December 31, 2016, and bears interest at a fixed rate of 4.59%. During fiscal years 2014 and 2013, \$180,075 and \$187,681 was paid in interest and principal respectively. As of June 30, 2014 and 2013, the remaining principal outstanding is \$323,425 and \$485,137, respectively. The total amount of revenue pledged as security over the life of this loan is \$338,332, which is the total remaining principal and interest for this loan.

Renewal Annuity Notes: In September 1997, two parcels of land with an estimated fair value of \$1,000,000 each were transferred to two Charitable Remainder Annuity Trusts (the Trusts), which named the Foundation as the irrevocable beneficiary of the Trusts. In October 1997, the Foundation purchased the land from the Trusts with two \$1,000,000 purchase money mortgage notes payable to the Trusts. The mortgage notes bear interest at 7.13% and include quarterly installment payments with an aggregate balloon payment of unpaid principal and interest of \$1,963,715 on October 17, 2017. These notes were previously secured by the land held for sale and restricted and unrestricted funds are the source of debt repayments. On September 25, 2003, the land was sold for \$2,000,000 and the Foundation received net proceeds, after approximately \$114,700 in closing costs, of \$1,885,300. The purchase money mortgage notes were converted to renewal annuity notes with the same terms. The remaining principal balance as of June 30, 2014 and 2013 is \$1,968,352 and \$1,968,352, respectively.

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

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

Note 7. Long-Term Liabilities (Continued)

Covenants: The provisions of the Research Pavilion, IC and OTC notes, Renewal Annuity Notes, *FAIRWINDS* Alumni Center, University Tower and Biomolecular building notes, and the McCulloch Road property loan contain certain covenants requiring the Foundation to, among other things, maintain use of property, provide insurance coverage, and timely reporting of financial performance. Additionally, certain notes require the Foundation to maintain a minimum debt service ratio over the life of the loans. The Foundation was in compliance with all loan covenants for fiscal years 2014 and 2013.

Interest expense: Total interest expense for the year ended June 30, 2014 was \$1,619,963 plus the amortization of the deferred refunding loss in the amount of \$42,536 for a total interest expense in fiscal year 2014 of \$1,662,499. In fiscal year 2013, interest expense was \$1,711,936 plus the amortization of the deferred refunding loss in the amount of \$42,536 for a total interest expense in fiscal year 2013 of \$1,754,472. These amounts are included in the various operating expense line items in the accompanying statements of revenues, expenses, and changes in net position, respectively.

Principal and interest requirements: Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2014, are as follows:

	Principal	Interest	Total
2015	\$ 2,939,197	\$ 1,504,054	\$ 4,443,251
2016	1,669,381	1,386,013	3,055,394
2017	1,592,862	1,291,960	2,884,822
2018	3,645,336	1,098,988	4,744,324
2019	1,780,000	965,564	2,745,564
2020-2024	10,400,000	3,308,870	13,708,870
2025-2029	7,340,000	761,958	8,101,958
Totals:	<u>\$ 29,366,776</u>	<u>\$ 10,317,407</u>	<u>\$ 39,684,183</u>

The interest rates used to calculate future interest payments are the stated interest rates for the fixed rate loans. The effective interest rate at June 30, 2014, 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, 2014 and 2013, there were payments of \$63,790 and \$63,790, respectively, made on annuities. Payments to the annuitants are made from donated funds restricted for this purpose or from unrestricted funds. The accretion for all of the annuity obligations was approximately \$32,562.

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

Note 7. Long-Term Liabilities (Continued)

Unearned revenue: Unearned revenue at June 30, 2014 and 2013, is as follows:

	2014	2013
Credit card royalties	\$ -	\$ 1,241,398
Planned giving from donors	1,762,449	1,688,385
Prepaid rent from tenants	61	7,175
Total unearned revenue	1,762,510	2,936,958
Less current portion	61	193,517
Noncurrent unearned revenue	\$ 1,762,449	\$ 2,743,441

Compensated absences: Compensated absences represent the amount of unused vacation and sick time that has accrued as of June 30, 2014 and 2013. At June 30, 2014 and 2013, the liability for paid leave for Foundation employees was \$355,902 and \$372,901, respectively. Compensated absences are funded by a combination of unrestricted and restricted sources of funds.

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

Note 8. 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 2014 and 2013 were approximately \$963,000 and \$1,343,000, respectively.

Note 9. 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, as well as administrative fees that are assessed by the Foundation (see Note 10). The Foundation also receives rents and reimbursement for certain operating expenses from the University related to rents received 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 6, for use of land at Lake Nona for the Health Sciences Campus.

