

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

Single Audit Report  
Year Ended June 30, 2016

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RSM US LLP

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida Foundation, Inc. (the Foundation), a discrete component unit of the University of Central Florida, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net positions, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Foundation's basic financial statements. The Supplementary and Other Information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 13, 2016 and October 9, 2015, 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.

*RSM US LLP*

Orlando, Florida  
October 13, 2016

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

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

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This management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University of Central Florida Foundation, Inc. (the Foundation), including its two blended component units, Knights Crossing Student Housing, LLC and the University of Central Florida Real Estate Foundation, LLC, as of and for the years ended June 30, 2016 and 2015 and should be read in conjunction with the financial statements and notes thereto.

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

**Overview of Financial Statements**

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

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

**The Statement of Net Position**

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

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

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

The following schedule is a summary of the Foundation's statements of net position as of June 30, 2016 and the two preceding fiscal years.

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

	2016	2015	2014
<b>Assets</b>			
Current assets	\$ 27,342,984	\$ 21,835,234	\$ 21,980,246
Noncurrent assets	273,863,241	268,083,064	265,453,660
<b>Total assets</b>	<u>\$ 301,206,225</u>	<u>\$ 289,918,298</u>	<u>\$ 287,433,906</u>
<b>Deferred outflows of resources</b>	<u>\$ 27,310</u>	<u>\$ 69,847</u>	<u>\$ 112,383</u>
<b>Liabilities</b>			
Current liabilities	\$ 4,341,308	\$ 5,169,748	\$ 5,351,320
Noncurrent liabilities	25,641,250	27,426,417	28,946,747
<b>Total liabilities</b>	<u>\$ 29,982,558</u>	<u>\$ 32,596,165</u>	<u>\$ 34,298,067</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 52,604,837	\$ 52,148,866	\$ 51,315,194
Restricted – expendable	71,590,861	63,153,712	65,379,094
Restricted – nonexpendable endowments	126,195,611	122,971,130	119,093,792
Unrestricted	20,859,668	19,118,272	17,460,142
<b>Total net position</b>	<u>\$ 271,250,977</u>	<u>\$ 257,391,980</u>	<u>\$ 253,248,222</u>

The Foundation's assets totaled \$301.2 million as of June 30, 2016. This balance reflects an increase of \$11.3 million or 4%, compared to June 30, 2015. Current assets contribute \$27.3 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 \$273.9 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 increased by \$5.8 million due to an increase in pledges receivable with payment schedules that extend beyond the next 12 months. Restricted – expendable net position was \$71.6 million, which reflects an increase of \$8.4 million compared to June 30, 2015, due to increased contributions.

The Foundation's liabilities totaled \$30 million as of June 30, 2016. This balance reflects a decrease of \$2.6 million, or 8% as compared to June 30, 2015. Total liabilities include current obligations of \$4.3 million and obligations arising beyond the next twelve months of \$25.6 million. Principal payments made toward debt during fiscal year 2016 totaled \$2.1 million and were made in accordance with the schedules 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 (Unaudited)**

Changes in assets and liabilities during fiscal year 2015 resulted in an overall increase in net position of approximately \$4.1 million when compared to fiscal year 2014, due to market appreciation on investments held by the Foundation. Investment assets increased by approximately \$4.2 million during fiscal year 2014.

**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, 2016, and the two preceding fiscal years.

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

	2016	2015	2014
Operating revenue	\$ 42,461,046	\$ 31,170,354	\$ 51,709,625
Operating expenses	42,675,563	39,741,747	34,990,904
Operating gain (loss)	(214,517)	(8,571,393)	16,718,721
Nonoperating revenues	10,893,104	8,928,346	7,394,923
Gain (loss) before endowment contributions	10,678,587	356,953	24,113,644
Endowment contributions	3,180,410	3,786,805	2,509,861
Change in net position	13,858,997	4,143,758	26,623,505
Net position – beginning of year	257,391,980	253,248,222	226,624,717
Net position – end of year	\$ 271,250,977	\$ 257,391,980	\$ 253,248,222

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

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

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The following summarizes the operating revenues by source that were used to fund operating activities for the fiscal year ended June 30, 2016, and the two preceding fiscal years.

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

	2016	2015	2014
Contributions	\$ 29,690,426	\$ 19,370,572	\$ 15,089,584
Rental income	9,822,334	9,784,455	9,829,870
Investment income (loss)	2,166,675	1,189,657	24,564,406
Other operating revenues	781,611	825,670	2,225,765
Total operating revenues	<u>\$ 42,461,046</u>	<u>\$ 31,170,354</u>	<u>\$ 51,709,625</u>

Total operating revenue of \$42.5 million includes contributions, investment earnings, receipts from rental activity and other miscellaneous operating activity. Contributions were \$29.7 million and represent 70% of total operating revenues. This balance reflects an increase of \$11.3 million compared to fiscal year 2015 due primarily to increased contributions.

Fiscal year 2015 total operating revenue was \$31.2 million, a decrease of \$20 million when compared to fiscal year 2014, which included an unprecedented boost from market appreciation of investments. Fiscal year 2014 investments reflected overall earnings of \$24.6 million in fiscal year 2014 while fiscal year 2015 investments returned a \$1.2 million gain.

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



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

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

The following summarizes the operating expenses by source that were used to fund operating activities for the fiscal year ended June 30, 2016, and the two preceding fiscal years.

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

	2016	2015	2014
Operating expenses			
Building operations	\$ 6,624,209	\$ 6,705,250	\$ 6,745,793
Athletics	7,113,238	8,108,945	5,350,530
Fund-raising	7,049,547	6,752,458	6,044,282
Management and general	4,944,534	4,700,670	4,310,524
Student aid	3,535,020	2,972,387	3,066,756
Academic support	5,307,555	4,382,946	4,529,106
Alumni relations	2,217,273	2,479,606	2,702,523
General University support	5,287,681	3,286,549	2,002,509
Research	596,506	352,936	238,881
Total operating expenses	<u>\$ 42,675,563</u>	<u>\$ 39,741,747</u>	<u>\$ 34,990,904</u>

Total operating expenses of \$42.7 million for fiscal year 2016 include program related costs, general support to the university, fundraising, maintenance and operations of the rental property and other management and general expenses related to support of the Foundation's mission. This balance reflects an increase of \$3 million, or 7.5% over the same period ended June 30, 2015, due primarily to increased support to the university. Other contributing factors for the increase relate to state enacted salary increases and additional costs incurred for the benefit of University programs.

Non-operating revenues of \$10.9 million for fiscal year 2016 include support received from the University and other affiliated entities to further the Foundation's mission. The corresponding expenses are included in the operating expense section of the statements of revenues, expenses and changes in net position. During fiscal years 2016 and 2015, non-operating revenue increased \$2 million and \$1.5 million, respectively.

**The Statement of Cash Flows**

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

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

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

The following summarizes the major sources and uses of cash for the fiscal year ended June 30, 2016, and the two preceding fiscal years.

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

	2016	2015	2014
Cash flows provided by (used in)			
Operating activities	\$ (1,376,758)	\$ 1,974,821	\$ 466,770
Investing activities	5,227,735	(3,129,097)	(2,241,055)
Capital and related financing activities	(3,833,361)	(3,776,768)	(3,667,277)
Non-capital financing activities	2,872,618	3,471,429	2,187,326
Change in cash and cash equivalents	2,890,234	(1,459,615)	(3,254,236)
Cash and cash equivalents			
Beginning of year	14,900,964	16,360,579	19,614,815
End of year	\$ 17,791,198	\$ 14,900,964	\$ 16,360,579

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

For fiscal year ended June 30, 2015, cash and cash equivalents decreased by \$1.5 million. Cash flow provided by operating activities increased \$1.5 million due to increased cash from contributions. Net cash flows used for investing activity increased by \$0.9 million. Cash used in capital and related financing remained relatively unchanged while cash flow provided by other noncapital financing activities increased \$1.3 million due an increase in contributions to permanently endowed funds.

**Capital Assets and Long-Term Debt Activity** – The Foundation has \$75.9 million and \$77.3 million, included in noncurrent assets on the accompanying Statement of Net Position, as of June 30, 2016 and 2015, respectively. These balances are net of accumulated depreciation of \$24.3 million and \$22.3 million, respectively. The following table summarizes capital assets as of June 30, 2016 and the two preceding years.

	2016	2015	2014
Property and equipment – net	\$ 341,150	\$ 352,873	\$ 433,291
Buildings and improvements – net	21,431,755	23,259,157	24,417,791
Nondepreciable assets	54,164,622	53,731,989	53,651,494
<b>Total capital assets</b>	<b>\$ 75,937,527</b>	<b>\$ 77,344,019</b>	<b>\$ 78,502,576</b>

The balance at June 30, 2016 is comprised of 70.6% land totaling \$53.6 million, 28.2% of buildings and associated improvements totaling \$21.4 million and the remaining 1.2% of other property and equipment.

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

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

During fiscal year 2016, the only significant change in capital assets related to depreciation expense of \$2 million. There are no current commitments pending for major capital additions at this time.

The balance at June 30, 2015 is comprised of 69.5% land totaling \$53.7 million, 30.1% of buildings and associated improvements totaling \$23.2 million and the remaining 0.5% of other property and equipment. During fiscal year 2015, the only significant change in capital assets related to depreciation expense of \$1.9 million. There are no current commitments pending for major capital additions at this time.

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

At June 30, 2016 and 2015, the Foundation had \$25.3 million and \$27.4 million in debt outstanding, respectively. The following table summarizes debt outstanding as of June 30, 2016, and the two preceding years.

	2016	2015	2014
Fairwinds Alumni Center	\$ -	\$ 161,713	\$ 323,424
Research Pavilion, Innovative Center, and OTECH buildings:			
2009 Series Note – taxable	2,290,000	3,385,000	4,420,000
2009 Series Note – tax exempt	12,540,000	12,540,000	12,540,000
University Tower and Bio-Molecular buildings:			
2008 Series Note – tax exempt	7,965,000	8,375,000	8,760,000
McCulloch Road property	565,000	965,000	1,355,000
Renewal Annuity Notes:			
Annuity Note A	980,442	981,776	984,176
Annuity Note B	980,441	981,775	984,176
<b>Total debt</b>	<b>\$ 25,320,883</b>	<b>\$ 27,390,264</b>	<b>\$ 29,366,776</b>

During fiscal years 2016 and 2015, the Foundation paid approximately \$2.1 million and \$2.0 million, respectively, related to principal payments on its notes. Additional information on the Foundation's long-term debt obligations can be found in Note 6 of the accompanying notes to the financial statements.

