



**Board of Trustees  
Finance and Facilities Committee Meeting  
December 3, 2014  
8:30 a.m.  
President's Boardroom, Millican Hall, 3<sup>rd</sup> floor  
Conference call in phone number 800-442-5794, passcode 463796**

**AGENDA**

- |   |   |
|---|---|
| <b>I. CALL TO ORDER</b>   | Marcos R. Marchena<br><i>Chair of the Finance and Facilities Committee</i>  |
| <b>II. ROLL CALL</b>  | Tracy D. Reedy<br><i>Coordinator, Administrative Services<br/>for Administration and Finance Division</i>   |
| <b>III. MEETING MINUTES</b>   |   |
| <ul style="list-style-type: none"><li>• Approval of the September 25, 2014, and October 22, 2014, Finance and Facilities Committee meetings minutes</li></ul> | Chair Marchena  |
| <b>IV. NEW BUSINESS</b>   | Chair Marchena  |
| <ul style="list-style-type: none"><li>• 2014-15 UCF Convocation Corporation Revised Budget (FFC-1)</li></ul>  | William F. Merck II<br><i>Vice President for Administration and Finance and Chief Financial Officer</i><br>John C. Pittman<br><i>Associate Vice President<br/>for Administration and Finance,<br/>Debt Management</i> |
| <ul style="list-style-type: none"><li>• University Audited Financial Report 2013-14 (INFO-1)</li></ul>  | William F. Merck II<br>Tracy Clark<br><i>Associate Vice President<br/>for Administration and Finance<br/>and Controller</i>   |

- UCF Investments Quarterly Report  
Ended September 30, 2014 (INFO-2) William F. Merck II  
Tracy Clark
- UCF Key Financial Ratios (INFO-3) William F. Merck II  
Tracy Clark
- University Operating Budget Report  
Ended September 30, 2014 (INFO-4) William F. Merck II  
Tracy Clark
- Direct Support Organizations' 2014-15  
First-Quarter Financial Reports (INFO-5) William F. Merck II  
John C. Pittman
  - Golden Knights Corporation and  
UCF Athletic Association
  - UCF Convocation Corporation
  - UCF Finance Corporation
  - UCF Foundation
  - UCF Research Foundation
- UCF Housing Update (INFO-6) Maribeth Ehasz  
*Vice President for Student  
Development and Enrollment Services*

**V. OTHER BUSINESS**

Chair Marchena

**VI. CLOSING COMMENTS**

Chair Marchena



Board of Trustees  
Finance and Facilities Committee Meeting  
Fairwinds Alumni Center  
September 25, 2014

**MINUTES**

**CALL TO ORDER**

Trustee Marcos Marchena, chair of the Finance and Facilities Committee, called the meeting to order at 10:49 a.m. Committee members Weston Bayes, Alex Martins, and Reid Oetjen were present. Committee member John Sprouls attended via teleconference. Chair Olga Calvet and Trustees Clarence Brown, Richard Crotty, Ray Gilley, and Beverly Seay were present.

**NEW BUSINESS**

Golden Knights Corporation East Side Club and Athletic Leadership Center Debt (FFC-1)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, and Brad Stricklin, Senior Associate Athletics Director and Chief Financial Officer, presented a plan to issue debt up to \$8 million through the Golden Knights Corporation via a 15-year bank loan. The loan will be used to construct a premium seating and club lounge on the east side of the football stadium bowl and an Athletic Leadership Center adjacent to the football stadium on the east side. Stricklin updated the committee on the funding already received and how the financing of the projects has been adjusted accordingly. Merck alerted the committee that the Board of Governors resolution presented to them stated the debt would be issued through the UCF Athletics Association. However, the debt will be issued through the Golden Knights Corporation. The committee unanimously approved the debt issuance with that correction noted.

Florida Advanced Manufacturing Research Center (FFC-2)

Merck and M.J. Soileau, Vice President for Research & Commercialization, requested approval for UCF participation in a center in Osceola County for advanced manufacturing research. Osceola County owns and is setting aside a 165-acre parcel of property to foster the growth of an advanced manufacturing industry cluster. The county is committing \$61 million to the project. UCF is committing \$10 million in contract and grant indirect cost funds in support of research operations. The research and development building will be operated by UCF for 40 years with the ownership transferred thereafter. A non-profit consortium will foster development of the industry center for the promotion of cooperative research and development by UCF, industry, and government partners, with UCF, FHTCC, and the county represented on the board of the consortium. The committee unanimously approved UCF's involvement in this project.

Refinancing of the UCF Convocation Corporation Series 2005A Certificates of Participation Update (INFO-1)

John C. Pittman, Associate Vice President for Administration and Finance, Debt Management, updated the committee on the UCF Convocation Corporation Series 2005A Certificates of Participation refinancing that was approved at the August 5, 2014, Finance and Facilities Committee meeting. The UCFCC accepted a proposal from SunTrust Bank consisting of a 20-year bank loan with an interest rate of 3.8 percent, resulting in \$7.2 million in savings over the life of the refinancing and a 5.96 percent net present value savings.

**OTHER BUSINESS**

Merck provided the committee with an update on the hotel currently being considered for the UCF property at the corner of Alafaya Trail and University Boulevard.

Chair Marchena adjourned the Finance and Facilities Committee meeting at 11:24 a.m.

Respectfully submitted: William F. Merck II  
William F. Merck II  
Vice President for Administration and Finance  
and Chief Financial Officer

11-18-14  
Date





Board of Trustees  
Finance and Facilities Committee Meeting  
President's Boardroom, Millican Hall, 3<sup>rd</sup> floor  
October 22, 2014

## MINUTES

### CALL TO ORDER

Trustee Marcos Marchena, chair of the Finance and Facilities Committee, called the meeting to order at 8:32 a.m. Committee members Weston Bayes and Reid Oetjen were present. Committee member Robert Garvy attended by teleconference.

### MINUTES APPROVAL

The minutes of the August 5, 2014, Finance and Facilities Committee meeting were approved as submitted.

### NEW BUSINESS

#### Review of Debt Guidelines (FFC-1)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, and John C. Pittman, Associate Vice President for Administration and Finance, Debt Management, explained that after the Board of Governors adopted its revised Debt Management Guidelines in 2010, some types of debt issuances are excluded from requiring the board's approval. However, the university's guidelines currently have no exclusions and require all new issuances of debt to be approved by the board. In order to make the issuance of smaller debt items more efficient, the university guidelines have been amended to allow some of the types of debt currently excluded from requiring approval by the Board of Governors to be excluded from requiring approval by the Board of Trustees under certain conditions. The amendments do not alter existing Board of Governors' policy. The committee unanimously approved the revised debt guidelines, but it asked for an annual report to check on the status of the debt issuances now allowed because of the permitted exclusions.

#### Revisions to UCF Investment Policy (FFC-2)

UCF's investment policy has cash balances divided into four pools ranging from extremely low risk cash and cash equivalents in Pool I to a combination of longer maturity bonds and equity investments in Pools II, III, and IV. In order to increase portfolio diversification and provide increased flexibility to manage the duration and yield curve exposures and relative value, the university's investment consultant recommended changes to the authorized investment guidelines in Operating Pool II and Operating Pool III. The committee unanimously approved the revisions, but it asked for a report in six months to check on the status of the investments following these changes.

UCF Investments Quarterly Report Ended June 30, 2014 (INFO-1)

Tracy Clark, Associate Vice President for Administration and Finance and Controller, reviewed the investments quarterly update as of June 30, 2014.

University Operating Budget Report Quarter Ended June 30, 2014 (INFO-2)

Clark presented the University Operating Budget Report ended June 30, 2014, as an information item.

Direct Support Organizations' 2013-14 Fourth-Quarter Financial Reports (INFO-3)

Merck and Pittman reported that the direct support organizations' 2013-14 fourth-quarter financial reports ended June 30, 2014, were provided as information items.

Energy and Sustainability Report (INFO-4)

Lee Kernek, Associate Vice President for Administration and Finance, introduced Curtis Wade, Director of Sustainability and Energy Management, who gave a presentation on energy use and sustainability efforts on campus.

UCF Foundation Financial Report Presentation (INFO-5)

Robert J. Holmes Jr., Vice President for Alumni Relations and Development and CEO for the UCF Foundation, Inc., and Bert Francis, Associate Vice President and Chief Financial Officer, presented the UCF Foundation's history, operating results, and budget.

Chair Marchena adjourned the Finance and Facilities Committee meeting at 10:18 a.m.

Respectfully submitted:



William F. Merck II  
Vice President for Administration and Finance  
and Chief Financial Officer

11-18-14  
Date

ITEM: FFC-1

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** 2014-15 UCF Convocation Corporation Amended Budget

**DATE:** December 3, 2014

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**PROPOSED COMMITTEE ACTION**

Approval of the amended 2014-15 operating budget for the UCF Convocation Corporation.

**BACKGROUND INFORMATION**

The Florida Board of Governors requires the local boards of trustees for the state universities to approve the operating budgets of the universities' direct support organizations.

The UCF Convocation Corporation has amended its 2014-15 operating budget previously approved by the Board of Trustees.