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

Note 9. Related Party Transactions (Continued)

Significant transactions between the Foundation, University, and their related DSOs in 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Funds received to support UCF programs and activities of the Foundation:		
From the University:		
General Foundation support	\$ 5,834,888	\$ 4,741,597
Alumni support	936,606	918,216
Total from the University	<u>6,771,494</u>	<u>5,659,813</u>
From UCF Athletics Association, Inc.:		
Fundraising support activities	607,098	608,414
From UCF Convocation Corporation, Inc.:		
Fundraising support activities	48,893	61,457
Total funds received to support the Foundation from related parties	<u>\$ 7,427,485</u>	<u>\$ 6,329,684</u>
Funds received for rent and reimbursements related to leases:		
From the University and affiliated entities:		
Total revenues	\$ 9,536,400	\$ 9,465,629
Total rent and reimbursements related to leases from related parties	<u>\$ 9,536,400</u>	<u>\$ 9,465,629</u>

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

Note 9. Related Party Transactions (Continued)

	2014	2013
Receivables:		
From the University	\$ 181,043	\$ 85,713
From UCF Athletic Association, Inc.	8,368	68,702
From UCF Convocation Corporation, Inc.	-	16,868
From UCF Research Foundation, Inc.	-	1,396
Total receivables from related parties	\$ 189,411	\$ 172,679
Payables:		
To the University:		
Rent reimbursements	\$ 367,135	\$ 137,355
Payables for programs	140,688	189,010
	507,823	326,365
To UCF Research Foundation, Inc.	19,200	-
To UCF Convocation Corporation, Inc.	4,774	492,024
To UCF Golden Knights Corporation, Inc.	552,546	403,527
To UCF Athletic Association, Inc.	145,504	118,834
Total payables to related parties	\$ 1,229,847	\$ 1,340,750

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.

As identified in Note 7, Long Term Liabilities, the Foundation obtained a line of credit from *FAIRWINDS* Credit Union in 2004. Subsequent to this transaction, during fiscal year 2009, the CEO of *FAIRWINDS* became a member of the Foundation Board of Directors and remained a board member during fiscal years 2014 and 2013.

Also included within Note 7 is disclosure related to a loan, specifically for the McCulloch property. SunTrust Bank provided the loan included in Note 7. 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 2014 and 2013.

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

Note 9. Related Party Transactions (Continued)

Portions of the Foundation's pledge receivable balance of \$1,189,776 and \$255,000 as of June 30, 2014 and 2013, respectively, are commitments made by several members of the Foundation's Board of Directors. In addition, the Foundation received \$911,185 and \$298,000 during fiscal years 2014 and 2013, respectively, in contributions and other revenues from various members of the Foundation's Board of Directors.

Note 10. 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 7).

At June 30, 2014, approximate future minimum rental payments to be received under noncancelable operating leases are as follows:

	University- Affiliated Tenants	Commercial Tenants	Total
2015	\$ 5,934,401	\$ 190,543	\$ 6,124,944
2016	1,919,386	133,031	2,052,417
2017	1,919,386	71,751	1,991,137
2018	1,919,386	-	1,919,386
2019	1,919,386	-	1,919,386
	<u>\$ 13,611,945</u>	<u>\$ 395,325</u>	<u>\$ 14,007,270</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, 2014 and 2013 were \$9,829,870 and \$9,754,998, respectively.

Note 11. Administrative Fees

In order to support its operations, the Foundation assesses an administration fee and an endowment fee on funds it holds that are designated for University purposes. These fees are fully funded by the contributions and other revenues received and are included in the Foundation's contribution and various other revenue. The revenue fee represents an assessment for fund-raising, processing, administration, and management of monies received by the Foundation and totals 4% of donations and other revenue received for fiscal years 2014 and 2013 of approximately \$589,000 and \$964,000, respectively. For fiscal year 2015, the Foundation has made the decision to discontinue the administration fee on contributions.

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

Note 11. Administrative Fees (Continued)

The endowment fee represents an allocation for management and administration of endowed funds and is assessed on all endowments, including eminent scholar chairs, major gifts, other, etc. that represents a transfer from restricted to unrestricted funds. The endowment fee is assessed on a monthly basis, is based on the fair value of the fund, and totals an annual rate of 2.25% on endowed funds, resulting in a fee for fiscal years 2014 and 2013 of approximately \$2,968,000 and \$2,936,000, respectively. For financial reporting purposes, these fees are eliminated.

Note 12. Pension Plans

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

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

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

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

The state of Florida establishes contribution rates for Plan members. As of July 1, 2011, legislation changed the Plan into a contributory system, requiring an employee contribution rate of 3.00% during fiscal years 2014, 2013 and 2012, with an employer contribution rate of 6.95%, 5.18 % and 4.91%, respectively, including 1.20% for the postemployment health insurance supplement in 2014 and 1.11% for fiscal years 2013 and 2012 and 0.03% for administrative costs in all three years.