**Economic Outlook**

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

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

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

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

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**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, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 17,791,198	\$ 14,339,799
Investments	-	4,315,976
Receivables	137,011	82,555
Receivables from related parties	-	22,171
Pledges receivable – net	8,984,732	2,511,836
Other current assets	430,043	562,897
<b>Total current assets</b>	<b>27,342,984</b>	<b>21,835,234</b>
Noncurrent Assets		
Restricted cash and cash equivalents	-	561,165
Investments	183,727,622	182,045,970
Pledges receivable – net	11,404,967	5,474,034
Beneficial remainder trust	1,910,577	1,836,513
Property and equipment – net	341,150	352,873
Rental and other property – net	21,431,755	23,259,157
Nondepreciable assets	54,164,622	53,731,989
Other noncurrent assets	882,548	821,363
Total noncurrent assets	273,863,241	268,083,064
<b>Total assets</b>	<b>301,206,225</b>	<b>289,918,298</b>
Deferred Outflows of Resources		
Unamortized bond refunding	27,310	69,847
<b>Total deferred outflows of resources</b>	<b>27,310</b>	<b>69,847</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued expenses	836,580	778,100
Payables to related parties	1,242,144	1,641,220
Long-term liabilities – current portion:		
Notes payable – net	2,157,862	2,634,381
Unearned revenue	11,820	5,128
Annuity obligations	77,576	72,476
Compensated absences	4,908	26,511
Deposits	10,418	11,932
<b>Total current liabilities</b>	<b>4,341,308</b>	<b>5,169,748</b>
Noncurrent Liabilities		
Notes payable – net	23,163,021	24,755,883
Unearned revenue	1,910,577	1,836,513
Annuity obligations	473,646	457,308
Compensated absences	65,209	352,214
Deposits	28,797	24,499
<b>Total noncurrent liabilities</b>	<b>25,641,250</b>	<b>27,426,417</b>
<b>Total liabilities</b>	<b>29,982,558</b>	<b>32,596,165</b>
Net Position		
Net investment in capital assets	52,604,837	52,148,866
Restricted:		
Expendable	71,590,861	63,153,712
Nonexpendable endowments	126,195,611	122,971,130
Unrestricted	20,859,668	19,118,272
<b>Total net position</b>	<b>\$ 271,250,977</b>	<b>\$ 257,391,980</b>

See Notes to the Financial Statements.

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

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
<b>Operating Revenues</b>		
Contributions (net of provisions for uncollectible pledge receivables of \$2,755,408 and \$426,257)	\$ 29,690,426	\$ 19,370,572
Rental income	9,822,334	9,784,455
Net realized and unrealized gains (losses) on investments	1,104,339	(632,536)
Interest and dividends	1,062,336	1,822,193
License plate proceeds	378,122	397,509
Advertising and royalties	294,990	347,069
Other miscellaneous	108,499	81,092
<b>Total operating revenues, net</b>	<b>42,461,046</b>	<b>31,170,354</b>
<b>Operating Expenses</b>		
Building operations	6,624,209	6,705,250
Athletics	7,113,238	8,108,945
Fund-raising	7,049,547	6,752,458
Management and general	4,944,534	4,700,670
Student aid	3,535,020	2,972,387
Academic support	5,307,555	4,382,946
Alumni relations	2,217,273	2,479,606
General University support	5,287,681	3,286,549
Research	596,506	352,936
<b>Total operating expenses</b>	<b>42,675,563</b>	<b>39,741,747</b>
<b>Operating gain (loss)</b>	<b>(214,517)</b>	<b>(8,571,393)</b>
<b>Nonoperating Revenues</b>		
University support	10,130,148	8,241,460
UCFAA support	750,747	654,990
UCF Convocation support	47,120	66,041
Change in value of split interest agreements	(34,911)	(34,145)
<b>Total nonoperating revenues</b>	<b>10,893,104</b>	<b>8,928,346</b>
<b>Gain Before Endowment Contributions</b>	<b>10,678,587</b>	<b>356,953</b>
Endowment Contributions	3,180,410	3,786,805
<b>Change in net position</b>	<b>13,858,997</b>	<b>4,143,758</b>
Net Position – Beginning of Year	257,391,980	253,248,222
Net Position – End of Year	<b>\$ 271,250,977</b>	<b>\$ 257,391,980</b>

See Notes to the Financial Statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
Cash Flows From Operating Activities		
Receipts from contributions	\$ 16,815,781	\$ 18,474,034
Rental receipts	9,763,365	9,504,375
All other receipts	708,788	855,343
Payments for building operations	(3,310,445)	(3,706,212)
Payments for fundraising activities	(2,731,173)	(1,833,795)
Payments to the University for salaries and benefits	(3,717,498)	(4,301,572)
Payments for University programs, scholarships, and athletics	(17,572,096)	(15,861,308)
Payments for general and administrative functions	(1,304,842)	(1,136,230)
Payments for income taxes	(28,638)	(19,814)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,376,758)</b>	<b>1,974,821</b>
Cash Flows From Investing Activities		
Purchases of investments	(30,928,849)	(148,179,848)
Proceeds from sales and maturities of investments	35,124,854	143,506,933
Receipts from interest and dividends, net of fees	1,063,041	1,793,818
Disbursement for loan receivable	(31,311)	(250,000)
<b>Net cash provided by (used in) investing activities</b>	<b>5,227,735</b>	<b>(3,129,097)</b>
Capital and Related Financing Activities		
Purchase or construction of capital assets	(598,615)	(766,957)
Principal paid on capital debt	(1,905,000)	(1,810,000)
Proceeds from (payments to) the University for tenant improvements	-	181,043
Interest paid on capital debt	(1,329,746)	(1,380,854)
<b>Net cash used in capital and related financing activities</b>	<b>(3,833,361)</b>	<b>(3,776,768)</b>
Noncapital Financing Activities		
Principal paid on debt	(164,381)	(166,513)
Endowment contributions received for other than capital purposes	3,180,410	3,786,805
Interest paid on debt	(143,411)	(148,863)
<b>Net cash flows provided by noncapital financing activities</b>	<b>2,872,618</b>	<b>3,471,429</b>
Change in Cash, Restricted Cash and Cash Equivalents	2,890,234	(1,459,615)
Cash, Restricted Cash and Cash Equivalents – Beginning of Year	14,900,964	16,360,579
Cash, Restricted Cash and Cash Equivalents – End of Year	<b>\$ 17,791,198</b>	<b>\$ 14,900,964</b>
Supplemental Disclosure of Noncash Related Investing Activities		
Unrealized gains (losses) on investments	<b>\$ 1,523,276</b>	<b>\$ (33,680,546)</b>

(Continued)

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

**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Reconciliation of the Change in Net Position to Net Cash Provided		
By (Used In) Operating Activities		
Operating (loss) gain	\$ (214,517)	\$ (8,571,393)
Adjustments to reconcile operating (loss) gain to net cash provided by (used in) operating activities:		
Depreciation	2,005,108	1,925,514
Amortization	42,536	42,536
Recognition of royalty revenue	-	-
Provision for cancellation of pledges and other receivables	2,755,408	426,257
Net realized and unrealized gains (losses) on investments	(1,104,339)	632,536
Noncash support from University and other related entities	10,928,015	8,962,491
Donated securities	(470,816)	(302,900)
Interest and dividend income, net of investment fees	(1,062,336)	(1,822,193)
Interest expense	1,453,323	1,508,000
Changes in operating assets and liabilities:		
Investment interest and other receivables	(55,161)	25,551
Receivables from related parties	22,171	(13,803)
Pledges receivable	(15,159,237)	(1,082,087)
Prepaid expenses and other assets	102,980	(13,851)
Accounts payable, accrued expenses, compensated absences and deposits	(227,509)	(220,467)
Payables to related parties	(399,076)	411,373
Unearned revenue	6,692	5,066
Annuity obligations	-	62,191
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,376,758)</b>	<b>\$ 1,974,821</b>

See Notes to the Financial Statements.



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

**Notes to Financial Statements**

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**Note 1. Nature of Organization and Significant Accounting Policies**

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

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

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

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

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

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

***Net Investment in Capital Assets:*** Representing funds that consist of capital assets, net of accumulated depreciation and related unspent debt proceeds and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to and expended on the acquisition, construction or improvement of those assets net of any related unspent debt proceeds.

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

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

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

**Notes to Financial Statements**

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

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

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

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

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

**Revenue recognition:** Contributions of cash, investment securities or pledges receivable are recognized at fair value when all eligibility requirements have been met and are reported as increases in net position, with the exception of pledges to the endowment which are recognized when funds are received. Property and equipment donated to the Foundation are recorded at their estimated 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 for recoveries from tenants of operating expenses the Foundation paid on the tenant's behalf. These operating expenses include items such as real estate taxes, insurance and other property operating costs. During fiscal years 2016 and 2015, the Foundation recognized \$3,373,474 and \$3,160,073, respectively, in rent revenue for recoveries from tenants.

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

**Cash, restricted cash and cash equivalents:** The Foundation considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. Noncurrent cash and cash equivalents at June 30, 2016 and 2015, include cash that is unrestricted, restricted by the donor, or contractually restricted due to loan covenants and is not expected to be used during the Foundation's next fiscal year.

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

**Notes to Financial Statements**

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

**Investments:** Investments are carried at fair value 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 or best available estimate thereof. Gains or losses on the sale of the investments are based on the weighted-average cost method. Realized gains(losses) are recognized based on the trade date for investments sold during the year. For investments held as of year end, any changes in fair value during the year are recorded as unrealized gains (losses) for the year. The hedge funds carry their underlying investments at fair value. The funds that do not have readily determinable fair values are valued, as a practical expedient, at the net asset value of the units held by the Foundation at year end, as reported by the investment manager and within the valuation guidelines stipulated in respective investment agreements. The valuation for the real assets investment is determined by an independent appraisal management firm based on market data and research. Investments that are expected to be used within the next 12 months are classified as current investments. Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and amounts subject to other internal designations by the Board of Directors and management as well as investments not expected to be used during the Foundation's next fiscal year.

**Pledges receivable:** In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all pledges that have met all the eligibility requirements that are verifiable, probable and measurable are recorded at their estimated realizable value on a discounted basis. The Foundation has established an allowance to absorb the uncollectible portion of pledges based on management's estimate. See Note 3 for more details.

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

**Capital assets:** Capital assets include buildings property and equipment (including rental property), which is stated at cost as of the date of acquisition (fair value for donated property). The Foundation has a capitalization threshold of \$25,000 for building and building improvements and \$5,000 for equipment and furniture. Depreciation is provided on the straight-line method over the following estimated useful lives:

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

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

**Impairment of capital assets:** The Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. As a result of any impairments, property with a permanent decrease in value is stated at the lower of the carrying value or fair value. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2016 and 2015.