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**Supporting documentation:** Amended UCFCC 2014-15 budget (Attachment A)  
Original approved UCFCC 2014-15 budget  
(Attachment B)

**Prepared by:** John C. Pittman, Associate Vice President for Debt Management,  
Administration and Finance

**Submitted by:** William F. Merck II, Vice President for Administration and Finance  
and Chief Financial Officer



## Attachment A

UCF Convocation Corporation  
Annual Budget (Revised)  
2014-15

	2014-15 Proposed Budget	2013-14 Approved Budget	Variance	2014-15 Proposed Budget	2013-14 Projected Actual	Variance
<b>Arena Operations</b>						
<b>Revenues</b>						
Event related	\$ 7,331,987	\$ 7,054,666	\$ 277,321	\$ 7,331,987	\$ 5,488,649	\$ 1,843,338
Premium seating and sponsorship	1,347,717	1,359,000	(11,283)	1,347,717	1,133,046	214,671
Other	3,278,705	2,584,052	694,653	3,278,705	2,613,757	664,948
University support	-	2,285,575	(2,285,575)	-	2,500,000	(2,500,000)
<b>Total revenues</b>	<b>11,958,409</b>	<b>13,283,293</b>	<b>(1,324,884)</b>	<b>11,958,409</b>	<b>11,735,452</b>	<b>222,957</b>
			(10.0)%			1.9 %
<b>Expenses</b>						
Direct event	5,938,431	5,033,900	(904,531)	5,938,431	4,529,278	(1,409,153)
Operating and indirect event	3,686,906	3,259,201	(427,705)	3,686,906	2,890,889	(796,017)
Direct premium seating	325,160	796,572	471,412	325,160	315,735	(9,425)
<b>Total expenses</b>	<b>9,950,497</b>	<b>9,089,673</b>	<b>(860,824)</b>	<b>9,950,497</b>	<b>7,735,901</b>	<b>(2,214,596)</b>
<b>Net increase from arena operations</b>	<b>2,007,912</b>	<b>4,193,620</b>	<b>(2,185,708)</b>	<b>2,007,912</b>	<b>3,999,551</b>	<b>(1,991,639)</b>
			(52.1)%			(49.8)%
<b>Housing Operations</b>						
<b>Revenues</b>						
Apartment rentals	17,742,868	17,542,290	200,578	17,742,868	16,654,491	1,088,377
Parking	1,036,388	1,036,388	-	1,036,388	1,036,388	-
Other	130,500	129,500	1,000	130,500	305,488	(174,988)
<b>Total revenues</b>	<b>18,909,756</b>	<b>18,708,178</b>	<b>201,578</b>	<b>18,909,756</b>	<b>17,996,367</b>	<b>913,389</b>
			1.1 %			5.1 %
<b>Total expenses</b>	<b>6,294,315</b>	<b>6,510,100</b>	<b>215,785</b>	<b>6,294,315</b>	<b>5,345,893</b>	<b>(948,423)</b>
<b>Net increase from housing operations</b>	<b>12,615,441</b>	<b>12,198,078</b>	<b>417,363</b>	<b>12,615,441</b>	<b>12,650,474</b>	<b>(35,033)</b>
			3.4 %			(0.3)%
<b>Retail Operations</b>						
<b>Total revenues</b>	<b>1,844,358</b>	<b>1,772,156</b>	<b>72,202</b>	<b>1,844,358</b>	<b>1,705,993</b>	<b>138,365</b>
			4.1 %			8.1 %
<b>Total expenses</b>	<b>519,827</b>	<b>568,754</b>	<b>48,927</b>	<b>519,827</b>	<b>467,014</b>	<b>(52,813)</b>
<b>Net increase from retail operations</b>	<b>1,324,531</b>	<b>1,203,402</b>	<b>121,129</b>	<b>1,324,531</b>	<b>1,238,979</b>	<b>85,552</b>
			10.1 %			6.9 %
<b>Net increase from total operations</b>	<b>\$ 15,947,884</b>	<b>\$ 17,595,100</b>	<b>\$ (1,647,216)</b>	<b>\$ 15,947,884</b>	<b>\$ 17,889,004</b>	<b>\$ (1,941,120)</b>
			(9.4)%			(10.9)%
<b>Debt Service</b>						
Total principal and interest payments	\$ 14,112,978				\$ 16,204,440	

## Attachment B

UCF Convocation Corporation  
Annual Budget  
2014-15

	2014-15 Proposed Budget	2013-14 Approved Budget	Variance	2014-15 Proposed Budget	2013-14 Projected Actual	Variance
<b>Arena Operations</b>						
<b>Revenues</b>						
Event related	\$ 7,331,987	\$ 7,054,666	\$ 277,321	\$ 7,331,987	\$ 5,488,649	\$ 1,843,338
Premium seating and sponsorship	1,328,717	1,359,000	(30,283)	1,328,717	1,133,046	195,671
Other	3,278,705	2,584,052	694,653	3,278,705	2,613,757	664,948
University support	-	2,285,575	(2,285,575)	-	2,500,000	(2,500,000)
<b>Total revenues</b>	<b>11,939,409</b>	<b>13,283,293</b>	<b>(1,343,884)</b>	<b>11,939,409</b>	<b>11,735,452</b>	<b>203,957</b>
			(10.1)%			1.7 %
<b>Expenses</b>						
Direct event	5,938,431	5,033,900	(904,531)	5,938,431	4,529,278	(1,409,153)
Operating and indirect event	3,686,906	3,259,201	(427,705)	3,686,906	2,890,889	(796,017)
Direct premium seating	325,160	796,572	471,412	325,160	315,735	(9,425)
<b>Total expenses</b>	<b>9,950,497</b>	<b>9,089,673</b>	<b>(860,824)</b>	<b>9,950,497</b>	<b>7,735,901</b>	<b>(2,214,596)</b>
<b>Net increase from arena operations</b>	<b>1,988,912</b>	<b>4,193,620</b>	<b>(2,204,708)</b>	<b>1,988,912</b>	<b>3,999,551</b>	<b>(2,010,639)</b>
			(52.6)%			(50.3)%
<b>Housing Operations</b>						
<b>Revenues</b>						
Apartment rentals	17,742,868	17,542,290	200,578	17,742,868	16,654,491	1,088,377
Parking	1,036,388	1,036,388	-	1,036,388	1,036,388	-
Other	130,500	129,500	1,000	130,500	305,488	(174,988)
<b>Total revenues</b>	<b>18,909,756</b>	<b>18,708,178</b>	<b>201,578</b>	<b>18,909,756</b>	<b>17,996,367</b>	<b>913,389</b>
			1.1 %			5.1 %
<b>Total expenses</b>	<b>6,342,041</b>	<b>6,510,100</b>	<b>168,059</b>	<b>6,342,041</b>	<b>5,345,893</b>	<b>(996,149)</b>
<b>Net increase from housing operations</b>	<b>12,567,715</b>	<b>12,198,078</b>	<b>369,637</b>	<b>12,567,715</b>	<b>12,650,474</b>	<b>(82,759)</b>
			3.0 %			(0.7)%
<b>Retail Operations</b>						
<b>Total revenues</b>	<b>1,844,358</b>	<b>1,772,156</b>	<b>72,202</b>	<b>1,844,358</b>	<b>1,705,993</b>	<b>138,365</b>
			4.1 %			8.1 %
<b>Total expenses</b>	<b>519,827</b>	<b>568,754</b>	<b>48,927</b>	<b>519,827</b>	<b>467,014</b>	<b>(52,813)</b>
<b>Net increase from retail operations</b>	<b>1,324,531</b>	<b>1,203,402</b>	<b>121,129</b>	<b>1,324,531</b>	<b>1,238,979</b>	<b>85,552</b>
			10.1 %			6.9 %
<b>Net increase from total operations</b>	<b>\$ 15,881,158</b>	<b>\$ 17,595,100</b>	<b>\$ (1,713,942)</b>	<b>\$ 15,881,158</b>	<b>\$ 17,889,004</b>	<b>\$ (2,007,846)</b>
			(9.7)%			(11.2)%
<b>Debt Service</b>						
Total principal and interest payments	\$ 14,408,435				\$ 16,204,440	



ITEM: INFO-1

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

SUBJECT: University Audited Financial Report 2013-14

DATE: December 3, 2014

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For information only.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A and financial statements and notes thereto are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2014, and June 30, 2013.

### OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements and notes thereto encompass the University and its component units. These component units include:

- Blended Component Units
  - UCF Finance Corporation
  - University of Central Florida College of Medicine Self-Insurance Program
- Discretely Presented Component Units
  - University of Central Florida Foundation, Inc.
  - University of Central Florida Research Foundation, Inc.
  - UCF Athletics Association, Inc.
  - UCF Convocation Corporation
  - Golden Knights Corporation
  - Central Florida Clinical Practice Organization, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to the financial statements. This MD&A focuses on the University, excluding the discretely presented component units. MD&A information for the discretely presented component units is included in their separately issued audit reports.

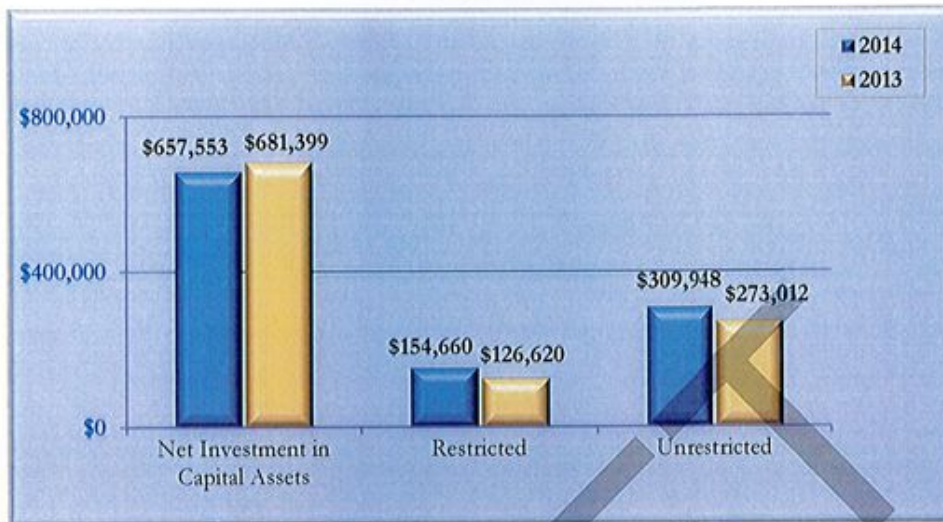
### FINANCIAL HIGHLIGHTS

The University's assets totaled \$1.5 billion at June 30, 2014. This balance reflects a \$44.1 million or 3 percent increase as compared to June 30, 2013, resulting from an increase in investments. Deferred outflows of resources at June 30, 2014, totaled \$11.2 million and decreased slightly from prior year by \$0.4 million. Liabilities increased by \$2.6 million or 0.7 percent totaling \$381.4 million at June 30, 2014, as compared to \$378.8 million at June 30, 2013. As a result, the University's net position increased by \$41.1 million, resulting in a year-end balance of \$1.1 billion.