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

Note 12. Pension Plans (Continued)

The Foundation's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the Foundation. The Foundation's total contributions made to the Plan were \$110,840, \$79,963 and \$78,635 for fiscal years ending June 30, 2014, 2013 and 2012, respectively. Employees contributed \$45,536, \$44,775 and \$47,625, respectively.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions may elect to participate in the Program rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. A small amount remains in the Optional Retirement Program Trust Fund for program administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute by salary deduction an amount equal to the percentage contributed by the Foundation to the participant's annuity account. The Foundation contributed on behalf of the participant an amount equal to 7.34% of the participant's gross monthly compensation during 2014, and 5.63% and 7.92% for fiscal years 2013 and 2012, respectively.

There were 82 Foundation funded participants during fiscal year 2014 and 64 during fiscal year 2013. Required contributions made to the Program, net of employee contributions, totaled \$335,323, \$221,530 and \$309,601 during fiscal years 2014, 2013 and 2012, respectively. In addition, employee contributions were made in the amount of \$135,858, \$118,719 and \$117,274 during fiscal years 2014, 2013 and 2012, 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).

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

Note 12. Pension Plans (Continued)

There were 16 participants during fiscal year 2014, 14 participants during fiscal year 2013 and 17 participants during fiscal year 2012. Required contributions made to the PEORP totaled \$58,001, 33,340 and \$41,209, respectively. Employee participant contributions totaled \$24,478, \$18,963 and \$25,178 during fiscal years 2014, 2013 and 2012, respectively.

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

As required by Section 112.081, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University subsidizes the premium rates paid by retirees, including Foundation funded participants, by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) rates. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. During the years ended June 30, 2014, 2013 and 2012, 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 13. 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, 2014, basic types of insurance coverage remained the same as the types of coverage for June 30, 2013. No settlements have exceeded coverage levels in place during the past three fiscal years.

Note 14. 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, 2014

	Unrestricted	Restricted		Net Investment in Capital Assets	Total
		Expendable	Nonexpendable Endowments		
Operating revenues:					
Contributions	\$ 160,172	\$ 12,193,415	\$ -	\$ -	\$ 12,353,587
Rent	9,829,870	-	-	-	9,829,870
Net realized and unrealized losses on investments	877,090	21,454,174	-	-	22,331,264
Interest and dividends	269,761	1,963,381	-	-	2,233,142
Dues and other revenues – net	115,158	2,817,525	-	-	2,932,683
License plate revenues	361,330	-	-	-	361,330
Advertising and royalties	-	1,667,749	-	-	1,667,749
Total operating revenues	11,613,381	40,096,244	-	-	51,709,625
Operating expenses:					
Building operations	4,896,669	-	-	1,849,124	6,745,793
Athletics	-	5,350,530	-	-	5,350,530
Fundraising	5,720,662	323,620	-	-	6,044,282
Management and general	4,210,181	-	-	100,343	4,310,524
Student aid	192,276	2,903,296	-	-	3,095,572
Academic support	103,373	4,427,123	-	-	4,530,496
Alumni relations	2,498,798	203,725	-	-	2,702,523
General university support	1,276,925	727,940	-	-	2,004,865
Research	-	238,881	-	-	238,881
Total operating expenses	18,898,884	14,175,115	-	1,949,467	35,023,466
Operating gain (loss)	(7,285,503)	25,921,129	-	(1,949,467)	16,686,159
Nonoperating revenues:					
University Support	6,771,494	-	-	-	6,771,494
UCFAA Support	607,098	-	-	-	607,098
UCF Convocation Support	48,893	-	-	-	48,893
Change in net position before endowment contributions	141,982	25,921,129	-	(1,949,467)	24,113,644
Endowment contributions	-	-	2,509,861	-	2,509,861
Change in net position	141,982	25,921,129	2,509,861	(1,949,467)	26,623,505
Transfers:					
Net transfers in (out)	735,499	(758,002)	22,503	-	-
Internal fees in (out)	3,825,583	(3,825,583)	-	-	-
Capital asset adjustments in (out)	(1,801,752)	-	-	1,801,752	-
Total transfers	2,759,330	(4,583,585)	22,503	1,801,752	-
Net surplus/(deficit)	2,901,312	21,337,544	2,532,364	(147,715)	26,623,505
Net position – beginning of year as restated	14,558,830	44,041,550	116,561,428	51,462,909	226,624,717
Net position – end of year	\$ 17,460,142	\$ 65,379,094	\$ 119,093,792	\$ 51,315,194	\$ 253,248,222