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

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

**Notes to Financial Statements**

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

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

Current Florida law requires charities to maintain certain minimum gift annuity reserves. As of June 30, 2016 and 2015, the Foundation held assets in excess of the minimum required by state law.

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

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

**Income taxes:** The Foundation is exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). However, the Foundation is subject to income tax on unrelated business income. The Foundation is classified as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv). The Foundation is generally only subject to U.S. federal tax examinations by tax authorities for all years since 2012.

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

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

**Notes to Financial Statements**

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

**Recent accounting pronouncements:** In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues*. GASB 82 addresses, among other things: Presentation of payroll-related measures in required supplementary information; selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes; and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. GASB 82 is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of this Statement on the Foundation's financial statements and believes such impact will be minimal, due to the fact that certain Foundations are covered under a pension through the University rather than directly by the Foundation, as described in Note 12. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 is effective for periods beginning after December 15, 2016. Management is currently evaluating the impact of this Statement on the Foundation's financial statements and does not believe such impact will be material to the Foundation's financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Unites – an amendment of GASB Statement No. 14*. GASB 80 clarifies the display requirements in GASB Statement No. 14, The Financial Reporting Entity, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. The GASB intends for Statement No. 80 to enhance the comparability of financial statements among units and improve the value of this information for users of state and local government financial statements. GASB 80 is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of this Statement on the Foundation's financial statements and does not believe such impact will be material to the Foundation's financial statements.

**Reclassification:** Certain amounts have been reclassified from prior year financial statements to conform with current year presentation. Such reclassifications had no effect on net position or change in net position as previously reported.

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

**Cash and restricted cash:** At June 30, 2016 and 2015, the recorded amount of cash, restricted cash and cash equivalents of the Foundation's deposits was \$17,791,198 and \$14,900,964, respectively, which included \$0 and \$561,165, respectively, of non-current cash included in the Foundation's investment pool. Operating bank account balances were \$13,983,676 and \$12,682,504, respectively, as of June 30, 2016 and 2015.

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

**Notes to Financial Statements**

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

**Custodial credit risk – deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. Cash deposits consist of non-interest-bearing demand deposits, money market account and cash deposits.

At June 30, 2016 and 2015, \$11,123,126 and \$10,423,212, respectively, in cash deposits are not insured by federal deposit insurance and are not collateralized.

**Cash equivalents:** The cash equivalents include \$5,168,072 and \$10,671,348 held in a series of money market funds held in brokerage accounts with an average duration of less than one year and a credit rating of AAA.

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

The objective for non-endowed assets is to produce the greatest possible total return with a minimum of risk. The investment policy manual provides information on asset classes, target allocations and ranges of acceptable investment categories for non-endowed assets.

Investments consist of the following at June 30:

	2016	2015
Domestic Equity	\$ 13,046,684	\$ 14,976,044
International Equity	59,180,866	61,379,989
Domestic Fixed Income	40,249,313	39,915,612
International Fixed Income	12,526,480	13,374,612
Global All Assets	20,701,548	20,923,445
Hedge Funds	23,845,335	27,743,101
Private Equity	1,534,520	73,817
Real Assets	12,642,876	7,975,326
<b>Total investments</b>	<b>183,727,622</b>	<b>186,361,946</b>
Less current investments	-	4,315,976
<b>Noncurrent investments</b>	<b>\$ 183,727,622</b>	<b>\$ 182,045,970</b>

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

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

**Notes to Financial Statements**

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

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

	2016	2015
Net realized gains on investments	\$ (418,937)	\$ 33,048,010
Net unrealized gains (losses) on investments	1,523,276	(33,680,546)
<b>Total net realized and unrealized gains (losses) on investments</b>	<b>\$ 1,104,339</b>	<b>\$ (632,536)</b>

Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as part of the net realized and unrealized gains and losses reported in the statement of revenue, expenses and change in net position.

**Custodial credit risk for investments:** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2016 and 2015, 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.

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

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule represents the ratings of the Foundation's debt-type investments as of June 30, 2016 and 2015, using nationally recognized statistical ratings quality organizations:

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

**Notes to Financial Statements**

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

Debt Security Type	Quality Rating	2016 Fair Value	2015 Fair Value
Domestic Fixed Income	AAA	\$ 4,407,933	\$ 696,045
Domestic Fixed Income	AA+	192,715	-
Domestic Fixed Income	AA	28,784,722	29,010,028
Domestic Fixed Income	AA-	-	115,092
Domestic Fixed Income	A	6,731,704	92,732
Domestic Fixed Income	A-	86,124	146,766
Domestic Fixed Income	BBB	-	9,747,936
Domestic Fixed Income	BB	46,115	-
Domestic Fixed Income	B-	-	28,860
Domestic Fixed Income	Not Rated	-	78,153
		40,249,313	39,915,612
International Fixed Income	A+	-	9,147,685
International Fixed Income	A	3,799,290	-
International Fixed Income	BBB	4,323,965	4,226,927
International Fixed Income	BB	4,403,225	-
		12,526,480	13,374,612
<b>Alternative Assets*</b>			
Global All Assets	A	7,114,478	7,110,841
Global All Assets	Not Rated	6,949,472	6,877,066
		14,063,950	13,987,907
Hedge Funds	Not Rated	-	2,001,338
		-	2,001,338
<b>Total</b>		\$ 66,839,743	\$ 69,279,469

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



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

**Notes to Financial Statements**

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

**Interest rate risk:** Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Interest rate risk as of June 30, 2016 and 2015, is as follows:

Investment Type	Average Duration	2016 Fair Value	2015 Fair Value
Domestic Fixed Income	Greater than five years	\$ 4,703,774	\$ 371,315
Domestic Fixed Income	One to five years	35,545,539	38,913,724
Domestic Fixed Income	Less than one year	-	630,573
		<u>40,249,313</u>	<u>39,915,612</u>
International Fixed Income	Greater than five years	4,323,965	4,226,927
International Fixed Income	Less than one year	8,202,515	9,147,685
		<u>12,526,480</u>	<u>13,374,612</u>
<b>Alternative Assets</b>			
Global All Assets	Greater than five years	6,949,472	6,877,066
Global All Assets	One to five years	7,114,478	7,110,841
		<u>14,063,950</u>	<u>13,987,907</u>
Hedge Funds	One to five years	-	2,001,338
<b>Total</b>		<u>\$ 66,839,743</u>	<u>\$ 69,279,469</u>

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

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

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

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

Level 3: Unobservable inputs for an asset or liability.

The following valuation techniques and inputs were used to estimate the fair value of assets and liabilities carried at fair value on the statements of financial position. There have been no changes to these techniques and inputs during the year ended June 30, 2016 and 2015.

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

**Notes to Financial Statements**

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

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

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

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

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

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

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

*Real Assets:* The fair value of real assets investments are classified as Level 1 and 3 based on quoted prices in an active market. The level three assets include one property consisting of 60 acres of land one mile north of the University. The entitled use consists of approximately 70% high density mixed use and 27% low density residential property. The fair value of this property has been determined by an appraisal utilizing recent sale and property comparisons of *like* assets and was marked to market in September 2015. The Foundation has a contract to sell 70% of this land to a third party on or before December 31, 2016.

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

**Notes to Financial Statements**

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

The following tables present the assets measured at fair value on a recurring basis on the statements of net position for the years ended June 30, 2016 and 2015 by the GASB 72 hierarchy (as described above). The following levels are assigned based on the accounting unit the Foundation is invested in, not the makeup of the underlying instruments.

**Fiscal Year 2016**

<b>Description</b>	<b>Totals</b>	<b>Level I Input</b>	<b>Level II Input</b>	<b>Level III Input</b>
<b>Investments by fair value level</b>				
Domestic Equity	\$ 8,968,893	\$ 8,968,893	\$ -	\$ -
Domestic Fixed Income	40,249,313	40,249,313	-	-
Global All Assets	13,752,077	13,752,077	-	-
International Equity	17,072,767	17,072,767	-	-
Real Assets	12,642,876	642,876	-	12,000,000
<b>Total investments by fair value</b>	<b>\$ 92,685,926</b>	<b>\$ 80,685,926</b>	<b>\$ -</b>	<b>\$ 12,000,000</b>

**Investments measured at the net asset value**

**(NAV)**

Domestic Equity	\$ 4,077,791
Global All Assets	6,949,471
Hedge Funds	
Credit	1,901,291
Event Driven	9,444,980
Global Macro	4,684,096
Long Short	4,305,521
Long Short Credit	1,909,205
Equity Linked	1,600,242
International Equity	42,108,099
International Fixed Income	12,526,480
Private Equity	1,534,520
<b>Total investments measured at the NAV</b>	<b>\$ 91,041,696</b>

**Total investments measured at fair value** \$ 183,727,622

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

Notes to Financial Statements

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

Fiscal Year 2015

Description	Totals	Level I Input	Level II Input	Level III Input
<b>Investments by fair value level</b>				
Domestic Equity	\$ 10,748,047	\$ 10,748,047	\$ -	\$ -
Domestic Fixed Income	39,915,612	39,915,612	-	-
Global All Assets	14,046,378	14,046,378	-	-
International Equity	18,806,466	18,806,466	-	-
Real Assets	7,975,326	212,826	-	7,762,500
<b>Total investments by fair value</b>	<b>\$ 91,491,829</b>	<b>\$ 83,729,329</b>	<b>\$ -</b>	<b>\$ 7,762,500</b>
<b>Investments measured at the net asset value (NAV)</b>				
Domestic Equity	\$ 4,227,997			
Global All Assets	6,877,067			
Hedge Funds				
Credit	2,000,740			
Event Driven	9,897,992			
Global Macro	4,899,545			
Long Short	4,574,035			
Long Short Credit	2,001,338			
Multi Strategy	2,853,432			
Equity Linked	1,516,019			
International Equity	42,573,523			
International Fixed Income	13,374,612			
Private Equity	73,817			
<b>Total investments measured at the NAV</b>	<b>\$ 94,870,117</b>			
<b>Total investments measured at fair value</b>	<b>\$ 186,361,946</b>			