The University's operating revenues totaled \$443.8 million for the 2013-14 fiscal year, representing a 1.9 percent increase over the 2012-13 fiscal year. Operating expenses totaled \$821.7 million for the 2013-14 fiscal year, representing an increase of 6.0 percent over the 2012-13 fiscal year due mainly to an increase in compensation and employee benefits.

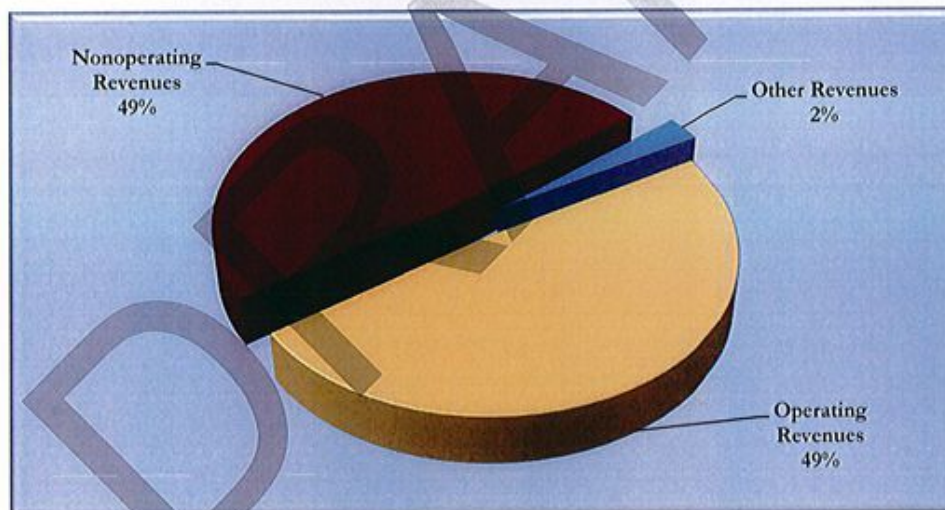
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities. The University's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

**Net Position  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2013-14 fiscal year:

**Total Revenues**



**THE STATEMENT OF NET POSITION**

The statement of net position reflects the assets, deferred outflows of resources, and liabilities of the University, using the accrual basis of accounting, and it presents the financial position of the University at a specified time. Assets plus deferred outflows of resources less liabilities equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.



The following summarizes the University's assets, deferred outflows of resources, liabilities, and net position at June 30:

**Condensed Statement of Net Position at June 30**  
(In Thousands)

	2014	2013
<b>Assets</b>		
Current Assets	\$ 521,440	\$ 468,619
Capital Assets, Net	857,163	869,179
Other Noncurrent Assets	113,710	110,416
<b>Total Assets</b>	<u>1,492,313</u>	<u>1,448,214</u>
<b>Deferred Outflows of Resources</b>	<u>11,219</u>	<u>11,583</u>
<b>Liabilities</b>		
Current Liabilities	77,557	79,606
Noncurrent Liabilities	303,814	299,160
<b>Total Liabilities</b>	<u>381,371</u>	<u>378,766</u>
<b>Net Position</b>		
Net Investment in Capital Assets	657,553	681,399
Restricted	154,660	126,620
Unrestricted	309,948	273,012
<b>Total Net Position</b>	<u>\$ 1,122,161</u>	<u>\$ 1,081,031</u>

Total assets as of June 30, 2014, increased by \$44.1 million or 3.0 percent. Current assets increased \$52.8 million primarily due to an increase in investments of \$54.0 million including unrealized gains of \$11.0 million. Deferred outflows of resources consist of accumulated decreases in fair value of hedging derivatives related to an interest rate swap agreement used to manage the risk of rising interest rates on variable rate-based debt. Total liabilities remained consistent with prior year.

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2013-14 and 2012-13 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years  
(In Thousands)**

	2013-14	2012-13
Operating Revenues	\$ 443,779	\$ 435,463
Less, Operating Expenses	821,707	775,254
<b>Operating Loss</b>	<b>(377,928)</b>	<b>(339,791)</b>
Net Nonoperating Revenues	395,778	318,630
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>17,850</b>	<b>(21,161)</b>
Other Revenues	23,280	10,292
<b>Net Increase (Decrease) In Net Position</b>	<b>41,130</b>	<b>(10,869)</b>
Net Position, Beginning of Year	1,081,031	1,091,900
<b>Net Position, End of Year</b>	<b>\$ 1,122,161</b>	<b>\$ 1,081,031</b>

**Operating Revenues**

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

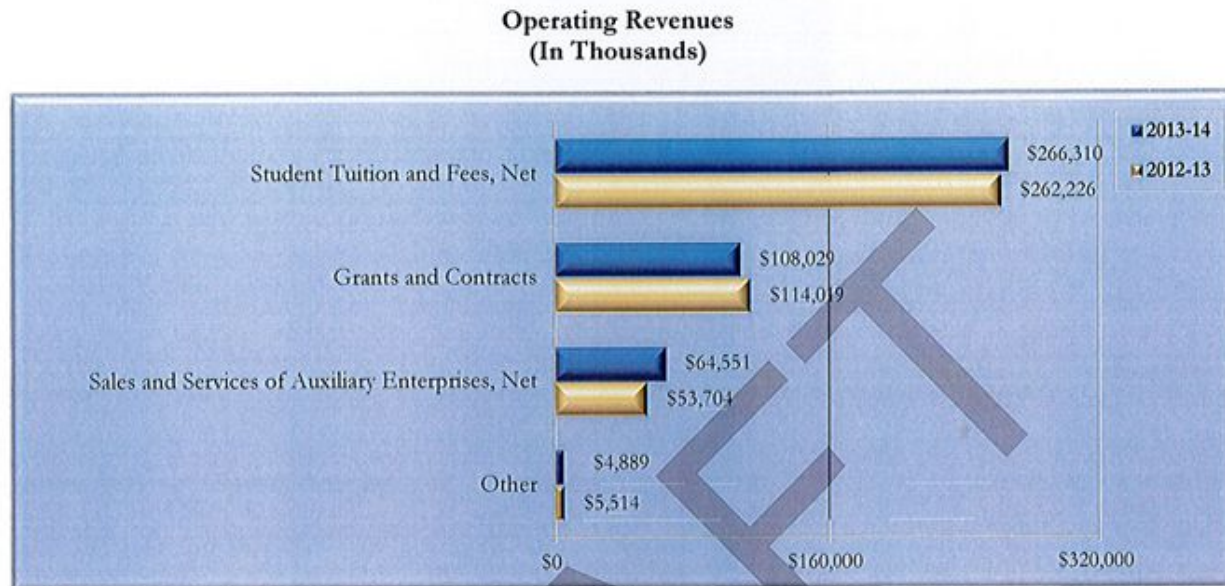
The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues  
(In Thousands)**

	2013-14	2012-13
Student Tuition and Fees, Net	\$ 266,310	\$ 262,226
Grants and Contracts	108,029	114,019
Sales and Services of Auxiliary Enterprises, Net	64,551	53,704
Other	4,889	5,514
<b>Total Operating Revenues</b>	<b>\$ 443,779</b>	<b>\$ 435,463</b>



The following chart presents the University's operating revenues for the 2013-14 and 2012-13 fiscal years:



Total operating revenues increased \$8.3 million or 1.9 percent. Net sales and services of auxiliary enterprises increased \$10.8 million or 20.2 percent. The increase was due primarily to an increase in housing and utilities revenue.

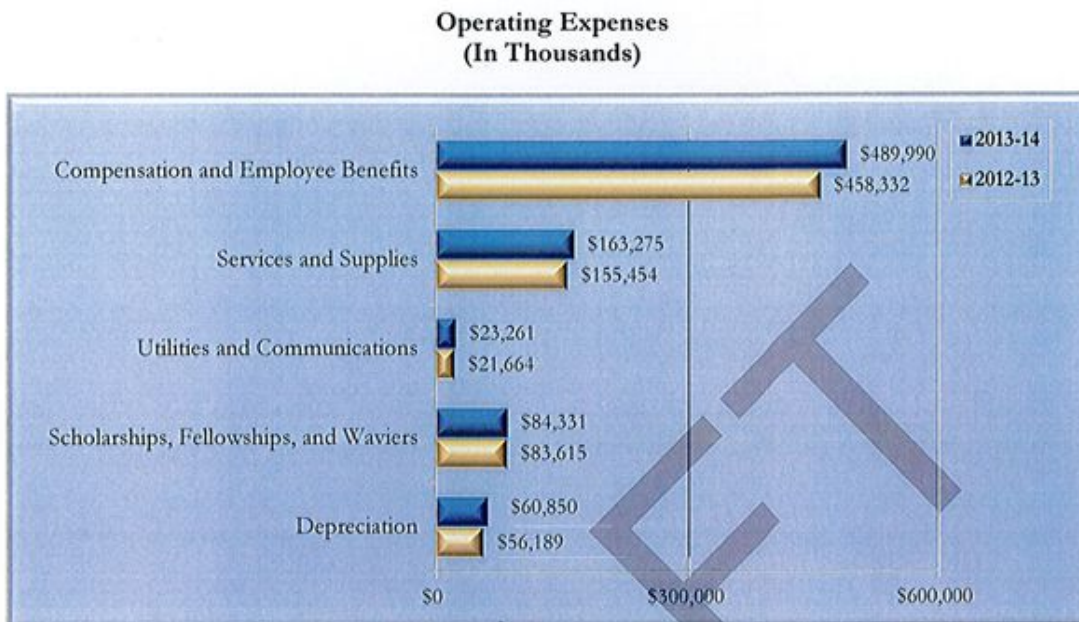
### Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University'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 University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