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

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

	Unrestricted	Restricted Expendable	Restricted Nonexpendable Endowments	Net Investment in Capital Assets	Total
Operating revenues:					
Contributions	\$ 116,067	\$ 16,485,767	\$ -	\$ -	\$ 16,601,834
Rent	9,754,998	-	-	-	9,754,998
Net realized and unrealized losses on investments	525,322	12,633,146	-	-	13,158,468
Interest and dividends	329,072	2,244,314	-	-	2,573,386
Dues and other revenues – net	219,406	2,865,337	-	-	3,084,743
License plate revenues	361,586	-	-	-	361,586
Advertising and royalties	-	325,704	-	-	325,704
Total operating revenues	11,306,451	34,554,268	-	-	45,860,719
Operating expenses:					
Building operations	5,229,377	-	-	1,864,734	7,094,111
Athletics	-	5,818,394	-	-	5,818,394
Fundraising	4,493,629	460,322	-	-	4,953,951
Management and general	4,447,924	-	-	125,525	4,573,449
Student aid	195,103	3,584,340	-	-	3,779,443
Academic support	139,826	3,342,821	-	-	3,482,647
Alumni relations	2,000,813	149,922	-	-	2,150,735
General university support	1,327,868	511,786	-	-	1,839,654
Research	-	49,422	-	-	49,422
Total operating expenses	17,834,540	13,917,007	-	1,990,259	33,741,806
Operating gain (loss)	(6,528,089)	20,637,261	-	(1,990,259)	12,118,913
Nonoperating revenues:					
University Support	5,659,813	-	-	-	5,659,813
UCFAA Support	608,414	-	-	-	608,414
UCF Convocation Support	61,457	-	-	-	61,457
Change in net position before endowment contributions	(198,405)	20,637,261	-	(1,990,259)	18,448,597
Endowment contributions	-	-	2,314,942	-	2,314,942
Change in net position	(198,405)	20,637,261	2,314,942	(1,990,259)	20,763,539
Transfers:					
Net transfers in (out)	619,510	(646,571)	27,061	-	-
Internal fees in (out)	3,495,124	(3,495,124)	-	-	-
Capital asset adjustments in (out)	(3,170,423)	(6,000,000)	-	9,170,423	-
Total transfers	944,211	(10,141,695)	27,061	9,170,423	-
Net surplus/(deficit)	745,806	10,495,566	2,342,003	7,180,164	20,763,539
Net position – beginning of year	13,813,024	33,545,984	114,219,425	44,282,745	205,861,178
Net position – end of year as restated	\$ 14,558,830	\$ 44,041,550	\$ 116,561,428	\$ 51,462,909	\$ 226,624,717

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

Chairs Under the Eminent Scholars Program
Schedule of Receipts, Expenditures and Endowments Balances
Year Ended June 30, 2014

Description Endowed	Beginning	Beginning	Corpus	Gifts to	Interest	Administrative	Other	Transfers	Ending	Ending
	Corpus Balance	Net Balance	Contributed During	Spending	Income and				Corpus Balance	Total Balance
	June 30, 2013	June 30, 2013	The Year	During	Investment	Fees	Expenditures		June 30, 2014	June 30, 2014
Agere Systems Eminent Scholar Chair of Computer Science	\$ 1,020,000	\$ 1,269,327	\$ -	\$ -	\$ 207,004	\$ (28,483)	\$ (12,326)	\$ -	\$ 1,020,000	\$ 1,435,522
Al and Nancy Burnett Eminent Scholar Chair in Accounting	1,020,500	1,665,664	-	-	260,633	(35,865)	(51,931)	-	1,020,500	1,838,501
Beat M. and Jill L. Kahli Endowed Chair in Oncology Nursing	480,075	548,993	-	-	98,234	(13,517)	-	-	480,075	633,710
Bert Fish Eminent Scholar Chair In Nursing	1,020,000	1,253,495	-	-	208,140	(28,639)	(54,865)	-	1,020,000	1,378,131
Carl H. Galloway, Jr. Chair for Excellence in Business	1,000,000	1,893,630	-	-	284,702	(39,175)	(73,518)	-	1,000,000	2,065,639
Charles N. Millican Chair of Computer Science	1,000,000	1,276,859	-	-	197,305	(27,150)	(23,405)	-	1,000,000	1,423,609
Cobb Family Eminent Scholar Chair	1,084,500	1,609,270	1,000	-	250,794	(34,552)	-	-	1,085,500	1,826,512
Darden Chair in Restaurant Management	1,020,000	1,462,913	-	-	227,227	(31,267)	-	-	1,020,000	1,658,873
Della Phillips Martha Schenck Chair of American Private Enterprise	1,000,000	1,571,720	-	-	225,407	(31,017)	-	-	1,000,000	1,766,110
Dr. Neil Euliano Endowed Chair in Italian Studies	1,020,000	1,082,520	-	-	190,144	(26,163)	(19,877)	-	1,020,000	1,226,624
Florida Hospital Foundation Endowed Chair in Cardiovascular Research	1,750,341	2,124,997	-	-	356,743	(49,088)	(42,652)	-	1,750,341	2,390,000
Howard Phillips Eminent Scholar Endowed Chair in Real Estate	1,020,000	1,127,726	-	-	194,037	(26,699)	(3,750)	-	1,020,000	1,291,314
Jim Heistand NAIOP Eminent Scholar Endowed Chair in Real Estate	820,500	956,180	-	-	165,780	(22,812)	(10,984)	-	820,500	1,088,164
Judith and David Albertson Eminent Scholar Endowed Chair	480,000	532,608	80,000	-	100,051	(17,141)	-	-	560,000	695,518
Lester N. Mandell Eminent Scholar Endowed Chair	615,100	708,025	-	-	121,823	(16,764)	-	-	615,100	813,084
Lockheed Martin Eminent Scholar Chair of Science and Math	1,759,235	2,275,719	470	-	356,886	(49,129)	(22,126)	-	1,759,705	2,561,820
Mildred W. Coyle Eminent Scholar Endowed Chair	1,020,000	1,184,843	-	-	192,991	(26,556)	(10,607)	-	1,020,000	1,340,671
Orange County Convention and Visitors Bureau Endowed Chair	4,000,004	4,281,653	-	-	736,735	(101,377)	-	-	4,000,004	4,917,011
Orange County Eminent Scholar Endowed Chair in Economic Research	1,020,000	1,344,139	-	-	207,659	(28,574)	-	-	1,020,000	1,523,224
Robert N. Heintzelman Eminent Scholar Endowed Chair Fund	1,020,570	1,242,448	-	-	205,169	(28,232)	(46,905)	-	1,020,570	1,372,480
SunTrust, NA Eminent Scholar Chair of Banking	1,020,000	1,995,947	-	-	290,215	(39,934)	(48,103)	-	1,020,000	2,198,125
William S. and Alice M. Jenkins Eminent Scholar Chair of Community Arts	1,007,547	1,330,978	-	50	225,336	(31,009)	(31,344)	-	1,007,547	1,494,011
Total Endowed	\$ 25,198,372	\$ 32,739,654	\$ 81,470	\$ 50	\$ 5,303,015	\$ (733,143)	\$ (452,393)	\$ -	\$ 25,279,842	\$ 36,938,653