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

**Notes to Financial Statements**

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

**Redemptions and unfunded investment commitments**  
**Fiscal Year 2016**

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	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Investments by fair value level</b>				
Domestic Equity	\$ 8,968,893	\$ -		
Domestic Fixed Income	40,249,313	-		
Global All Assets	13,752,077	-		
International Equity	17,072,767	-		
Real Assets	642,876	-		
<b>Total investments by fair value</b>	<b>\$ 80,685,925</b>	<b>\$ -</b>		
<b>Investments measured at the net asset value (NAV)</b>				
Domestic Equity	\$ 4,077,791	\$ -		
Global All Assets	6,949,471	-		
Hedge Funds				
Credit	1,901,291	-	Quarterly	90 Days
Event Driven	9,444,980	-	Quarterly	60-90 Days
Global Macro	4,684,096	-	Monthly	3 Days
Long Short	4,305,522	-	Quarterly	35-45 Days
Long Short Credit	1,909,205	-	Quarterly	30 Days
Equity Linked	1,600,242	-	Quarterly	30 Days
International Equity	42,108,099	-		
International Fixed Income	12,526,480	-		
Private Equity	1,534,520	7,516,360	NA	
<b>Total investments measured at the NAV</b>	<b>\$ 91,041,697</b>	<b>\$ 7,516,360</b>		
<b>Total investments measured at fair value</b>	<b>\$ 171,727,622</b>	<b>\$ 7,516,360</b>		

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

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

Redemptions and unfunded investment  
commitments  
Fiscal Year 2015

	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Investments by fair value level</b>				
Domestic Equity	\$ 10,748,047	\$ -		
Domestic Fixed Income	39,915,612	-		
Global All Assets	14,046,378	-		
International Equity	18,806,466	-		
Real Assets	212,826	-		
<b>Total investments by fair value</b>	<b>\$ 83,729,329</b>	<b>\$ -</b>		
<b>Investments measured at the net asset value (NAV)</b>				
Domestic Equity	\$ 4,227,997	\$ -		
Global All Assets	6,877,067	-		
Hedge Funds				
Credit	2,000,740	-	Quarterly	90 Days
Event Driven	9,897,992	-	Quarterly	60-90 Days
Global Macro	4,899,545	-	Monthly	3 Days
Long Short	4,574,035	-	Quarterly	35-45 Days
Long Short Credit	2,001,338	-	Quarterly	30 Days
Multi Strategy	2,853,432	-	Quarterly	90 Days
Equity Linked	1,516,019	-	Monthly	30 Days
International Equity	42,573,523	-		
International Fixed Income	13,374,612	-		
Private Equity	73,817	-	NA	
<b>Total investments measured at the NAV</b>	<b>\$ 94,870,117</b>	<b>\$ -</b>		
<b>Total investments measured at fair value</b>	<b>\$ 178,599,446</b>	<b>\$ -</b>		

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

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

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

The investments held at net asset value reflect:

Domestic Equity includes 1 manager with one fund investing in domestic equities. This type represents a total of 2% of assets. This fund is operated by a money manager that is passively managed to an index. This fund is privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

Global All Assets includes 1 manager with one fund investing in a global strategy including domestic, international, and global companies. This type represents a total of 4% of assets and this fund is operated by a money manager that is actively managed. This fund is privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

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

Hedge Funds Event Driven includes 2 direct hedge fund managers that represent 5% of total investment assets. The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. Events may include: bankruptcies, financial restructurings, mergers, acquisitions and spin-offs. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Hedge Funds Global Macro includes 1 direct hedge fund manager and represents 3% of the total portfolio. The global macro hedge fund class includes hedge funds that trade highly liquid instruments, long and short, including currencies, commodities, fixed income instruments and equity indices. Two types of strategies are employed in this portfolio: discretionary strategies that employ broad analysis of economic, financial and political data to identify themes and systematic strategies that use algorithmic models to analyze historical data, both technical and fundamental. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Hedge Funds Long/Short includes 2 direct hedge fund managers and 1 hedge fund of fund manager; together they represent 2% of total investment assets. The equity long/short hedge fund class includes investments in hedge funds that invest both long and short stocks and equity indices. Management of the hedge funds has the ability to shift investments across a variety of stocks, equity indices, and to a lesser extent other securities from a net long position to a net short position. In this portfolio, the managers are focused primarily on the U.S., Europe and Asia. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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

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

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

Hedge Funds Equity Linked includes 1 direct hedge fund manager that represents 1% of the total investment assets. The equity linked class of hedge funds includes investments in debt instruments and options on equities. The equities options provide investors with principle protection while providing exposure to equities; returns are dependent on performance of the equities options. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

International Equity includes 3 managers and represents 23% of total investment assets that are actively managed. Two of the funds invest in fixed income bonds ranging in credit ratings focused on domestic and international investments. One fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. These funds are privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of the three funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

International Fixed Income includes 3 managers and represents 7% of total investment assets that are actively managed. Two of the funds invest in fixed income bonds ranging in credit ratings focused on domestic and international investments. One fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. These funds are privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of the three funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

Private Equity includes four distinct limited partnerships or limited liability companies with a total of seven investment vehicles. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The total capital committed in the portfolio is \$9 million; the current value of this portfolio is \$1.5 million or 1% of assets. Private equity is capital not traded on a public, primary exchange. For the purposes of this portfolio, private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, private equity capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

**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, 2016 and 2015, the Foundation did not have any equity or fixed income investments subject to this risk.



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

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**Note 3. Pledges Receivable**

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

	2016	2015
Pledges receivable	\$ 25,592,381	\$ 10,596,248
Less:		
Allowance for doubtful amounts	(4,243,087)	(2,000,130)
Discount on future payments	(959,595)	(610,248)
Total pledges receivable, net	20,389,699	7,985,870
Current pledges receivable, net	8,984,732	2,511,836
Noncurrent pledges receivable, net	11,404,967	5,474,034
	\$ 20,389,699	\$ 7,985,870

Noncurrent pledges receivable are net of discounts amounting to \$959,595 and \$610,248 at June 30, 2016 and 2015, respectively. Pledges receivable were discounted using a risk-free interest rate at the time the pledge was initially recognized. Discount rates used range from 0.73% to 6.00%.

**Note 4. Endowments**

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

The Foundation's general spending calculation for eligible endowments was calculated in accordance with the Foundation's investment policy and used a spending rate of 4.0% for fiscal years 2016 and 2015.

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

	2016	2015
Total endowment balance	\$ 144,921,082	\$ 148,880,171
Less appreciation portion of restricted expendable	18,725,471	25,909,041
Permanently restricted nonexpendable balance	\$ 126,195,611	\$ 122,971,130

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

**Note 5. Capital Assets**

	June 30, 2015	Increases	Decreases	June 30, 2016
Property and equipment:				
Equipment and furniture	\$ 1,828,997	\$ 89,827	\$ -	\$ 1,918,824
Less accumulated depreciation	(1,476,124)	(101,550)	-	(1,577,674)
Net property and equipment	352,873	(11,723)	-	341,150
Rental and other property:				
Land (nondepreciable)	53,640,384	-	-	53,640,384
Construction-in-progress – (nondepreciable)	91,605	584,604	(151,971)	524,238
Rental and other property – nondepreciable	53,731,989	584,604	(151,971)	54,164,622
Buildings and improvements	43,636,678	76,156	-	43,712,834
Site improvements	405,050	-	-	405,050
Less accumulated depreciation	(20,782,571)	(1,903,558)	-	(22,686,129)
Rental and other property – net	23,259,157	(1,827,402)	-	21,431,755
Net rental and other property	76,991,146	(1,242,798)	(151,971)	75,596,377
Total net capital assets	\$ 77,344,019	\$ (1,254,521)	\$ (151,971)	\$ 75,937,527
	June 30, 2014	Increases	Decreases	June 30, 2015
Property and equipment:				
Equipment and furniture	\$ 1,812,682	\$ 22,261	\$ (5,946)	\$ 1,828,997
Less accumulated depreciation	(1,379,391)	(100,283)	3,550	(1,476,124)
Net property and equipment	433,291	(78,022)	(2,396)	352,873
Rental and other property:				
Land (nondepreciable)	53,640,384	-	-	53,640,384
Construction-in-progress – (nondepreciable)	11,110	806,496	(726,001)	91,605
Rental and other property – nondepreciable	53,651,494	806,496	(726,001)	53,731,989
Buildings and improvements	42,970,082	666,596	-	43,636,678
Site improvements	405,050	-	-	405,050
Less accumulated depreciation	(18,957,341)	(1,825,230)	-	(20,782,571)
Rental and other property – net	24,417,791	(1,158,634)	-	23,259,157
Net rental and other property	78,069,285	(352,138)	(726,001)	76,991,146
Total net capital assets	\$ 78,502,576	\$ (430,160)	\$ (728,397)	\$ 77,344,019

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

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

Depreciation expense was charged to the following operating expense accounts for the years ended June 30, 2016 and 2015:

	2016	2015
Building operations	\$ 1,903,558	\$ 1,825,231
Management and general	101,550	100,283
	\$ 2,005,108	\$ 1,925,514

Other property consists of the following at June 30, 2016 and 2015:

**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 2016 and 2015, 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.  
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**Notes to Financial Statements**

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

**Northview Land** – During fiscal 2013, the AHG Group LLC, donated approximately 8.5 acres of land with a fair value of \$6,000,000 to the Foundation. The land is recorded as a capital asset of the Foundation and is subject to a 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.

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

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

**Note 6. Long-Term Liabilities**

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

	June 30, 2015	Additions	Reductions	June 30, 2016	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 3,385,000	\$ -	\$ 1,095,000	\$ 2,290,000	\$ 1,160,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular –					
2008 Series Note-tax exempt	8,375,000	-	410,000	7,965,000	430,000
McCulloch Road Property	965,000	-	400,000	565,000	565,000
Fairwinds Alumni Center	161,713	-	161,713	-	-
Renewal Annuity Note:					
Annuity Note A	981,776	-	1,334	980,442	1,431
Annuity Note B	981,775	-	1,334	980,441	1,431
Total notes payable	<u>\$ 27,390,264</u>	<u>\$ -</u>	<u>\$ 2,069,381</u>	<u>\$ 25,320,883</u>	<u>\$ 2,157,862</u>
Unearned revenue	\$ 1,841,641	\$ 774,641	\$ 693,885	\$ 1,922,397	\$ 11,820
Annuity obligations	529,784	96,700	75,262	551,222	77,576
Compensated absences	378,725	29,585	338,193	70,117	4,908
Deposits	36,431	2,784		39,215	10,418
	June 30, 2014	Additions	Reductions	June 30, 2015	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 4,420,000	\$ -	\$ 1,035,000	\$ 3,385,000	\$ 1,095,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular –					
2008 Series Note-tax exempt	8,760,000	-	385,000	8,375,000	410,000
McCulloch Road Property	1,355,000	-	390,000	965,000	965,000
Fairwinds Alumni Center	323,424	-	161,711	161,713	161,713
Renewal Annuity Note:					
Annuity Note A	984,176	-	2,400	981,776	1,334
Annuity Note B	984,176	-	2,401	981,775	1,334
Total notes payable	<u>\$ 29,366,776</u>	<u>\$ -</u>	<u>\$ 1,976,512</u>	<u>\$ 27,390,264</u>	<u>\$ 2,634,381</u>
Unearned revenue	\$ 1,762,510	\$ 2,135,754	\$ 2,056,623	\$ 1,841,641	\$ 5,128
Annuity obligations	503,494	96,334	70,044	529,784	72,476
Compensated absences	355,902	92,833	70,010	378,725	26,511
Deposits	30,878	5,553	-	36,431	11,932

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

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

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

Refinanced Debt issued on December 17, 2009:

On December 17, 2009, the Foundation entered into a \$19,925,000 16-year note, maturing October 1, 2025, for refinancing the variable rate debt originally issued in 1996 through the Orange County Industrial Development Authority to fixed rate debt issued with Branch Banking and Trust (BB&T). The note is comprised of a \$12,540,000, tax-exempt portion with a fixed rate of 4.96% and a \$7,385,000 taxable portion with a fixed rate of 5.83%. The proceeds from the original note were used to purchase buildings in the Research Park vicinity of Orange County identified as Research Pavilion, Innovative Center and the Orlando Tech Center. The buildings represent security for the loan and lease revenues generated from these building has been pledged for debt repayment. For fiscal years, 2016 and 2015 lease revenue totaled \$6,666,003 and \$6,354,059, of these amounts, \$1,882,410 and \$1,884,500 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 \$18,643,056, which equates to the total remaining principal and interest on the notes.