<b>Operating Expenses For the Fiscal Years (In Thousands)</b>		
	2013-14	2012-13
Compensation and Employee Benefits	\$ 489,990	\$ 458,332
Services and Supplies	163,275	155,454
Utilities and Communications	23,261	21,664
Scholarships, Fellowships, and Waivers	84,331	83,615
Depreciation	60,850	56,189
<b>Total Operating Expenses</b>	<b>\$ 821,707</b>	<b>\$ 775,254</b>

The following chart presents the University's operating expenses for the 2013-14 and 2012-13 fiscal years:



Operating expenses totaled \$821.7 million for the 2013-14 fiscal year. This represents a \$46.5 million or 6.0 percent increase over the 2012-13 fiscal year. The increase in compensation and employee benefits of \$31.7 million or 6.9 percent was primarily due to increases in salaries of \$14.6 million, health care and retirement contributions of \$11.8 million, and postemployment benefits and compensated absences expenses of \$4.2 million.

#### **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:



**Nonoperating Revenues (Expenses)  
For the Fiscal Years  
(In Thousands)**

	2013-14	2012-13
State Noncapital Appropriations	\$ 273,554	\$ 195,589
Federal and State Student Financial Aid	137,019	135,539
Investment Income	21,861	10,142
Other Nonoperating Revenues	10,486	9,413
Loss on Disposal of Capital Assets	(263)	(489)
Interest on Capital Asset-Related Debt	(7,648)	(8,402)
Other Nonoperating Expenses	(39,231)	(23,162)
<b>Net Nonoperating Revenues</b>	<b>\$ 395,778</b>	<b>\$ 318,630</b>

Net nonoperating revenues increased by \$77.1 million or 24.2 percent primarily due to an increase in State noncapital appropriations of \$78.0 million. The fiscal 2013-14 budget adopted by the Florida Legislature restored a \$52 million non-recurring budget reduction from the prior year. In addition, appropriations of \$16.3 million were received for funding of employee compensation and benefits. Other nonoperating expenses primarily consist of expenses incurred by the athletics department and transfers out to other agencies.

**Other Revenues, Expenses, Gains, or Losses**

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

**Other Revenues, Expenses, Gains, or Losses  
For the Fiscal Years  
(In Thousands)**

	2013-14	2012-13
State Capital Appropriations	\$ 21,514	\$ 8,410
Capital Grants, Contracts, Donations, and Fees	1,766	1,882
<b>Total</b>	<b>\$ 23,280</b>	<b>\$ 10,292</b>

Other revenues, expenses, gains, or losses totaled \$23.3 million for the 2013-14 fiscal year. This represents a \$13.0 million increase compared to the 2012-13 fiscal year due primarily to an increase in State capital appropriations.

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University'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 the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning

income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

**Condensed Statement of Cash Flows  
For the Fiscal Years  
(In Thousands)**

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (301,469)	\$ (271,785)
Noncapital Financing Activities	396,474	320,040
Capital and Related Financing Activities	(59,324)	(70,537)
Investing Activities	(37,167)	(29,364)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,486)</b>	<b>(51,646)</b>
Cash and Cash Equivalents, Beginning of Year	56,410	108,056
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 54,924</b>	<b>\$ 56,410</b>

Cash and cash equivalents decreased \$1.5 million. Cash used by operating activities increased by \$29.7 million compared to fiscal year 2012-13 due primarily to a \$26.1 million increase in cash payments to employees for compensation. Cash inflows from noncapital financing activities increased by \$76.4 million due primarily to increases in cash received from State noncapital appropriations. Cash used by capital and related financing activities decreased by \$11.2 million due primarily to a decrease of \$18.6 million in purchases and construction of capital assets. Total cash used by investing activities increased by \$7.8 million.

Major sources of funds came from State noncapital appropriations (\$273.6 million), net tuition and fees (\$264.7 million), Federal and State student financial aid (\$136.8 million), and grants and contracts (\$106.0 million). Major uses of funds were for payments made to employees (\$471.6 million), payments to suppliers for goods and services (\$188.2 million), payments to students for scholarships and fellowships (\$84.3 million), and purchase or construction of capital assets (\$63.1 million).



## CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2014, the University had \$1.5 billion in capital assets, less accumulated depreciation of \$627.6 million, for net capital assets of \$857.2 million. Depreciation charges for the current fiscal year totaled \$60.8 million. The following table summarizes the University's capital assets net of accumulated depreciation at June 30:

**Capital Assets, Net at June 30**  
**(In Thousands)**

	2014	2013
Land	\$ 24,822	\$ 24,822
Construction in Progress	9,296	55,945
Buildings	722,711	677,064
Infrastructure and Other Improvements	32,286	34,094
Furniture and Equipment	42,473	47,414
Library Resources	20,602	23,300
Leasehold Improvements	3,981	5,675
Works of Art and Historical Treasures	992	865
<b>Capital Assets, Net</b>	<b>\$ 857,163</b>	<b>\$ 869,179</b>

Additional information about the University's capital assets is presented in the notes to financial statements.

### CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2014, were incurred on the following projects completed during the year: Academic Villages II, Classroom Building II, and Parking Garage VII. The University's major construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	\$ 12,972
Completed to Date	(9,296)
<b>Balance Committed</b>	<b>\$ 3,676</b>

Additional information about the University's construction commitments is presented in the notes to financial statements.

### DEBT ADMINISTRATION

As of June 30, 2014, the University had \$207.9 million in outstanding capital improvement debt payable, bonds payable, and installment purchases payable, representing a decrease of \$9.6 million or 4.4 percent from the prior fiscal year.



The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

<b>Long-Term Debt at June 30</b> <b>(In Thousands)</b>		
	<b>2014</b>	<b>2013</b>
Capital Improvement Debt	\$ 151,541	\$ 158,975
Bonds Payable	55,380	56,620
Installment Purchases Payable	950	1,900
<b>Total</b>	<b>\$ 207,871</b>	<b>\$ 217,495</b>

Additional information about the University's long-term debt is presented in the notes to financial statements.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University's economic condition is closely tied to that of the State of Florida. The budget adopted by the Florida Legislature for the 2014-15 fiscal year provided a 7 percent increase to State universities, including \$100 million in new recurring performance-based funding. The University of Central Florida received \$16.7 million of this new performance-based funding in addition to \$14.1 million of recurring funds that were reclassified to performance-based funding. Economic recovery and demand for State resources will continue to influence appropriations to higher education. The University manages these influences through the continual conservation and efficient use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments.

In addition to State funding, the University relies on other revenue streams to maintain open access to and a high quality of its academic programs. For the 2013-14 fiscal year, gross tuition and fee revenue increased by 1.8 percent. Enrollment remained constant with a student count of approximately 59,700. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students' success.

### **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 to Tracy Clark, CPA, Associate Vice President for Finance and Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

# **BASIC FINANCIAL STATEMENTS**

## **UNIVERSITY OF CENTRAL FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014**

	University	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 41,025,997	\$ 20,097,589
Restricted Cash and Cash Equivalents	3,980,631	15,408,054
Investments	388,718,126	2,681,739
Accounts Receivable, Net	45,734,063	7,193,815
Loans and Notes Receivable, Net	974,692	-
Due from State	33,547,994	-
Due from Component Units	1,226,700	781,493
Due from University	-	8,062,960
Inventories	1,990,524	-
Other Current Assets	4,241,460	1,560,424
<b>Total Current Assets</b>	<b>521,440,187</b>	<b>55,786,074</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,917,840	22,622,928
Restricted Investments	89,604,933	179,861,010
Loans and Notes Receivable, Net	3,654,227	6,493,213
Depreciable Capital Assets, Net	822,827,488	256,820,684
Nondepreciable Capital Assets	34,335,846	54,660,402
Due from Component Units	9,938,866	-
Other Noncurrent Assets	593,724	4,795,899
<b>Total Noncurrent Assets</b>	<b>970,872,924</b>	<b>525,254,136</b>
<b>Total Assets</b>	<b>\$ 1,492,313,111</b>	<b>\$ 581,040,210</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 11,219,057	\$ -
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 14,979,511	\$ 5,529,313
Construction Contracts Payable	7,826,827	-
Salaries and Wages Payable	11,866,487	-
Deposits Payable	6,748,137	-
Due to Component Units	8,062,960	781,493
Due to University	-	1,226,700
Unearned Revenue	14,211,216	9,336,880
Other Current Liabilities	304,640	8,784,394
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	8,280,000	-
Bonds Payable	1,295,000	-
Certificates of Participation Payable	-	6,170,000
Loans and Notes Payable	-	3,031,117
Installment Purchase Payable	950,000	-
Compensated Absences Payable	3,031,768	95,137
<b>Total Current Liabilities</b>	<b>77,556,546</b>	<b>34,955,034</b>

UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2014

	University	Component Units
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 143,260,727	\$ -
Bonds Payable	54,085,000	-
Certificates of Participation Payable	-	250,315,650
Loans and Notes Payable	-	38,584,056
Compensated Absences Payable	40,279,209	724,610
Other Postemployment Benefits Payable	48,177,000	-
Unearned Revenues	-	1,786,855
Due to University	-	9,938,866
Interest Rate Swap	11,219,057	-
Other Noncurrent Liabilities	6,793,332	87,938
<b>Total Noncurrent Liabilities</b>	<b>303,814,325</b>	<b>301,437,975</b>
<b>Total Liabilities</b>	<b>\$ 381,370,871</b>	<b>\$ 336,393,009</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	657,553,436	13,460,911
Restricted for Nonexpendable:		
Endowment	-	119,093,792
Restricted for Expendable:		
Debt Service	1,421,981	-
Loans	3,803,291	-
Capital Projects	113,377,629	-
Other	36,056,951	96,314,921
Unrestricted	309,948,009	15,777,577
<b>TOTAL NET POSITION</b>	<b>\$ 1,122,161,297</b>	<b>\$ 244,647,201</b>

The accompanying notes to financial statements are an integral part of this statement.