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

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

Endowments Under Major Gifts Program
Schedule of Receipts, Expenditures and Endowments Balances
Year Ended June 30, 2014

Description Endowed	Beginning Corpus Balance June 30, 2013	Beginning Net Balance June 30, 2013	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30, 2014	Ending Total Balance June 30, 2014
ABC Fine Wine & Spirits Undergraduate Scholarship Endowment	\$ 630,000	\$ 839,868	\$ -	\$ -	\$ 140,571	\$ (19,343)	\$ (54,000)	\$ -	\$ 630,000	\$ 907,096
ABC Liquors #2 Scholarship Endowment	-	-	-	-	-	-	-	-	-	-
ABC Liquors #3 Scholarship Endowment	-	-	-	-	-	-	-	-	-	-
ABC Liquors #4 Scholarship Endowment	-	-	-	-	-	-	-	-	-	-
Accounting Advisory Board Research Support Fund	159,130	199,729	-	-	32,648	(4,492)	(9,000)	-	159,130	218,885
Accounting Advisory Board Endowed Scholarship	342,629	420,245	-	-	68,929	(9,485)	(3,136)	-	342,629	476,553
Al Ghazali Endowed Distinguished Professorship in Islamic Studies	690,543	803,871	-	-	140,043	(19,269)	(5,247)	-	690,543	919,398
Alex Alexander Endowed Professorship	195,679	266,926	-	-	39,662	(5,457)	(25,467)	-	195,679	275,664
Alumni Trust "A" "Endowment"	167,532	209,823	-	-	36,477	(5,018)	(5,950)	-	167,532	235,332
Alumni Trust "B" "Endowment"	150,000	205,627	-	-	35,614	(4,901)	(6,500)	-	150,000	229,840
Alumni Trust "C" "Endowment"	150,040	193,094	-	-	33,511	(4,610)	(5,800)	-	150,040	216,195
Alumni Trust "D" "Endowment"	151,167	171,605	-	-	30,535	(4,203)	(4,500)	-	151,167	193,437
Anheuser Busch Academic Enhancement Fund	750,000	939,890	-	-	145,366	(20,002)	-	-	750,000	1,065,254
ARDA Timeshare Professorship	150,000	193,800	-	-	28,759	(3,958)	-	-	150,000	218,601
Arthur and Sally Hillman Computer Science Graduate Fellowship	299,069	328,826	-	-	56,572	(7,785)	(10,000)	-	299,069	367,613
AT&T Wireless Endowed Scholarship	150,000	164,909	-	-	28,375	(3,905)	(5,000)	-	150,000	184,379
BE 2000 Leadership Endowed Scholarship Fund	1,063,996	1,501,748	-	-	249,382	(34,315)	(20,000)	-	1,063,996	1,696,815
Bob Neel Rotary Club of Orlando Endowed Scholarship	187,500	208,315	-	-	35,475	(4,882)	(10,000)	-	187,500	228,908
Business Ethics Endowed Scholarship	145,000	160,882	-	-	27,542	(3,789)	(4,000)	-	145,000	180,635
C.G. Avery Professorship Endowment	151,430	212,456	-	-	34,357	(4,727)	(17,028)	-	151,430	225,058
CAE Link Endowed Professorship	180,000	279,954	-	-	41,263	(5,678)	(23,423)	-	180,000	292,116
CBA Department of Marketing Endowed Faculty Development Account	164,672	197,835	-	-	31,226	(4,297)	-	-	164,672	224,764
Central Florida Chapter ROTC Endowed Scholarship	156,345	183,236	-	-	31,806	(4,377)	(1,999)	-	156,345	208,666
Central Florida Kidney Center Endowed Scholarship	150,000	169,299	-	-	29,129	(4,008)	(5,000)	-	150,000	189,420
CFH and MA Professorship in Conference and Convention Management	150,000	266,827	-	-	34,015	(4,681)	(2,085)	-	150,000	294,076
Chatlos Foundation Endowed Fund	1,020,000	1,303,136	-	-	205,243	(28,242)	(89,903)	-	1,020,000	1,390,234
Conway Garden Club Endowed Professorship Fund	150,000	173,208	-	-	30,198	(4,155)	(4,440)	-	150,000	194,811
Daniel D. Hammond Engineering Endowed Scholarship	244,687	269,126	-	-	46,288	(6,369)	(7,002)	-	244,687	302,043
Darden Restaurants Academic Excellence Fund	4,000,002	5,263,864	-	-	781,267	(107,505)	-	-	4,000,002	5,937,626
Davis-Shine Endowed Professorship in Conservation Biology	150,000	173,208	-	-	30,198	(4,155)	(4,440)	-	150,000	194,811
Devos Endowment for Academics and Sports	10,000,000	10,804,407	250	-	1,865,599	(256,724)	(370,203)	-	10,000,250	12,043,329
DeVos Orlando Magic Sport Business Management Endowed Scholarship Fund	150,000	166,835	-	-	28,671	(3,945)	-	-	150,000	191,561
DeVos Sport Business Management Program Endowed Fund	5,000,025	5,735,123	-	10,105	945,848	(130,556)	(135,577)	(240)	5,000,025	6,424,703
Dick and Shirley Wetherill Endowed Music Scholarship	242,699	305,421	-	-	45,973	(6,326)	1	-	242,699	345,069
Doris H. Lester Merit Scholarship Fund	150,000	155,071	-	-	27,743	(3,817)	(1)	-	150,000	178,996
Dorothy Anne Perkins Tomlinson Endowed Scholarship Fund	151,000	166,771	1,000	-	28,570	(3,970)	(4,001)	-	152,000	188,370
Dr. P. Phillips Institute for Research and Education in Real Estate	1,780,000	1,862,846	-	-	331,614	(45,631)	(9,380)	-	1,780,000	2,139,449
Dr. Patisapu R.J. Gangadharam Endowed Fund for Hydrocephalus Research	187,700	205,129	-	-	35,295	(4,857)	1	-	187,700	235,568
Dr. Phillips Institute for the Study of American Business Activity	308,700	817,926	-	-	119,826	(16,489)	(2,399)	-	308,700	918,864
Edmond R. and Victoria Wirths Endowed Scholarship	267,589	307,909	-	-	50,616	(6,965)	(2,749)	-	267,589	348,811
Elizabeth Willey Scholarship Endowment	150,200	179,257	-	-	30,934	(4,257)	(6,000)	-	150,200	199,934
Ernst and Young Professorship Endowment	154,549	245,521	-	-	40,518	(5,575)	(7,504)	-	154,549	272,960
*Florida Blue Endowed Visiting Professorship in Nursing	300,000	382,787	-	-	58,795	(8,090)	(10,449)	-	300,000	423,043
Frank M. Hubbard Engineering Endowed Scholarship	152,500	202,443	-	-	34,278	(4,717)	(8,000)	-	152,500	224,004
Fullerton Family Fund Endowed	151,819	162,751	-	-	28,722	(3,952)	-	-	151,819	187,521
Gerald R. Langston Endowed Scholarship	152,493	161,544	-	-	28,426	(3,912)	(2,999)	381	152,493	183,440
Gerry and Ruth Hartman Endowed Professorship	150,000	172,844	-	-	30,380	(4,180)	(2,500)	-	150,000	196,544
Harris and Trisha Rosen Endowed Fund	2,170,000	2,389,052	-	-	298,071	(56,818)	-	-	2,170,000	2,630,305
Harris and Trisha Rosen Endowed Fund	2,170,000	2,256,269	-	150,000	403,727	(61,554)	(150,000)	6,000	2,170,000	2,604,442
Harris Corporation Broadcast Center Endowment Fund	150,000	190,315	-	-	28,754	(3,957)	-	-	150,000	215,112