As of June 30, 2016 and 2015, the remaining outstanding principal for both the taxable and tax-exempt series was \$14,830,000 and \$15,925,000, respectively.

**University Tower and Biomolecular Building Loans:**

Refinanced Debt issued on December 30, 2008:

On December 30, 2008, the Foundation entered into a \$10,400,000 20-year note maturing April 1, 2029 for the purpose of refinancing the variable rate debt originally issued in 2004 through Wachovia Bank, to a 5.67% fixed rate tax exempt debt, with BB&T. The proceeds from the original note were used to purchase buildings in the Research Park vicinity of Orange County identified as University Tower and the Biomolecular Building. The buildings represent security for the loan and lease revenues generated from these building has been pledged for debt repayment. For fiscal years 2016 and 2015, lease revenue totaled \$3,006,331 and \$2,952,043, respectively. Of these amounts, \$884,863 and \$882,388 were used to pay principal and interest on the notes. The total amount of revenue pledged as security over the life of this note is \$11,398,327, which equates to the total remaining principal and interest on the notes.

As of June 30, 2016 and 2015, the remaining outstanding principal was \$7,965,000 and \$8,375,000, respectively.

**McCulloch Road Property Loan:**

On April 21, 2005, the Foundation entered into a \$2,800,000 loan with SunTrust for the purpose of acquiring an 8.5-acre tract of land north of the University. Land was purchased on April 21, 2005, at a cost of \$2,600,000 and may be developed for future retail operations. The remaining funds were used for development and other capital costs associated with the land. The loan is due on April 1, 2016, and originally had an interest rate based on the one-month LIBOR plus 310 basis points. In April 2016, the loan was modified with a new rate of 250 basis points plus LIBOR. The rate average was 2.83% and 2.65% during fiscal year 2016 and 2015 respectively. The rate in effect as of June 30, 2016 was 2.94%. The land is used as security for the note and unrestricted funds are the source of debt repayment. During fiscal years 2016 and 2015, respectively, the Foundation paid interest and principal payments totaling \$424,937 and \$430,850. As of June 30, 2016 and 2015, the remaining principal outstanding was \$565,000 and \$965,000, respectively.

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

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

**FAIRWINDS Credit Union line of credit:** On November 2, 2004, the Foundation obtained a \$2.45 million line of credit from FAIRWINDS Credit Union, for the purpose of constructing the FAIRWINDS Alumni Center. As of June 30, 2006, the full amount of the line had been used for construction. On June 21, 2012, the Foundation, with the approval of FAIRWINDS Credit Union, agreed to a loan modification for the remaining principal amount of \$646,849. Such modification provided for a compensating balance in the amount of \$250,000, in lieu of the previous requirement to maintain a minimum Debt Service Coverage Ratio of no less than 1.10 to 1.00. The loan is due on December 31, 2015 and bears interest at a fixed rate of 4.59%. Contributions revenue has been pledged as the source of payment for principal and interest. During fiscal years 2016 and 2015, \$165,455 and \$172,876 was paid in interest and principal respectively. As of June 30, 2016, this loan has been paid off.

**Renewal annuity notes:** In September 1997, two parcels of land with an estimated fair value of \$1,000,000 each were transferred to two Charitable Remainder Annuity Trusts (the Trusts), which named the Foundation as the irrevocable beneficiary of the Trusts. In October 1997, the Foundation purchased the land from the Trusts with two \$1,000,000 purchase money mortgage notes payable to the Trusts. The mortgage notes bear interest at 7.13% and include quarterly installment payments with an aggregate balloon payment of unpaid principal and interest of \$1,963,715 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, 2016 and 2015, is \$1,960,883 and \$1,963,551, respectively.

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

**Covenants:** The provisions of the notes and the line of credit described above contain certain covenants requiring the Foundation to, among other things, maintain use of property, provide insurance coverage and timely reporting of financial performance. Additionally, certain notes require the Foundation to maintain a minimum debt service ratio over the life of the loans. The Foundation was in compliance with all loan covenants for fiscal years 2015 and 2014.

**Interest expense:** Total interest expense for the year ended June 30, 2016, was \$1,410,787, which includes \$42,536 from annual amortization of the deferred refunding loss on refinancing of debt. In fiscal year 2015, interest expense was \$1,550,536 inclusive of \$42,536 from amortization. These amounts are included in Building operations and General university support in the accompanying statements of revenues, expenses and changes in net position, as follows.

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

**Notes to Financial Statements**

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

**Principal and interest requirements:** Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2016, are as follows:

	Principal	Interest	Total
2017	\$ 2,157,862	\$ 1,302,553	\$ 3,460,415
2018	3,643,021	1,098,988	4,742,009
2019	1,780,000	965,564	2,745,564
2020	1,875,000	871,167	2,746,167
2021	1,970,000	771,705	2,741,705
2022-2026	11,520,000	2,176,256	13,696,256
2027-2029	2,375,000	251,701	2,626,701
Totals:	<u>\$ 25,320,883</u>	<u>\$ 7,437,934</u>	<u>\$ 32,758,817</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, 2016, 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, 2016 and 2015, there were payments of \$75,262 and \$70,044, respectively, made on annuities. Payments to the annuitants are made from donated funds restricted for this purpose or from unrestricted funds. The accretion for all of the annuity obligations was approximately \$34,911.

**Unearned revenue:** Unearned revenue at June 30, 2016 and 2015, is as follows:

	2016	2015
Planned giving from donors	\$ 1,910,577	\$ 1,836,513
Prepaid rent from tenants	11,820	5,128
<b>Total unearned revenue</b>	<u>1,922,397</u>	<u>1,841,641</u>
Less current portion	11,820	5,128
<b>Noncurrent unearned revenue</b>	<u>\$ 1,910,577</u>	<u>\$ 1,836,513</u>

**Compensated absences:** Compensated absences represent the amount of unused vacation and sick time that has accrued as of June 30, 2016 and 2015. At June 30, 2016 and 2015, the liability for paid leave for Foundation employees was \$70,117 and \$378,725, respectively.



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

**Notes to Financial Statements**

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

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

**Note 7. Pass-Through Donations**

Certain tangible properties are donated as gifts in kind directly to the University. These donations, which are passed through the Foundation, are recognized as support by the University but are not recognized as revenue by the Foundation because the Foundation serves only as an agent for the University. Total pass-through donations received in fiscal years 2016 and 2015 were approximately \$729,459 and \$492,000, respectively.

**Note 8. Related Party Transactions**

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

The Foundation is the primary fundraiser for the University; in return, the University and the DSOs provide monetary support, 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.**  
**(A Discrete Component Unit of the University of Central Florida)**

**Notes to Financial Statements**

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

Significant transactions between the Foundation, University and their related DSOs in 2016 and 2015 were as follows:

	2016	2015
Funds received to support UCF programs and activities of the Foundation		
From the University:		
General Foundation support	\$ 8,439,442	\$ 6,751,730
Alumni support	1,690,706	1,489,730
<b>Total from the University</b>	10,130,148	8,241,460
From UCF Athletics Association, Inc.		
Fundraising support activities	750,747	654,990
From UCF Convocation Corporation, Inc.		
Fundraising support activities	47,120	66,041
<b>Total funds received to support the Foundation from related parties</b>	\$ 10,928,015	\$ 8,962,491
Funds received for rent and reimbursements related to leases		
From the University and affiliated entities:		
Total revenues	\$ 9,249,908	\$ 9,009,515
<b>Total rent and reimbursements related to leases from related parties</b>	\$ 9,249,908	\$ 9,009,515
	2016	2015
Receivables		
From the University	\$ -	\$ 5,595
From UCF Convocation Corporation, Inc.	-	16,576
<b>Total receivables from related parties</b>	\$ -	\$ 22,171
Payables		
To the University:		
Rent reimbursements	\$ 28,761	\$ 94,621
Payables for programs	568,937	170,500
	597,698	265,121
To UCF Convocation Corporation, Inc.	2,028	1,825
To UCF Golden Knights Corporation, Inc.	520,439	1,029,755
To UCF Athletic Association, Inc.	121,979	344,519
<b>Total payables to related parties</b>	\$ 1,242,144	\$ 1,641,220

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

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

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

Included in Note 6, Long-Term Liabilities, is disclosure related to a loan, specifically for the McCulloch property. SunTrust Bank provided the loan included in Note 6. In addition, SunTrust Bank provides investment custodial services for the Foundation. A board member of SunTrust served on the Foundation Board of Directors during fiscal years 2016 and 2015.

Portions of the Foundation's pledge receivable balance of \$939,584 and \$1,303,595 as of June 30, 2016 and 2015, respectively, are commitments made by several members of the Foundation's Board of Directors. In addition, the Foundation received \$669,856 and \$915,915 during fiscal years 2016 and 2015, respectively, in contributions and other revenues from various members of the Foundation's Board of Directors.