**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2014**

	University	Component Units
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$104,139,585 (Pledged for Capital Improvement Debt: \$14,126,908 for Student Health, and \$11,702,471 for Parking)	\$ 266,310,129	\$ -
Federal Grants and Contracts	82,083,832	-
State and Local Grants and Contracts	6,813,787	-
Nongovernmental Grants and Contracts	19,131,149	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$1,675,257 for Bookstore, \$28,226,624 for Housing, and \$6,013,053 for Parking)	64,551,298	-
Gifts and Donations	-	12,353,587
Interest on Loans and Notes Receivable	105,144	-
Other Operating Revenues (Pledged for Capital Improvement Debt: \$394,205 for Housing and \$995,305 for Parking)	4,784,220	124,548,346
<b>Total Operating Revenues</b>	<b>443,779,559</b>	<b>136,901,933</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	489,989,986	14,247,516
Services and Supplies	163,275,412	81,171,871
Utilities and Communications	23,260,801	-
Scholarships, Fellowships, and Waivers	84,331,278	-
Depreciation	60,849,674	10,464,481
<b>Total Operating Expenses</b>	<b>821,707,151</b>	<b>105,883,868</b>
<b>Operating Income (Loss)</b>	<b>(377,927,592)</b>	<b>31,018,065</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	273,554,411	-
Federal and State Student Financial Aid	137,019,306	-
Investment Income	21,860,571	756,945
Other Nonoperating Revenues	10,486,509	11,759,044
Loss on Disposal of Capital Assets	(263,474)	(52,033)
Interest on Capital Asset-Related Debt	(7,648,203)	(12,579,596)
Other Nonoperating Expenses	(39,231,427)	(10,323,017)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>395,777,693</b>	<b>(10,438,657)</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>17,850,101</b>	<b>20,579,408</b>
State Capital Appropriations	21,514,232	-
Capital Grants, Contracts, Donations, and Fees	1,766,420	-
Additions to Permanent Endowments	-	2,509,174
<b>Increase in Net Position</b>	<b>41,130,753</b>	<b>23,088,582</b>
Net Position, Beginning of Year	1,081,030,544	221,558,619
<b>Net Position, End of Year</b>	<b>\$ 1,122,161,297</b>	<b>\$ 244,647,201</b>

The accompanying notes to financial statements are an integral part of this statement.

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014**

	<u>University</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 264,657,171
Grants and Contracts	106,028,565
Sales and Services of Auxiliary Enterprises	67,012,968
Interest on Loans and Notes Receivable	104,140
Payments to Employees	(471,596,205)
Payments to Suppliers for Goods and Services	(188,343,018)
Payments to Students for Scholarships and Fellowships	(84,331,278)
Collection on Loans to Students	792,315
Loans Issued to Students	(557,138)
Other Operating Receipts	4,763,086
<b>Net Cash Used by Operating Activities</b>	<u>(301,469,394)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	273,554,411
Federal and State Student Financial Aid	136,842,658
Federal Direct Loan Program Receipts	246,168,149
Federal Direct Loan Program Disbursements	(246,168,149)
Net Change in Funds Held for Others	2,495,500
Other Nonoperating Disbursements	(16,418,183)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>396,474,386</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	23,649,584
Capital Grants, Contracts, and Donations	1,050,059
Capital Subsidies and Transfers	(4,050,126)
Other Receipts for Capital Projects	299,404
Purchase or Construction of Capital Assets	(63,000,948)
Principal Paid on Capital Debt	(9,350,000)
Interest Paid on Capital Debt	(7,921,435)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(59,323,462)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	705,205,140
Purchase of Investments	(748,774,883)
Investment Income	6,402,375
<b>Net Cash Used by Investing Activities</b>	<u>(37,167,368)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(1,485,838)</u>
Cash and Cash Equivalents, Beginning of Year	56,410,306
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 54,924,468</u></u>



**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Fiscal Year Ended June 30, 2014**

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (377,927,592)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	60,849,674
Change in Assets and Liabilities:	
Receivables, Net	(2,687,037)
Inventories	475,020
Other Assets	(1,139,700)
Accounts Payable	2,533,267
Salaries and Wages Payable	2,275,177
Deposits Payable	(145,956)
Compensated Absences Payable	3,432,844
Unearned Revenue	1,944,159
Other Liabilities	(3,764,250)
Other Postemployment Benefits Payable	12,685,000
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (301,469,394)</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES</b>	
Unrealized gains on investments were recognized as an addition to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 15,191,263
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (263,474)
Losses from transfer of capital assets to other agencies were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (5,379,522)

The accompanying notes to financial statements are an integral part of this statement.

UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity.** The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Blended Component Units.** Based on the application of the criteria for determining component units, the UCF Finance Corporation (Corporation) and the University of Central Florida College of Medicine Self-Insurance Program (Program) are included within the University's reporting entity as blended component units, and they are therefore reported as if they are part of the University. The Corporation's purpose is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Program's purpose is to provide comprehensive general liability and professional liability coverage for the University's Trustees and students for claims and actions arising from clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. Condensed financial statements for the University's blended component units are shown in a subsequent note.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Central Florida Clinical Practice Organization, Inc. (an affiliated organization) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:



**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

- University of Central Florida Foundation, Inc. ("the Foundation"), is a not-for-profit Florida Corporation whose principal function is to provide charitable and educational aid to the University. During the year ended June 30, 2014, the Foundation paid \$5,920,207 for scholarships and institutional support to the University.
- University of Central Florida Research Foundation, Inc., was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc., was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- Golden Knights Corporation was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc., is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical education program and clinical faculty within the College of Medicine.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University's Associate Vice President for Finance and Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The



**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and they follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation, and maintenance of capital assets and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, the University's policy is to apply first the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**Cash and Cash Equivalents – University.** Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of three months or less. The University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University also holds \$38,817,004 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7



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mutual funds and securities rated AAA (or its equivalent) by a Nationally Recognized Statistical Rating Organization (NRSRO). The Corporation, a blended component unit, holds \$5,919,393 in money market funds. The money market funds are uninsured but collateralized by securities held by the financial institutions not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

**Cash and Cash Equivalents – Discretely Presented Component Units.** Cash and cash equivalents for the University's discretely presented component units are reported as follows:

Component Unit	Cash in Bank	Money Market Funds	Short-Term Guaranteed Investment Contracts	Total
The University of Central Florida Foundation, Inc.	\$ 9,631,653	\$ 6,728,926	\$ -	\$ 16,360,579
The University of Central Florida Research Foundation, Inc.	1,534,603	3,678,161	-	5,212,764
The UCF Athletics Association, Inc.	2,593,441	-	-	2,593,441
The UCF Convocation Corporation	-	14,252,978	10,054,831	24,307,809
The Golden Knights Corporation	-	6,096,017	3,031,485	9,127,502
The Central Florida Clinical Practice Organization, Inc.	526,476	-	-	526,476
<b>Total Component Units</b>	<b>\$ 14,286,173</b>	<b>\$ 30,756,082</b>	<b>\$ 13,086,316</b>	<b>\$ 58,128,571</b>

The University holds certain cash balances for various discretely presented component units. Cash held for University of Central Florida Research Foundation, Inc., UCF Convocation Corporation, and Golden Knights Corporation was \$2,699,789, \$4,204,516, and \$744,508, respectively.

**UCF Convocation Corporation and Golden Knights Corporation.** These component units follow the investment policy of the University for managing credit risks. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporations' names. The money market funds invest in diversified portfolios of high-quality, dollar-denominated short-term debt securities. Short-term guaranteed investment contracts are investment vehicles that guarantee a return on principal invested in the account over the life of the investment. For the year ended June 30, 2014, the Corporations had benefit-responsive investment contracts with an insurance company that maintains the funds in guaranteed interest accounts. The accounts are credited with earnings on the underlying investments and are subject to withdrawals. The contracts are included in the financial statements at fair value as reported to the Corporations by the insurance company. Fair value represents contributions made under the contract plus earnings less plan withdrawals. There are no reserves against fair values for credit risk of the contract issuer or otherwise. For 2014, the average yield and crediting interest rates were 5.0 percent for the Convocation Corporation and 5.0 percent for the Golden Knights Corporation, based on maturities through June 30, 2015, and June 30, 2014, respectively. These assets are segregated and subject to withdrawal by the authorized trustee. The guaranteed investment contracts were purchased by the corporations to invest the unused proceeds received from the issuance of debt.

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*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the Corporations' investments in securities must provide sufficient liquidity to pay obligations as they come due.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the corporations will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the University's investment policy specifies certain requirements to pre-qualify financial institutions and brokers or dealers and requires an annual review of the institutions used. The Corporations' investments are held by a third-party custodian, not in the name of the corporations.