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, 2014

Description Endowed	Beginning Corpus Balance June 30, 2013	Beginning Net Balance June 30, 2013	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30, 2014	Ending Total Balance June 30, 2014
Helene Fuld Health Trust Scholarship Fund for Baccalaureate Nursing Students	\$ 575,050	\$ 607,396	\$ -	-	\$ 107,183	\$ (14,749)	\$ (5,001)	\$ -	\$ 575,050	\$ 694,829
HFTP Financial Management and Technology Professorship Endowed Fund	150,000	188,279	-	-	28,916	(3,979)	-	-	150,000	213,216
Hospitality and Travel Industry Education and Research Program	6,000,200	7,735,298	270	-	1,135,017	(156,194)	(6,158)	-	6,000,470	8,708,233
Hubbs Sea World Endowed Professorship	150,000	164,954	-	-	28,382	(3,905)	(6,339)	-	150,000	183,092
Hughes Simulation Systems Professorship	180,060	401,846	-	-	47,571	(6,546)	(962)	-	180,060	441,909
Hydrocephalus and Neuroscience Endowed Fund	157,500	167,574	-	-	29,364	(4,041)	(3,399)	-	157,500	189,498
J. Willard and Alice S. Marriot Foundation Academic Excellence Fund	150,000	170,252	-	-	28,380	(3,905)	-	-	150,000	194,727
Jack D. Holloway Endowed Scholarship	600,000	723,572	-	-	124,367	(17,113)	(16,002)	-	600,000	814,824
James and Annie Ying Eminent Scholar in Biology Program Endowment	150,000	171,923	-	-	29,580	(4,070)	(6,605)	-	150,000	190,828
John L. Brinson Endowed Scholarship	101,000	123,100	-	-	21,309	(2,932)	(2,002)	-	101,000	139,475
John L. Brinson Ethics Professorship	50,520	113,247	-	-	12,505	(1,721)	(4,755)	-	50,520	119,276
Kenneth G. Dixon School of Accounting Endowment Fund	5,020,500	5,772,902	60	-	976,769	(134,409)	(64,141)	-	5,020,560	6,551,181
Kimball Foundation Minority Scholarship Endowment	152,300	184,891	-	-	31,599	(4,348)	(8,001)	-	152,300	204,141
KPMG Peat Marwick Professorship Endowment	172,875	219,459	-	-	38,028	(5,233)	(6,927)	-	172,875	245,327
Langford Family Foundation Endowed Scholarship Fund	169,545	184,380	-	-	31,631	(4,352)	(4,802)	-	169,545	206,857
Lockheed Martin Professorship in Engineering	150,000	238,051	-	-	37,457	(5,154)	(22,659)	-	150,000	247,695
Lockheed Martin St. Laurent Professorship	160,000	284,734	-	-	42,769	(5,885)	(34,782)	-	160,000	286,836
Lockheed Martin Transition to Mathematics and Science Teaching Endowed Fund	677,500	746,445	-	-	126,609	(17,422)	(17,722)	-	677,500	837,910
Lucia C. Cooke Endowed Music Scholarship	162,903	217,441	-	-	31,416	(4,323)	1	-	162,903	244,535
Margaret Scott Brown Memorial Endowed Music Fund	242,649	270,490	-	-	45,939	(6,321)	-	-	242,649	310,108
Mary P. Mcnamara Scholarship Endowment #1	150,000	180,328	-	-	31,182	(4,291)	(6,000)	-	150,000	201,219
Mary P. Mcnamara Scholarship Endowment #2	150,000	167,495	-	-	28,405	(3,909)	(4,499)	-	150,000	187,492
McArdle Graduate Assistantship in Real Estate	150,000	160,731	-	-	27,962	(3,848)	-	-	150,000	184,845
Mid-Florida Home Builders Scholarship Endowment	150,000	197,453	-	-	34,268	(4,715)	(5,943)	-	150,000	221,063