**Note 9. Operating Leases Paid to the Foundation**

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

At June 30, 2016, approximate future minimum rental payments to be received under noncancelable operating leases are as follows:

	University- Affiliated Tenants	Commercial Tenants	Total
2017	\$ 6,064,076	\$ 308,418	\$ 6,372,494
2018	5,544,417	211,018	5,755,435
2019	5,544,418	208,047	5,752,465
2020	3,625,032	213,582	3,838,614
2021	-	124,027	124,027
	<u>\$ 20,777,943</u>	<u>\$ 1,065,092</u>	<u>\$ 21,843,035</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, 2016 and 2015, were \$9,672,334 and \$9,784,455, respectively.

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

**Notes to Financial Statements**

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**Note 10. Administrative Fees**

In order to support its operations, the Foundation assesses certain administrative fees 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 administrative fee represents an assessment for fund-raising, processing, and management of monies received by the Foundation and totals 6% of donations and other revenue received for fiscal years 2016 and 2015 of \$545,845 and \$372,281, respectively. Effective for fiscal year 2015, the Foundation made the decision to discontinue the administration fee on contributions. The amounts reflected for the current and prior years represent fees assessed on real estate activities.

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 2016 and 2015 of \$3,202,137 and \$3,354,510, respectively. For financial reporting purposes, these fees are eliminated.

**Note 11. Pension Plans**

**Florida retirement system:** During the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement requires a cost-sharing employer to recognize a liability for its proportionate share of the net pension liability. However, the University does not determine a separate net pension liability amount for University personnel working for the Foundation. As a result, no liability has been accrued in these financial statements as the University accrues the entire amount. Various employees working in regularly established positions of the Foundation are covered by the Florida Retirement System (FRS), a state-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan (the Plan). Plan provisions are established by Chapter 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238 Florida Statutes; and FRS Rules, Chapter 605, Florida Administrative Code, wherein plan eligibility, contributions and benefits are defined and described in detail. Participating employers include all state departments, counties, district school boards, universities and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible to enroll as members of the Plan.

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

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

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

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

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 2016, 2015 and 2014, with an employer contribution rate of 7.26%, 7.37%, and 6.95%, respectively, including 1.66% for the postemployment health insurance supplement in 2016 and 1.26% for fiscal year 2015 and 1.20% for fiscal year 2014 and 0.0% for administrative costs in fiscal years 2016, 2015 and 0.03% for fiscal year 2014.

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 \$113,304, \$117,030 and \$110,840 for fiscal years ending June 30, 2016, 2015 and 2014, respectively. Employees contributed \$43,773, \$47,138 and \$45,536, 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 5.14% of the participant's gross monthly compensation during fiscal years 2016, 2015 and 2014.

There were 83 Foundation funded participants during fiscal year 2016 and 64 during fiscal year 2015. Required contributions made to the Program, net of employee contributions, totaled \$419,481, \$345,993 and \$335,323 during fiscal years 2016, 2015 and 2014, respectively. In addition, employee contributions were made in the amount of \$158,590, \$132,912 and \$135,858 during fiscal years 2016, 2015 and 2014, respectively.

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

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

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

There were 20 participants during fiscal year 2016, 15 participants during fiscal year 2015 and 16 participants during fiscal year 2014. Required contributions made to the PEORP totaled \$77,074, \$64,938 and \$58,001, respectively. Employee participant contributions totaled \$31,849, \$26,433 and \$24,478 during fiscal years 2016, 2015 and 2014, respectively. The University does not determine a separate net pension liability amount for University personnel working for the Foundation. As a result, no liability has been accrued in these financial statements and the University accrues the entire amount.

**Other post-employment healthcare benefits:** During the year ended June 30, 2008, the University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As required by Section 112.081, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University subsidizes the premium rates paid by retirees, including Foundation funded participants, by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) rates. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. During the years ended June 30, 2016, 2015 and 2014, the University recorded a net OPEB obligation which represents the unfunded liability for providing these benefits (subsidies) to its retirees. The University does not determine a separate unfunded liability amount for University personnel working for the Foundation.

**Note 12. Risk Management**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Foundation purchases commercial insurance. Insurance for job-related illnesses or injuries to University employees is the responsibility of the state of Florida and no amounts are charged to the various state entities for this cost.

During the year ended June 30, 2016, basic types of insurance coverage remained the same as the types of coverage for June 30, 2015. No settlements have exceeded coverage levels in place during the past three fiscal years.

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

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**Note 13. Contingencies**

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

## **Supplementary Information**



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

Supplemental Schedule of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2016

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

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

Supplemental Schedule of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2015

	Unrestricted	Restricted		Net Investment in Capital Assets	Total
		Expendable	Nonexpendable Endowments		
<b>Operating Revenues</b>					
Contributions, net	\$ 177,856	\$ 19,192,716	\$ -	\$ -	\$ 19,370,572
Rental income	9,784,455	-	-	-	9,784,455
Net realized and unrealized losses					
on investments	208,581	(841,117)	-	-	(632,536)
Interest and dividends	478,193	1,344,000	-	-	1,822,193
License plate proceeds	397,509	-	-	-	397,509
Advertising and royalties	347,069	-	-	-	347,069
Other miscellaneous	6,126	70,671	4,295	-	81,092
<b>Total operating revenues, net</b>	<b>11,399,789</b>	<b>19,766,270</b>	<b>4,295</b>	<b>-</b>	<b>31,170,354</b>
<b>Operating Expenses</b>					
Building operations	4,839,748	-	-	1,865,502	6,705,250
Athletics	-	8,108,945	-	-	8,108,945
Fundraising	6,392,659	359,799	-	-	6,752,458
Management and general	4,604,789	-	-	95,881	4,700,670
Student aid	203,253	2,769,134	-	-	2,972,387
Academic support	108,642	4,274,304	-	-	4,382,946
Alumni relations	2,233,843	245,763	-	-	2,479,606
General university support	1,440,162	1,846,387	-	-	3,286,549
Research	-	352,936	-	-	352,936
<b>Total operating expenses</b>	<b>19,823,096</b>	<b>17,957,268</b>	<b>-</b>	<b>1,961,383</b>	<b>39,741,747</b>
<b>Operating gain (loss)</b>	<b>(8,423,307)</b>	<b>1,809,002</b>	<b>4,295</b>	<b>(1,961,383)</b>	<b>(8,571,393)</b>
<b>Nonoperating Revenues</b>					
University Support	8,241,460	-	-	-	8,241,460
UCFAA Support	654,990	-	-	-	654,990
UCF Convocation Support	66,041	-	-	-	66,041
Change in value of split interest agreements	(3,506)	(30,639)	-	-	(34,145)
<b>Total nonoperating revenues</b>	<b>8,958,985</b>	<b>(30,639)</b>	<b>-</b>	<b>-</b>	<b>8,928,346</b>
<b>Gain before endowment contributions</b>	<b>535,678</b>	<b>1,778,363</b>	<b>4,295</b>	<b>(1,961,383)</b>	<b>356,953</b>
Endowment Contributions	-	-	3,786,805	-	3,786,805
<b>Change in net position</b>	<b>535,678</b>	<b>1,778,363</b>	<b>3,791,100</b>	<b>(1,961,383)</b>	<b>4,143,758</b>
<b>Transfers</b>					
Net transfers in (out)	577,304	(663,542)	86,238	-	-
Internal fees in (out)	3,340,203	(3,340,203)	-	-	-
Capital asset adjustments in (out)	(2,795,055)	-	-	2,795,055	-
<b>Total transfers</b>	<b>1,122,452</b>	<b>(4,003,745)</b>	<b>86,238</b>	<b>2,795,055</b>	<b>-</b>
Net Surplus/(Deficit)	1,658,130	(2,225,382)	3,877,338	833,672	4,143,758
Net Position – Beginning of Year	17,460,142	65,379,094	119,093,792	51,315,194	253,248,222
Net Position – End of Year	\$ 19,118,272	\$ 63,153,712	\$ 122,971,130	\$ 52,148,866	\$ 257,391,980