**Other Component Units**

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the component unit will not be able to recover deposits.

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts with maturity dates of less than 90 days. At June 30, 2014, approximately \$10,344,124 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **University of Central Florida Research Foundation, Inc.** – At June 30, 2014, the Research Foundation had deposits in banking institutions. A portion of the deposits, totaling \$73,848, were in excess of the Federal deposit insurance limit as of June 30, 2014.

The Research Foundation maintains a repurchase sweep account with a local bank. The target balance in the main operating account is "swept" overnight by the bank and is collateralized by mortgage-backed securities issued by the Federal National Mortgage Association and/or the Federal Home Loan Mortgage Corporation, which have been temporarily sold to the Research Foundation under the terms of the repurchase agreement. The balance in the repurchase account as of June 30, 2014, was \$1,203,995. This amount is not included in the deposit amount uninsured by FDIC.

- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk although all demand deposits with banks are federally insured up to FDIC limits. As of June 30, 2014, \$2,829,312 of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

**Capital Assets.** University capital assets consist of land; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; leasehold improvements; works of art and historical treasures; and computer software and other capital assets. These assets are capitalized and recorded at



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cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, and \$5,000 for tangible personal property. New buildings and improvements have a \$100,000 capitalization threshold.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 5 to 10 years
- Library Resources – 10 years
- Leasehold Improvements – the lesser of the remaining lease term, or the estimated useful life of the improvement
- Works of Arts and Historical Treasures- 5 to 15 years
- Other Capital Assets – 5 to 10 years

**Noncurrent Liabilities.** Noncurrent liabilities include principal amount of capital improvement debt payable, bonds payable, installment purchases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

## 2. INVESTMENTS

Section 1011.42(5), Florida Statutes authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and the statute requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy establishing investment parameters within applicable Florida Statutes and the University investment manual. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.



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The University's investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 272,979,393
SBA Florida PRIME	1,437
SBA Fund B Surplus Funds Trust Fund	20
SBA Debt Service Accounts	1,402,443
Certificates of Deposit	245,306
U.S. Government and Federally-Guaranteed Obligations	49,516,070
Federal Agency Obligations	23,017,776
Bonds and Notes	55,908,991
Mutual Funds - Equities	66,542,835
Mutual Funds - Bonds	8,708,788
<b>Total University Investments</b>	<b>\$ 478,323,059</b>

Investments held by the University's component units at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>University of Central Florida Foundation, Inc.</u>	<u>University of Central Florida Research Foundation, Inc.</u>	<u>Total</u>
Mutual Funds - Equities	\$ 100,968,488	\$ 62,971	\$ 101,031,459
Mutual Funds - Bonds	49,523,926	-	49,523,926
Hedge Funds	19,419,888	-	19,419,888
Private Equity Funds	91,052	-	91,052
Real Estate Investment Trusts - REITS	70,160	-	70,160
Real Assets	7,862,562	-	7,862,562
Exchanged Traded Funds	1,403,211	-	1,403,211
Equity Securities	2,749,425	391,066	3,140,491
<b>Total Component Unit Investments</b>	<b>\$ 182,088,712</b>	<b>\$ 454,037</b>	<b>\$ 182,542,749</b>

**External Investment Pools - State Treasury Special Purpose Investment Account**

The University reported investments at fair value totaling \$272,979,393 at June 30, 2014, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**State Board of Administration Debt Service Accounts**

The University reported investments totaling \$1,402,443 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities with maturity dates of six months or less, and they are reported at fair value. The University relies on policies

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developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Other Investments**

The University and its discretely presented component units invested in various debt and equity securities, money market funds, mutual funds, and certificates of deposit. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities and bond mutual funds, and their future maturities at June 30, 2014, are as follows:

**University Debt Investments Maturities**

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	More Than 5
U.S. Government and Federally-Guaranteed Obligations	\$ 49,516,070	\$ 10,867,851	\$ 35,538,360	\$ 3,109,859
Federal Agency Obligations	23,017,776	340,344	5,887,194	16,790,238
Bonds and Notes	55,908,991	2,508,106	41,811,220	11,589,665
Mutual Funds - Bonds	8,708,788	43,585	5,099,081	3,566,122
<b>Total University</b>	<b>\$ 137,151,625</b>	<b>\$ 13,759,886</b>	<b>\$ 88,335,855</b>	<b>\$ 35,055,884</b>

**Component Units' Debt Investments Maturities**

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	More Than 5
Mutual Funds - Bonds	\$ 49,523,926	\$ 5,886,703	\$ 40,037,140	\$ 3,600,083
<b>Total Component Units</b>	<b>\$ 49,523,926</b>	<b>\$ 5,886,703</b>	<b>\$ 40,037,140</b>	<b>\$ 3,600,083</b>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's component units' investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories. The following schedule represents the ratings at June 30, 2014, of the University's and its component units' debt instruments using Moody's and Standard and Poor's, nationally recognized rating agencies:



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**University Debt Investments Quality Ratings**

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Federal Agency Obligations	\$ 23,017,776	\$ 23,017,776	\$ -	\$ -	\$ -
Bonds and Notes	55,908,991	19,454,641	10,587,882	24,617,273	1,249,195
Mutual Funds - Bonds	8,708,788	-	1,124,519	7,584,269	-
<b>Total University</b>	<b>\$ 87,635,555</b>	<b>\$ 42,472,417</b>	<b>\$ 11,712,401</b>	<b>\$ 32,201,542</b>	<b>\$ 1,249,195</b>

**Component Units' Debt Investments Quality Ratings**

Investment Type	Fair Value	AAA	AA	A	Less Than A
Mutual Funds - Bonds	\$ 49,523,926	\$ 5,886,703	\$ 26,098,890	\$ 8,853,855	\$ 8,684,478
<b>Total Component Units</b>	<b>\$ 49,523,926</b>	<b>\$ 5,886,703</b>	<b>\$ 26,098,890</b>	<b>\$ 8,853,855</b>	<b>\$ 8,684,478</b>

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University's or its component units' investments in a single issuer. The University's and its component units' investment policies require diversification 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. The University's policy states that not more than 5 percent of the investment portfolio's assets shall be invested in securities on any one issuing company, and no single corporate bond issuer shall exceed 5 percent of the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

### 3. RECEIVABLES

**Accounts Receivable.** Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2014, the University reported the following amounts as accounts receivable:

Description	Amount
Grants and Contracts	\$ 21,991,426
Student Tuition and Fees	16,502,597
Other	7,240,040
<b>Total Accounts Receivable, Net</b>	<b>\$ 45,734,063</b>

**Loans and Notes Receivable.** Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.



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**Allowance for Doubtful Receivables.** Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$1,667,000 and \$789,231 respectively, at June 30, 2014.

**4. DUE FROM STATE**

This amount consists of \$33,547,994 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

**5. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 24,821,959	\$ -	\$ -	\$ 24,821,959
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	55,945,203	22,583,921	69,233,237	9,295,887
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 80,985,162</b>	<b>\$ 22,583,921</b>	<b>\$ 69,233,237</b>	<b>\$ 34,335,846</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 979,660,049	\$ 79,181,571	\$ -	\$ 1,058,841,620
Infrastructure and Other Improvements	54,114,303	451,154	-	54,565,457
Furniture and Equipment	188,720,541	18,567,987	12,204,670	195,083,858
Library Resources	112,944,125	2,225,557	-	115,169,682
Leasehold Improvements	17,082,282	174,619	-	17,256,901
Works of Art and Historical Treasures	1,410,300	255,556	-	1,665,856
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
<b>Total Depreciable Capital Assets</b>	<b>1,361,782,035</b>	<b>100,856,444</b>	<b>12,204,670</b>	<b>1,450,433,809</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	302,596,641	33,534,159	-	336,130,800
Infrastructure and Other Improvements	20,020,427	2,259,224	-	22,279,651
Furniture and Equipment	141,306,902	18,135,301	6,831,776	152,610,427
Library Resources	89,643,995	4,923,400	-	94,567,395
Leasehold Improvements	11,406,964	1,869,335	-	13,276,299
Works of Art and Historical Treasures	763,059	128,255	-	891,314
Computer Software and other Capital Assets	7,850,435	-	-	7,850,435
<b>Total Accumulated Depreciation</b>	<b>573,588,423</b>	<b>60,849,674</b>	<b>6,831,776</b>	<b>627,606,321</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 788,193,612</b>	<b>\$ 40,006,770</b>	<b>\$ 5,372,894</b>	<b>\$ 822,827,488</b>

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**6. UNEARNED REVENUE**

Unearned revenue includes grant and contract prepayments, auxiliary prepayments, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2014, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Grant and Contract Prepayments	\$ 6,140,051
Auxiliary Prepayments	7,136,158
Student Tuition and Fees	935,007
<b>Total Unearned Revenue</b>	<b>\$ 14,211,216</b>

**7. DEFERRED OUTFLOW OF RESOURCES**

The University's blended component unit (Corporation) entered into an interest rate swap agreement in connection with its \$60 million bond issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflow of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap agreement. The Bonds Payable section of Note 8 below includes a complete discussion of the swap agreement.

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2014, include capital improvement debt payable, bonds payable, installment purchases payable, compensated absences payable, and other postemployment benefits payable.

Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 168,974,647	\$ -	\$ 7,433,920	\$ 151,540,727	\$ 8,280,000
Bonds Payable	56,620,000	-	1,240,000	55,380,000	1,295,000
Installment Purchase Payable	1,900,000	-	950,000	950,000	950,000
Compensated Absences Payable	39,878,133	6,640,098	3,207,254	43,310,977	3,031,768
Other Postemployment Benefits Payable	35,492,000	14,095,000	1,410,000	48,177,000	-
Interest Rate Swap	11,583,087	-	364,030	11,219,057	-
Other Noncurrent Liabilities	6,853,332	-	60,000	6,793,332	-
<b>Total Long-Term Liabilities</b>	<b>\$ 311,301,199</b>	<b>\$ 20,735,098</b>	<b>\$ 14,665,204</b>	<b>\$ 317,371,093</b>	<b>\$ 13,556,768</b>



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**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2014:

Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
<b>Student Housing Debt:</b>				
2002 - Housing	\$ 14,055,000	\$ 7,454,152	3.875 - 4.5	2021
2007A - Housing	38,780,000	31,557,533	4.0 - 5.5	2030
2012A - Housing	66,640,000	68,138,906	3.0 - 5.0	2042
<b>Total Student Housing Debt</b>	<b>119,475,000</b>	<b>107,150,591</b>		
<b>Bookstore Debt:</b>				
1997	3,570,000	792,429	5.10 - 5.125	2017
<b>Student Health Center Debt:</b>				
2004A	8,000,000	4,788,244	4.2 - 5.0	2024
<b>Parking Garage Debt:</b>				
2004A - Parking Garage V	18,455,000	9,032,704	3.5 - 4.2	2024
2010A - Parking Garage VI	3,855,000	1,404,169	4.0	2016
2010B - Parking Garage VI	11,140,000	11,140,000	4.5 - 6.2	2029
2011A - Parking Garage	11,005,000	9,402,267	3.0 - 5.0	2022
2012A - Parking Garage	7,860,000	7,830,323	3.0 - 5.0	2032
<b>Total Parking Garage Debt</b>	<b>52,315,000</b>	<b>38,809,463</b>		
<b>Total Capital Improvement Debt</b>	<b>\$ 183,360,000</b>	<b>\$ 151,540,727</b>		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental revenues, bookstore revenues, parking and transportation fees, and health service facility fees based on credit hours to repay \$183,360,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing, a bookstore, student health facilities, and student parking garages. The bonds are payable solely from housing revenues, bookstore revenues, parking revenues, and student health fees, and they are payable through 2042. The University has committed to appropriate each year amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$215,129,321, and principal and interest paid for the current year totaled \$13,993,904. During the 2013-14 fiscal year, operating revenues generated from housing revenues, bookstore revenues, parking revenues, and student health fees totaled \$28,701,629, \$1,675,257, \$18,710,830, and \$14,126,908, respectively.



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Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,280,000	\$ 6,534,437	\$ 14,814,437
2016	8,610,000	6,209,420	14,819,420
2017	8,435,000	5,832,471	14,267,471
2018	8,520,000	5,430,116	13,950,116
2019	8,355,000	5,013,526	13,368,526
2020-24	40,405,000	18,989,853	59,394,853
2025-29	33,130,000	10,451,398	43,581,398
2030-34	15,230,000	4,897,700	20,127,700
2035-39	10,315,000	2,689,719	13,004,719
2040-42	7,325,000	475,681	7,800,681
<b>Subtotal</b>	<b>148,605,000</b>	<b>66,524,321</b>	<b>215,129,321</b>
Plus: Net Bond Discounts and Premiums	2,935,727	-	2,935,727
<b>Total</b>	<b>\$ 151,540,727</b>	<b>\$ 66,524,321</b>	<b>\$ 218,065,048</b>

**Bonds Payable.** One of the University's blended component units, the UCF Finance Corporation (Corporation), issued \$60 million in bonds to finance the construction of the Burnett Biomedical Sciences Building, part of the University's medical school. The bonds are secured by indirect cost revenues received by the University from Federal, State, and private grants and further secured by a letter of credit issued by a local bank not to exceed \$60 million. The bonds are variable interest rate bonds with a synthetic interest rate of 4.49 percent at June 30, 2014. They mature on July 1, 2037.

The University agreed to use a ground sublease to lease to its blended component unit, the Corporation, a parcel of property located in Orange County, Florida, where approximately 198,000 square feet of classroom, laboratory, and administrative office space together with related infrastructure was constructed. The facilities are used solely for education and research purposes and are operated and managed by the University. The University and the Corporation entered into an agreement where the Corporation leases the facilities to the University for the occupancy of the facilities. The University has agreed to pay a base rent equal to all amounts due and payable under the bond indenture and all amounts required to be paid associated with the bond issuance.

Annual requirements to amortize the outstanding bonds as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Bonds Payable</u>		<u>Interest Rate Swap</u>	<u>Net Cash Flows</u>
	<u>Principal</u>	<u>Interest</u>		
2015	\$ 1,295,000	\$ 2,423,428	\$ 60,918	\$ 3,779,346
2016	1,355,000	2,366,759	59,493	3,781,252
2017	1,415,000	2,307,464	58,003	3,780,467
2018	1,490,000	2,245,544	56,446	3,791,990
2019	1,555,000	2,180,342	54,807	3,790,149
2020-24	8,945,000	9,814,491	246,708	19,006,199
2025-29	11,245,000	7,665,437	192,687	19,103,124
2030-34	14,160,000	4,961,289	124,712	19,246,001
2035-38	13,920,000	1,557,855	39,160	15,517,015
<b>Total</b>	<b>\$ 55,380,000</b>	<b>\$ 35,522,609</b>	<b>\$ 892,934</b>	<b>\$ 91,795,543</b>



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The Corporation entered into an interest rate swap agreement in connection with its \$60 million variable-rate bond issuance as a means to lower its borrowing costs when compared with fixed-rate bonds at the time of their issuance in June 2007. The Corporation utilizes such derivatives to manage the risk of rising interest rates on its variable interest rate-based debt. The counterparty to the interest rate swap agreement is a regional bank. Credit loss from counterparty nonperformance is not anticipated. Under the interest rate swap agreement, the Corporation pays the counterparty a fixed payment of 4.38 percent and receives a variable payment based on the Securities Industry and Financial Market Association swap index (0.04 percent at June 30, 2014). The variable-rate coupons of the bonds are reset weekly by auction. As of June 30, 2014, the Corporation was not exposed to credit risk on this interest rate swap agreement because it had a negative fair value of \$11,219,057, which is reported in deferred outflows of resources on the statement of net position. This deferred outflow reflects the settlement amount the Corporation would have to pay on June 30, 2014, to cancel the interest rate swap agreement. The liability is estimated based on valuation models. If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivative's fair value. In accordance with the Corporation's policy to mitigate the potential for credit risk, the Corporation may require that the fair value of the interest rate swap agreement be fully collateralized by a letter of credit if the counterparty's credit quality falls below AA/Aa. As of June 30, 2014, collateralization was not required due to the swap agreement having a negative fair value.

The University entered into a support agreement such that it will fund certain deficiencies that may arise in the event the Corporation is unable to make the minimum payments on the bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$43,310,977. The current portion of the compensated absences liability, \$3,031,768, is the amount expected to be paid in the coming fiscal year, and it is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

**Other Postemployment Benefits Payable.** The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active



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and retired employees. 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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 422 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,410,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributes totaled \$2,540,000, which represents 0.8 percent of covered payroll.

*Annual OPEB Cost and Net OPEB Obligation.* The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 8,637,000
Amortization of Unfunded Actuarial Accrued Liability	4,733,000
Interest on Normal Cost and Amortization	535,000
<b>Annual Required Contribution</b>	<b>13,905,000</b>
Interest on Net OPEB Obligation	1,420,000
Adjustment to Annual Required Contribution	(1,230,000)
<b>Annual OPEB Cost (Expense)</b>	<b>14,095,000</b>
Contribution Toward the OPEB Cost	(1,410,000)
<b>Increase in Net OPEB Obligation</b>	<b>12,685,000</b>
Net OPEB Obligation, Beginning of Year	35,492,000
<b>Net OPEB Obligation, End of Year</b>	<b>\$ 48,177,000</b>

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The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 11,469,000	14.2%	\$ 25,828,000
2012-13	11,519,000	16.1%	35,492,000
2013-14	14,095,000	10.0%	48,177,000

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$141,984,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$141,984,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$305,107,256 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 46.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's 2013-14 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded



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actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

**Interest Rate Swap.** As described previously in the Bonds Payable paragraph above, the Corporation entered into an interest rate swap agreement in connection with its \$60 million bond issuance. As of June 30, 2014, this interest rate swap agreement had a negative fair value of \$11,219,057.

**Other Noncurrent Liabilities.** Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program and an interest rate swap agreement. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$6,793,332 at June 30, 2014.

**Certificate of Participation Payable – Component Units.** During the 2004-05 and 2005-06 fiscal years, two certificates of participation were issued by the UCF Convocation Corporation to fund the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space. Also during the 2005-06 fiscal year, the UCF Convocation Corporation issued two additional certificates of participation to fund the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure.

The UCF Convocation Corporation extinguished Certificate of Participation long-term debt obligations by the issuance of a new Certificate of Participation debt instrument as follows:

- On May 29, 2014, the UCF Convocation Corporation issued a \$58,645,000 Refunding Certificate of Participation, Series 2014A to a bank. The certificate will mature on October 1, 2034, and bears interest at a fixed rate of 3.61 percent per annum. Proceeds of \$58,482,785 from the Refunding Certificate plus an additional \$1,236,784 from a Series 2004A account were used to purchase \$59,719,568 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004A tax-exempt certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the defeased certificates on October 1, 2014. At June 30, 2014, the outstanding balance of the defeased debt was \$58,290,000. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by \$9,893,750 over the next 20 years and obtained an economic gain of \$6,944,510.

The outstanding balance of the remaining certificates at June 30, 2014, was \$212,430,000 before an unamortized premium of \$3,050,586.