Moss Family Endowed Scholarship Fund	594,891	669,212	-	-	113,536	(15,623)	(32,501)	-	594,891	734,624
NAIOP Jim Brown Endowed Real Estate and Business Ethics Scholarship	204,100	230,674	-	-	38,725	(5,329)	(1)	-	204,100	264,069
Northrop Grumman Scholarship Fund	214,743	422,747	-	-	63,424	(9,074)	1	-	214,743	477,098
Orlando Sentinel Endowed Scholarship	252,500	262,885	-	-	46,884	(6,452)	(798)	-	252,500	302,519
Orlando Shakespeare Theater Endowment in Playwriting	775,000	845,793	-	-	145,527	(20,025)	(27,000)	-	775,000	944,295
Progress Energy Endowed Scholarship	151,500	271,844	-	-	36,510	(5,024)	(26,999)	-	151,500	276,331
Robert E. and Elisabeth S. Carey Memorial Endowment	338,343	400,798	-	-	64,040	(8,812)	(8,205)	-	338,343	447,821
Robertson Student Support Fund	287,279	313,425	-	-	53,629	(7,380)	(1)	-	287,279	359,673
Sadler National Merit Scholarship Endowment	675,000	724,879	-	-	127,934	(17,604)	(28,570)	-	675,000	806,639
SAIC Endowed Professorship	150,000	174,560	-	-	29,583	(4,071)	(7,248)	-	150,000	192,824
Skura Family Endowed Freedom Scholarship	700,026	779,818	-	-	134,175	(18,463)	(27,499)	-	700,026	868,031
Sonny's Endowment for the President's Scholars Program	150,100	181,133	-	-	28,388	(3,906)	-	-	150,100	205,615
Suchoski Graduate Fellowship Endowed Fund in the School of Optics/CREOL	300,000	377,404	-	-	63,037	(8,778)	(4,306)	-	300,000	427,357
Tess and Abe Wise Endowed Professorship in Judaic Studies	157,176	189,314	-	-	31,886	(4,388)	(5,939)	-	157,176	210,873
Tony and Sonja Nicholson Endowment for the Nicholson School of Communication	1,767,830	1,961,126	-	2,500	329,677	(45,465)	(17,754)	(114)	1,767,830	2,229,970
UCF College of Engineering and Computer Science Alumni Chapter Scholarship Endowment	264,971	288,174	-	-	50,123	(6,897)	(11,501)	-	264,971	319,899
UCF History Endowment Fund	150,083	169,152	-	-	28,531	(3,926)	(3,168)	-	150,083	190,589
University Club of Orlando Scholarship Fund	150,000	174,534	-	-	30,291	(4,168)	(1,752)	-	150,000	198,905
University Club of Orlando LEADS Scholarship Fund #1	157,500	173,067	-	-	29,778	(4,098)	(5,599)	-	157,500	193,148
Vivian and Barry Woods Educational Endowment	237,250	267,732	5,000	-	45,703	(6,508)	(10,001)	-	242,250	301,926
Walt Disney World Academic Excellence Fund	2,560,002	2,931,847	-	-	477,778	(65,744)	(1,325)	-	2,560,002	3,342,556
Walt Disney World Co. Ride and Show Engineering Scholarship	300,000	324,284	-	-	56,761	(7,811)	(8,000)	-	300,000	365,234
Walter & Betty Boardman Endowed Professorship in Environmental Studies	151,500	332,848	-	-	41,699	(5,738)	1	-	151,500	368,810
Wharton Smith Group Endowed Professorship	150,000	178,351	-	-	29,437	(4,051)	(7,265)	-	150,000	196,472
William C. Schwartz Graduate Research Fellowship	161,349	212,130	-	-	34,637	(4,822)	(4,153)	-	161,349	237,792
Total Endowed	\$ 62,612,440	\$ 74,421,500	\$ 6,580	\$ 162,605	\$ 12,095,112	\$ (1,687,422)	\$ (1,501,961)	\$ 6,027	\$ 62,619,020	\$ 83,502,441