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, 2016

Description Endowed	Beginning Corpus Balance June 30, 2015	Beginning Total Balance June 30, 2015	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, 2016	Ending Total Balance June 30, 2016
ABC Fine Wine & Spirits Undergraduate Scholarship Endowment	630,000	863,334	-	-	5,975	(18,285)	(29,942)	-	630,000	821,082
Accounting Advisory Board Endowed Scholarship Fund	159,130	215,230	-	-	1,388	(4,247)	(3,000)	-	159,130	209,371
Accounting Advisory Board Research Support Fund	342,629	468,808	-	-	2,948	(9,022)	-	-	342,629	462,734
Agere Systems Eminent Scholar Chair of Computer Science	1,020,000	1,389,214	-	-	8,845	(27,070)	(23,750)	-	1,020,000	1,347,239
AI and Nancy Burnett Eminent Scholar Chair in Accounting	1,020,500	1,769,424	-	-	10,897	(33,350)	(63,787)	-	1,020,500	1,683,184
Alex Alexander Endowed Professorship	195,679	262,254	-	-	1,424	(4,755)	(3,250)	-	195,679	255,673
Alumni Trust "A" Endowment	167,532	224,493	-	-	1,305	(4,622)	(7,000)	-	167,532	214,176
Alumni Trust "B" Endowment	150,000	219,209	-	-	6,117	(4,359)	(9,250)	-	150,000	211,717
Alumni Trust "C" Endowment	150,040	208,943	-	-	1,210	(3,993)	(2,000)	3,677	150,040	207,837
Alumni Trust "D" Endowment	151,167	190,008	-	-	2,380	(18,720)	-	-	151,167	173,668
Anheuser-Busch Academic Enhancement Fund	750,000	1,049,071	-	-	1,194	(3,703)	-	-	750,000	1,046,562
ARDA Timeshare Professorship Endowed Fund	150,000	215,400	-	-	10,600	(7,285)	-	-	150,000	218,715
Arthur and Sally Hillman Endowed Scholarship	299,069	361,314	-	-	4,283	(3,654)	(7,000)	-	299,069	354,943
AT&T Wireless Endowed Scholarship Fund	150,000	176,720	-	-	8,882	(32,439)	(26,000)	-	150,000	127,163
BE2000 Leadership Endowed Scholarship Fund	1,063,996	1,648,964	-	-	1,159	(13,108)	-	-	1,063,996	1,637,015
Beat M. and Jill L. Kahli Endowed Professorship in Oncology Nursing	480,075	622,364	-	-	11,895	(27,183)	(38,733)	-	480,075	568,343
Bert Fish Memorial Eminent Scholar Chair In Nursing Education	1,020,000	1,345,146	-	-	1,419	(3,547)	(12,903)	-	1,020,000	1,330,115
Business Ethics Endowed Scholarship	145,000	174,568	1,000	-	10,680	(36,402)	(27,200)	-	146,000	122,646
C.G. Avery Professorship in Accounting	151,430	218,476	-	-	2,109	(4,021)	-	-	151,430	216,564
CAE Link Endowed Professorship	180,000	280,836	-	-	1,290	(4,148)	(8,750)	-	180,000	269,228
Carl H. Galloway, Jr. Chair for Excellence in Business	1,000,000	2,011,807	-	-	1,948	(4,344)	(6,202)	-	1,000,000	2,003,209
CBA Department of Marketing Endowed Faculty Development Account	164,672	221,289	-	-	32,874	(3,751)	(9,000)	-	164,672	241,412
Central Florida Chapter of the Air Force Association Air Force ROTC Endowed Scholarship	156,445	197,703	-	-	1,290	(25,201)	(26,719)	-	156,445	147,073
Central Florida Hotel Lodging Association Professorship	150,000	284,815	-	-	9,474	(32,668)	(29,640)	-	150,000	231,981
Central Florida Kidney Center Endowed Scholarship	150,000	180,177	-	-	1,206	(6,454)	(9,500)	3,540	150,000	168,969
Charles N. Millican Eminent Scholar Chair in Computer Science	1,000,000	1,377,648	-	-	78,828	(3,949)	-	-	1,000,000	1,452,527
Cobb Family Eminent Scholar Chair	1,086,500	1,799,416	-	-	39,800	(5,961)	(18,000)	1,780	1,086,500	1,817,035
College of Engineering Alumni Chapter Endowed Scholarship	264,971	304,819	-	-	1,208	(100,607)	-	-	264,971	205,420
Conway Garden Club Endowed Professorship Fund	150,000	191,420	-	-	1,163	(3,949)	(2,949)	-	150,000	185,685
Daniel D. Hammond Engineering Endowed Scholarship/Fellowship	244,687	287,891	-	-	14,553	(28,994)	(9,076)	-	244,687	264,374
Darden Restaurants Academic Excellence Fund	4,000,002	5,850,647	-	-	5,036	(3,692)	(3,500)	-	4,000,002	5,848,491
Davis-Shine Endowed Professorship in Conservation Biology	150,000	188,942	-	-	1,485	(241,243)	(424,420)	-	150,000	(475,236)
Della Phillips Martha Schenck Chair of American Private Enterprise	1,000,000	1,741,031	-	-	1,693	(121,801)	(323,055)	-	1,000,000	1,297,868
DeVos / Orlando Magic Sport Business Management Endowed Scholarship	150,000	184,869	-	-	15,219	(3,698)	(10,000)	-	150,000	186,390
DeVos Endowment for Academics and Sports	10,000,250	11,419,742	-	-	2,474	(3,558)	(7,000)	-	10,000,250	11,411,658
DeVos Sport Business Management Program Endowed Fund	5,000,025	6,129,539	-	-	1,227	(44,536)	(28,222)	-	5,000,025	6,058,008
Doris H. Lester Endowed Merit Scholarship	150,000	169,314	-	-	1,310	(4,545)	-	-	150,000	166,079
Dorothy Anne Perkins Tomlinson Endowed Scholarship Fund	152,000	180,173	-	-	1,292	(15,411)	-	-	152,000	166,054
Dr. P. Phillips Institute for Research and Education	1,780,000	2,098,179	264	-	4,910	(5,180)	(5,672)	-	1,780,264	2,092,501
Dr. Patisapu R.J. Gangadharam Endowed Fund for Hydrocephalus Research	187,700	221,638	-	-	1,217	(7,571)	(13,125)	-	187,700	202,159
Dr. Phillips Institute for the Study of American Business Activity	308,700	900,133	-	5,000	47,761	(46,576)	(29,481)	-	308,700	876,837
Edmond and Victoria Wirths Memorial Scholarship	267,589	341,176	-	-	8,165	(4,459)	(11,000)	564	267,589	334,446
EY Endowed Professorship of Accounting	154,549	258,236	-	-	1,262	(3,756)	(6,000)	475	154,549	250,217
Florida Blue Endowed Visiting Professorship in Nursing	300,000	408,281	-	-	1,194	(4,009)	-	-	300,000	405,466
Florida Hospital Foundation Endowed Chair in Cardiovascular Research	1,750,341	2,331,270	-	-	5,286	(3,953)	(15,000)	-	1,750,341	2,317,603
Frank M. Hubbard Engineering Endowed Scholarship	152,500	214,666	-	-	1,245	(3,703)	(4,541)	-	152,500	207,667
Fullerton Family Fund Endowed	386,797	408,654	-	-	906	(50,787)	-	-	386,797	358,773
Gerald R. Langston Endowed Scholarship	152,493	176,729	-	-	523	(15,020)	(36,750)	-	152,493	125,482
Gerry and Ruth Hartman Endowed Professorship	150,000	190,614	-	-	41,102	(3,724)	-	-	150,000	227,992
Greater Orlando Builders Association Foundation Endowed Scholarship	150,000	210,461	-	-	1,343	(146,167)	(28,590)	-	150,000	37,047

(Continued)

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

Endowments Under Major Gifts Program  
Schedule of Receipts, Expenditures and Endowments Balances (Continued)  
Year Ended June 30, 2016

Description Endowed	Beginning Corpus Balance June 30, 2015	Beginning Total Balance June 30, 2015	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, 2016	Ending Total Balance June 30, 2016
Harris Corporation Broadcast Center Endowment Fund	\$ 150,000	\$ 211,910	\$ -	\$ -	\$ 1,616	\$ (24,987)	\$ (11,118)	\$ -	\$ 150,000	\$ 177,421
Harris Rosen Endowed Fund	2,170,000	2,436,481	-	-	15,171	(6,082)	-	-	2,170,000	2,445,570
Helene Fuld Health Trust Scholarship Fund Endowed	612,550	740,133	-	-	1,565	(3,862)	-	-	612,550	737,836
HFTP Financial Management and Technology Professorship Endowed Fund	150,000	209,997	-	-	1,787	(3,655)	-	-	150,000	208,129
Hospitality and Travel Industry Education and Research Program	6,000,605	8,577,203	-	-	5,328	(16,177)	(12,000)	-	6,000,605	8,554,354
Howard Phillips Eminent Scholar Chair in Real Estate	1,020,000	1,261,752	-	-	1,322	(3,809)	(13,916)	-	1,020,000	1,245,349
Hubbs Sea World Endowed Professorship	150,000	173,323	-	-	1,325	(21,827)	(35,042)	-	150,000	117,779
Hughes Simulation Systems Professorship	180,060	436,634	-	-	1,195	(2,772)	(8,500)	-	180,060	426,557
Hydrocephalus and Neuroscience Endowed Fund	157,500	186,190	-	-	1,207	(1,599)	(5,870)	-	157,500	179,928
J. Willard and Alice S. Marriott Foundation Academic Excellence Fund	150,000	191,567	-	-	8,121	(125,785)	(99,020)	-	150,000	(25,117)
Jack D. Holloway Endowed Scholarship	600,000	776,625	-	-	4,777	(4,110)	(6,731)	-	600,000	770,561
James and Annie Ying Eminent Scholar in Biology Program Endowment	150,000	187,535	-	-	1,629	(4,946)	(3,734)	-	150,000	180,484
Jim Heistand NAIOP Eminent Scholar Endowed Chair in Real Estate	820,550	1,029,879	-	-	2,575	(4,090)	(9,600)	-	820,550	1,018,764
John L. Brinson Endowed Scholarship	101,000	135,090	-	-	30,872	(46,428)	(35,821)	-	101,000	83,713
John L. Brinson Ethics Professorship	50,520	115,389	-	-	1,965	(4,789)	(12,490)	-	50,520	100,075
Kenneth G. Dixon School of Accounting Endowment Fund	5,020,620	6,386,938	-	-	6,124	(5,468)	(10,687)	-	5,020,620	6,376,907
Kimball Foundation Minority Scholarship Endowment	152,300	194,067	-	-	1,525	(16,304)	(10,166)	-	152,300	169,122
KPMG Peat Marwick Professorship Endowment	172,875	235,410	-	-	9,011	(4,046)	(12,750)	-	172,875	227,625
Langford Family Foundation Endowed Scholarship Fund	169,545	196,128	-	-	2,695	(4,056)	(6,642)	-	169,545	188,125
Lockheed Martin Eminent Scholar Chair of Science and Math	1,759,755	2,451,423	-	-	8,767	(3,658)	(7,113)	-	1,759,755	2,449,419
Lockheed Martin Professorship in Engineering	150,000	229,788	-	-	2,257	(3,695)	-	-	150,000	228,350
Lockheed Martin St. Laurent Professorship	160,000	260,136	-	-	5,383	(24,852)	(50,783)	-	160,000	189,884
Lockheed Martin Transition to Mathematics and Science Teaching Endowed Fund	677,500	808,645	-	-	1,245	(14,621)	(27,500)	-	677,500	767,769
Lucia C. Cooke Endowed Music Scholarship Fund	162,903	240,037	-	-	5,646	(4,987)	(10,000)	104	162,903	230,800
Mary P. McNamara Scholarship Endowment #1	150,000	191,505	-	-	1,195	(7,881)	(37,500)	-	150,000	147,319
Mary P. McNamara Scholarship Endowment #2	150,000	173,829	-	-	2,837	(94,481)	-	-	150,000	82,185
McArdle Graduate Assistantship in Real Estate Fund	150,000	181,687	-	-	1,362	(6,013)	-	-	150,000	177,036
Mildred W. Coyle Eminent Scholar Endowed Chair	1,020,000	1,278,232	-	-	6,049	(18,740)	(34,000)	-	1,020,000	1,231,541
Moss Family Endowed Scholarship Fund	594,891	694,485	-	-	1,615	(4,668)	(21,000)	-	594,891	670,432
NAIOP Jim Brown Endowed Real Estate and Business Ethics Scholarship Fund NAIOP - National	204,100	259,758	-	-	8,770	(27,578)	-	-	204,100	240,950
Northrop Grumman Scholarship Fund (Formerly Litton Scholarship End)	214,743	433,483	-	-	9,493	(8,247)	-	-	214,743	434,729
Orange County Convention and Visitors Bureau Endowed Chair	4,000,004	4,835,181	-	-	8,202	(26,829)	(61,688)	-	4,000,004	4,754,866
Orlando Sentinel Endowed Scholarship	252,500	297,311	-	-	16,127	(6,906)	-	-	252,500	306,532
Orlando Shakespeare Theater Endowment in Playwriting	775,000	901,093	-	-	1,690	(16,474)	(30,394)	18,651	775,000	874,566
Progress Energy Endowed Scholarship Fund	151,500	243,782	-	-	1,739	(3,810)	(177)	-	151,500	241,534
Richard T. Crotty Orange County Endowed Chair	1,020,000	1,499,698	-	-	4,531	(17,278)	(31,986)	-	1,020,000	1,454,965
Robert E. and Elisabeth S. Carey Memorial Endowment	338,343	439,890	-	-	5,126	(3,656)	(7,000)	-	338,343	434,360
Robert N. Heintzelman Eminent Scholar Endowed Chair Fund	1,020,570	1,319,971	-	-	2,130	(8,682)	(4,000)	-	1,020,570	1,309,419
Robertson Student Support Fund	287,279	353,703	-	-	1,194	(4,170)	(1,063)	-	287,279	349,664
Sadler National Merit Scholarship Endowment	675,000	762,605	19,421	-	1,718	(18,512)	-	-	694,421	765,232
SAIC Endowed Professorship	150,000	183,289	800	-	1,374	361	-	(6,589)	150,800	179,235
Skura Family Endowed Freedom Scholarship	700,025	819,493	-	-	1,933	(26,839)	(49,378)	-	700,025	745,209
Sonny's Endowment for the President's Scholars Program	150,100	202,454	-	-	1,935	(29,053)	-	-	150,100	175,336
Suchoski Graduate Fellowship Endowed Fund	300,000	413,914	-	-	1,457	(25,101)	(31,000)	-	300,000	359,270
Tess and Abe Wise Endowed Professorship in Judaic Studies	157,176	206,604	-	-	7,132	(49,353)	(155,000)	-	157,176	9,383
The Al Ghazali Endowed Distinguished Professorship in Islamic Studies	690,543	903,575	-	-	1,510	(5,171)	(26)	-	690,543	899,888
The Bob Neel Rotary Club of Orlando Endowed Scholarship	188,155	215,604	-	-	8,234	(5,323)	(13,655)	-	188,155	204,860
The Chatlos Foundation Endowed Chair in Nursing	1,020,000	1,281,038	-	-	12,153	(13,865)	(10,000)	(7,500)	1,020,000	1,261,826
The Darden Chair in Restaurant Management	1,020,000	1,633,676	-	-	1,742	(15,688)	-	-	1,020,000	1,619,730
The Dr. Neil Euliano Endowed Chair in Italian Studies	1,020,000	1,180,155	-	-	1,210	(6,518)	(7,875)	6,550	1,020,000	1,173,522
The Elizabeth Willey Endowed Scholarship Fund	150,200	190,221	-	-	1,988	(8,776)	-	4,179	150,200	187,612
The Harris Rosen Endowment Fund for the Hospitality Management Program Scholarship	2,170,000	2,405,605	-	-	1,336	(3,655)	(6,743)	-	2,170,000	2,396,543
The Judith and David Albertson Endowment in the Arts	560,000	683,524	-	-	1,315	(5,916)	-	-	560,000	678,923
The Lester N. Mandell Eminent Scholar Endowed Chair	615,100	799,522	-	-	1,435	(5,920)	(2,800)	2,352	615,100	794,589