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

Other Information

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

Directors and Terms

Term Expires June 30, 2017 – 6 Individuals

Leila Nodarse
Joseph Melbourne
Antonio Moreno

Rita Adler
Melanie Fernandez*
Suresh Gupta

Term Expires June 30, 2016 – 9 Individuals

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

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

Term Expires June 30, 2015 – 10 Individuals

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

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

Term Expires June 30, 2014 – 9 Individuals

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

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

* Audit Committee member

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

Ex-Officio Members

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

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

Officers and Executive Committee

Officers

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

Executive Committee

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

Executive Support Staff

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Central Florida Foundation, Inc. (the Foundation) which comprise the statement of net position as of and for the year ended June 30, 2014 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 23, 2014.

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.

McGladrey LLP

Orlando, Florida
October 23, 2014



**Independent Auditor's Report
on Compliance for Each Major State Project;
Report on Internal Control Over Compliance in Accordance With
Chapter 10.550, Rules of the Auditor General**

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

Report on Compliance for Each Major State Project

We have audited the University of Central Florida Foundation's (the Foundation's) compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Foundation's major state financial assistance projects for the year ended June 30, 2014. 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 each of the Foundation's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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.

McGladrey LLP

Orlando, Florida
October 23, 2014

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, 2014

<u>State Agency, Project Title</u>	<u>CSFA Number</u>	<u>Expenditures</u>
Department of Education and Commissioner of Education University Major Gift Program	48.074	\$ 1,954,354
Department of Highway Safety and Motor Vehicles University of Central Florida License Plate Project	76.029	<u>377,879</u>
Total expenditures of state financial assistance		<u><u>\$ 2,332,233</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, 2014**

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, 2014. 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 on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the 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, 2014. 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, 2014**

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	_____ X _____ No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No	

State Financial Assistance

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

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

Identification of major projects:

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

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

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014**

II – Financial Statements Findings

None reported.

III – State Financial Assistance Findings

None reported.

IV – Summary Schedule of Prior Audit Findings

No findings reported in prior audits.



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

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

We have audited the financial statements of the University of Central Florida Foundation, Inc. (the Foundation), a discrete component unit of the University of Central Florida, as of and for the year ended June 30, 2014, and have issued our report thereon dated October 23, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General* of the State of Florida. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For Each 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 23, 2014, should be considered in conjunction with this management letter.

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

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

McGladrey LLP

Orlando, Florida
October 23, 2014