(Continued)

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

Endowments Under Major Gifts Program  
Schedule of Receipts, Expenditures and Endowments Balances (Continued)  
Year Ended June 30, 2016

Description Endowed	Beginning Corpus Balance June 30, 2015	Beginning Total Balance June 30, 2015	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, 2016	Ending Total Balance June 30, 2016
The Margaret Scott Brown Memorial Music Fund	\$ 242,649	\$ 304,994	\$ -	\$ -	\$ 2,868	\$ (37,194)	\$ (55,072)	\$ -	\$ 242,649	\$ 215,596
The Shirley and Dick Wetherill Endowed Music Scholarship Fund	242,699	339,200	-	-	1,314	(5,332)	-	-	242,699	335,182
The SunTrust Bank, Central Florida, N.A. Eminent Scholar Chair of Banking	1,020,000	2,118,099	-	-	(114,898)	(4,024)	(6,823)	-	1,020,000	1,992,354
The Walter & Betty Boardman Endowed Professorship in Environmental Studies for Public Adminis	151,500	359,186	-	-	1,226	(4,393)	(8,076)	-	151,500	347,943
Tony and Sonja Nicholson Endowment for the Nicholson School of Communication	1,767,830	2,186,206	-	1,549	14,076	(43,078)	(31,287)	(2,382)	1,767,830	2,125,084
UCF History Endowment Fund	150,083	183,300	-	23	1,200	(3,674)	(5,796)	-	150,083	175,053
University Club of Orlando Lead Scholarship #2	157,500	184,231	-	-	1,253	(3,835)	(8,400)	-	157,500	173,249
University Club of Orlando Scholarship Fund	150,000	189,534	-	-	1,287	(3,940)	(8,400)	-	150,000	178,481
Vivian and Barry Woods Educational Endowment	246,250	290,732	5,000	-	2,023	(6,107)	(14,000)	-	251,250	277,648
Walt Disney World Academic Excellence Fund	2,560,002	3,287,932	-	-	20,104	(61,526)	-	-	2,560,002	3,246,510
Walt Disney World Co. Design and Engineering Endowed Scholarship	300,000	348,915	-	-	2,388	(7,309)	(20,000)	5,889	300,000	329,883
Wharton-Smith Group Endowed Professorship	150,000	179,996	-	-	1,239	(3,791)	(500)	-	150,000	176,944
William S. and Alice M. Jenkins Eminent Scholar Chair in Community Arts	1,007,548	1,417,347	-	-	1,562	(4,780)	(4,000)	-	1,007,548	1,410,129
William C. Schwartz Endowed Graduate Fellowship Fund	161,349	229,694	-	-	9,578	(29,312)	(36,360)	-	161,349	173,600
	<u>\$ 88,177,390</u>	<u>\$ 116,661,588</u>	<u>\$ 26,485</u>	<u>\$ 6,572</u>	<u>\$ 609,854</u>	<u>\$ (2,262,822)</u>	<u>\$ (2,413,489)</u>	<u>\$ 31,290</u>	<u>\$ 88,203,875</u>	<u>\$ 112,659,478</u>

## **Other Information**

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

**Directors and Terms**

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**Term Expires June 30, 2019 – 7 Individuals**

Gideon Lewis  
Judy Albertson  
Richard O. Baldwin, Jr.  
Rick Walsh\*

Scott Buescher  
Phyllis Klock  
Ronald C. Thow

**Term Expires June 30, 2018 – 13 Individuals**

David Boone  
Loretta Corey  
John D. Euliano, Sr.  
Diane Mahony  
Mary Beth Morgan  
Joyce Virga

Anthony J. Connelly  
James A. Jahna, Sr.  
Nelson J. Marchioli  
Margery L. Pabst  
John R. Sprouls  
Paul E. Ryan

**Term Expires June 30, 2017 – 6 Individuals**

Leila Nodarse\*  
Joseph Melbourne  
Antonio Moreno

Rita Adler  
Melanie Fernandez\*  
Suresh Gupta

\* Audit Committee member

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

**Ex-Officio Members**

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President, University of Central Florida (UCF)	Dr. John C. Hitt
President, University of Central Florida Athletics Association	Mr. David Albertson
Chairman, Seminole County Board of County Commissioners	Ms. Brenda Carey
President, Florida High Tech Corridor Council, Inc.	Mr. Randy E. Berridge
Mayor, City of Orlando	Mr. Buddy Dyer
Orange County Mayor, Orange County Board of County Commissioners	Ms. Teresa Jacobs
Mayor, City of Oviedo	Mr. Dominic Persampiere
President & CEO, Metro Orlando Economic Development Commission	Mr. Rick Weddle
Chair, UCF Alumni Association, Inc.	Mr. Peter Cranis
Chair, UCF Board of Trustees	Mr. Marcos Marchena



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

**Officers and Executive Committee**

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**Officers**

Chair	Ms. Phyllis Klock
Vice Chair	Mr. James W. Ferrell
Co-Vice Chair	Mr. Nelson J. Marchioli
Secretary	Mr. Ronald C. Thow
Treasurer	Ms. Melanie Fernandez
Chief Executive Officer	Mr. Michael J. Morsberger.
Chief Financial Officer	Mr. A. J."Bert" Francis II
Chief Operating Officer	Mr. Ben McMahan

**Executive Committee**

Ms. Phyllis Klock, Chair and Interim Chair of the Directorship Committee  
Mr. James W. Ferrell, Vice Chair and Chair of the Investment Committee  
Mr. Nelson J. Marchioli, Co-Vice Chair  
Ms. Melanie Fernandez, Treasurer and Chair of the Finance Committee  
Mr. Ronald C. Thow, Secretary and Chair of the Due Diligence Committee  
Dr. John C. Hitt, President of UCF  
Ms. Judy Albertson, Immediate Past Chair  
Mr. Marcos Marchena, Chair of the UCF Board of Trustees  
Mr. James Jahna, Chair of the Real Estate Committee  
Mr. Richard O. Baldwin, Chair of the Audit Committee  
Mr. Peter Cranis, Chair of the UCF Alumni Association Board of Directors  
Mr. Oscar J. Rodriguez, Chair of the Information Technology Committee  
Mr. Keith Flannery, Chair of the Strategic Planning Committee

**Executive Support Staff**

Mr. Michael J. Morsberger, Foundation Chief Executive Officer  
Mr. Ben McMahan, Foundation Chief Operating Officer  
Misty Shepherd, Foundation Interim Chief Financial Officer  
Ms. Margaret Cole, Foundation Associate VP for Administration & Legal Counsel

**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, 2016, and the related statement of revenue, expenses and changes in net position, cash flows and related notes to the financial statements, which collectively comprise Foundation's basic financial statements and have issued our report thereon dated October 13, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*RSM US LLP*

Orlando, Florida  
October 13, 2016

**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**

**Independent Auditor's Report**

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, 2016. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on 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 its major state project for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

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

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

*RSM US LLP*

Orlando, Florida  
October 13, 2016

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, 2016

<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	\$ 2,413,489
Department of Highway Safety and Motor Vehicles University of Central Florida License Plate Project	76.029	<u>391,251</u>
<b>Total expenditures of state financial assistance</b>		<u><u>\$ 2,804,740</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, 2016**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state project activity of the University of Central Florida Foundation, Inc. (the Foundation), a discrete component unit of the University of Central Florida, for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Foundation.

Expenditures reported in the Schedule are recognized on the accrual basis of accounting. Such expenditures are reported following the 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, 2016. 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, 2016**

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

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ 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 project:

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

Dollar threshold used to distinguish between type A and type B projects:	\$	300,000
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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, 2016**

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**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.



RSM US LLP

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

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

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, 2016, and have issued our report thereon dated October 13, 2016.

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 13, 2016, 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.

*RSM US LLP*

Orlando, Florida  
October 13, 2016

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