During the 2006-07 fiscal year, certificates of participation were issued by the Golden Knights Corporation for the construction of a football stadium on the campus of the University. The outstanding balance of these certificates at June 30, 2014, was \$40,600,000 before an unamortized premium of \$405,064. The certificates are secured by a pledge from the UCF Athletic Association, Inc., of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue.

The University entered into support agreements with the UCF Convocation Corporation and the Golden Knights Corporation such that it will fund certain deficiencies that may arise in the event either corporation is unable to



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make the minimum payments on the bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

In addition, the University has entered into various support agreements with UCF Convocation Corporation whereby, in the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. For the fiscal year ended June 30, 2014, transfers from the University totaled \$2,500,000.

Also, in fiscal year 2014, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the Convocation Corporation's trustee. The Convocation Corporation's governing board made the decision to remit these funds back to the University. Transfers to the University were \$1,902,774 for the fiscal year ended June 30, 2014.

**Loans and Notes Payable – Component Units.** In October 1997, the University of Central Florida Foundation, Inc., signed renewal annuity notes payable with two Charitable Remainder Annuity Trusts for which the Foundation is named as irrevocable beneficiary. As of June 30, 2014, the outstanding principal balance of the notes payable was \$1,968,352, and annuity obligations were \$503,494. The notes mature in October 2017.

During the 2004-05, the University of Central Florida Foundation, Inc., entered into two notes of \$10,400,000 and \$2,800,000, respectively, with banks for land and buildings purchased. The \$10,400,000 note was refinanced during the 2008-09 fiscal year. The notes are secured by the land and lease revenues. The combined outstanding balances of the notes payable at June 30, 2014, were \$10,115,000, and the notes mature on April 1, 2029, and April 1, 2015.

During the 2007-08 fiscal year, the Golden Knights Corporation entered into a loan agreement with a bank for \$16,700,000. The proceeds of the loan were used to purchase all of the formerly issued and outstanding Series 2006B Taxable certificates of participation. Those certificates of participation are held in trust and have been registered in the name of the bank as pledgee. The note is payable from and secured by a lien upon and pledge of all the payments received with respect to the certificates. The outstanding balance of the note payable at June 30, 2014, was \$11,825,000, and the loan matures on April 1, 2016.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc., entered into a loan agreement with a bank for \$19,925,000. The note is comprised of both a tax-exempt portion and a taxable portion. The note is secured by building and lease revenue. The outstanding balance for both the taxable and tax exempt portions was \$16,960,000 and the loan matures on October 1, 2025.

The University of Central Florida Foundation, Inc., entered into a \$2,450,000 line of credit with a credit union for construction of the Alumni Center. As of June 30, 2014, the outstanding principal balance of the line of credit was \$323,425.

## **9. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions,



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and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and it consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$7,435,235, \$7,750,823, and \$10,053,835, respectively, which were equal to the required contributions for each fiscal year.

There were 805 University participants in the Investment Plan during the 2013-14 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled \$3,114,368, which was equal to the required contribution for the 2013-14 fiscal year.

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

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for eight 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 can make



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an irrevocable election to participate in the Program rather than the FRS, and they can purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.34 percent of the participant's salary, which includes 2.19 percent for unfunded actuarial liabilities for the FRS defined-benefit plan and a small amount used to cover administrative costs. Employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute by payroll deduction an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 2,178 University participants during the 2013-14 fiscal year. The University's contributions to the Program totaled \$12,921,521, and employee contributions totaled \$9,288,348 for the 2013-14 fiscal year.

#### 10. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2014, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Optical Material's Lab	\$ 1,694,296	\$ 1,127,283	\$ 567,013
Utility Plant Chiller Replacement	1,677,097	1,471,891	205,206
Campus Repaving Project	1,533,290	1,415,650	117,640
Library Renovations	1,247,761	716,523	531,238
Other Projects (1)	6,819,226	4,564,540	2,254,686
<b>Total</b>	<b>\$ 12,971,670</b>	<b>\$ 9,295,887</b>	<b>\$ 3,675,783</b>

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2014.

#### 11. OPERATING LEASE COMMITMENTS

The University leased buildings under operating leases, which expire in various intervals through 2037. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2015	\$ 11,555,815
2016	11,356,291
2017	10,865,203
2018	10,481,259
2019	9,954,983
2020-24	8,998,171
2025-29	8,775,203
2030-34	10,172,865
2035-37	6,865,790
<b>Total Minimum Payments Required</b>	<b>\$ 89,025,580</b>

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The University of Central Florida Foundation, Inc. receives rents and reimbursement for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2014 were \$9,566,693.

The University has also entered into lease and rental agreements with the UCF Convocation Corporation for use of the Convocation Center, parking garages, and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2014, totaled \$4,536,866.

## **12. RISK MANAGEMENT PROGRAMS**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights liability, and employment discrimination liability. During the 2013-14 fiscal year, for property losses the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million, and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, and Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

### **University Self-Insurance Program**

The University of Central Florida, College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the University of Central



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Florida Board of Trustees and students for claims and actions arising from the clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. The Program provides legislative claims bill protection.

Prior to October 1, 2011, the Program provided the Board and the Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the same occurrence for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. In response to the Florida Legislature increasing the limits of liability contained in Section 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 for all claims arising from a single occurrence. By action of the UCF College of Medicine Self-Insurance Program Council on March 23, 2012, the student coverage was increased to \$200,000 per claim and \$300,000 from all claims arising from the same occurrence; the \$1,000,000 increased limit was not affected by this action. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2012-13 and 2013-14 fiscal years are presented in the following table:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claims Liabilities End of Year
June 30, 2013	\$ 94,395	\$ (51,092)	\$ 43,303
June 30, 2014	43,303	(5,750)	37,553

### 13. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions as estimated by the University's legal counsel and management should not materially affect the University's financial position.

### 14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department.

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For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications.

The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 249,129,617
Research	102,907,388
Public Services	6,087,098
Academic Support	61,758,186
Student Services	48,944,188
Institutional Support	93,921,401
Operation and Maintenance of Plant	39,376,998
Scholarships and Fellowships	84,331,278
Depreciation	60,849,674
Auxiliary Enterprises	74,026,982
Loan Operations	374,341
<b>Total Operating Expenses</b>	<b>\$ 821,707,151</b>

#### 15. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Bookstore, Housing, Parking, and Health Services facilities represents identifiable activities for which one or more bonds are outstanding:



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Condensed Statement of Net Position**

	Bookstore Capital Improvement Debt	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Service Capital Improvement Debt
<b>Assets</b>				
Current Assets	\$ 3,724,135	\$ 13,060,526	\$ 11,716,996	\$ 4,407,419
Capital Assets, Net	3,185,682	104,281,447	59,958,449	8,421,704
Other Noncurrent Assets	588,017	12,157,869	9,937,718	7,497,740
<b>Total Assets</b>	<b>7,497,834</b>	<b>129,499,842</b>	<b>81,613,163</b>	<b>20,326,863</b>
<b>Liabilities</b>				
Current Liabilities	250,470	9,293,318	5,465,376	807,996
Noncurrent Liabilities	542,429	103,376,296	35,566,420	5,023,442
<b>Total Liabilities</b>	<b>792,899</b>	<b>112,669,614</b>	<b>41,031,796</b>	<b>5,831,438</b>
<b>Net Position</b>				
Net Investment in Capital Assets	2,393,253	(2,869,144)	21,148,986	3,633,460
Restricted - Expendable	588,795	11,041,464	8,557,189	7,486,876
Unrestricted	3,722,887	8,657,908	10,875,192	3,375,089
<b>Total Net Position</b>	<b>\$ 6,704,935</b>	<b>\$ 16,830,228</b>	<b>\$ 40,581,367</b>	<b>\$ 14,495,425</b>

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

	Bookstore Capital Improvement Debt	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Service Capital Improvement Debt
Operating Revenues	\$ 1,675,257	\$ 28,701,629	\$ 18,710,830	\$ 18,655,569
Depreciation Expense	(199,303)	(4,658,410)	(2,209,507)	(422,095)
Other Operating Expenses	(547,902)	(17,450,492)	(11,317,179)	(14,150,274)
<b>Operating Income</b>	<b>928,052</b>	<b>6,592,727</b>	<b>5,184,144</b>	<b>4,083,200</b>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	165,407	1,069,539	1,085,125	438,476
Interest Expense	(53,882)	(3,315,725)	(1,512,332)	(245,391)
Other Nonoperating Expense	(21,546)	(1,149,241)	(567,197)	(75,535)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>89,979</b>	<b>(3,395,427)</b>	<b>(994,404)</b>	<b>117,550</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,018,031</b>	<b>3,197,300</b>	<b>4,189,740</b>	<b>4,200,750</b>
Other Revenues, Expenses, Gains, or Losses	(253,068)	(1,801,841)	(881,724)	(1,700,959)
<b>Increase in Net Position</b>	<b>764,963</b>	<b>1,395,459</b>	<b>3,308,016</b>	<b>2,499,791</b>
Net Position, Beginning of Year	5,939,972	15,434,769	37,273,351	11,995,634
<b>Net Position, End of Year</b>	<b>\$ 6,704,935</b>	<b>\$ 16,830,228</b>	<b>\$ 40,581,367</b>	<b>\$ 14,495,425</b>

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**Condensed Statement of Cash Flows**

	Bookstore Capital Improvement Debt	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Service Capital Improvement Debt
Net Cash Provided (Used) by:				
Operating Activities	\$ 1,077,433	\$ 12,932,122	\$ 7,575,525	\$ 4,591,793
Noncapital Financing Activities	(303,537)	(1,626,873)	(842,388)	(1,671,426)
Capital and Related Financing Activities	(298,892)	(22,115,814)	(13,160,238)	(1,030,867)
Investing Activities	(501,369)	10,140,834	6,142,311	(1,892,976)
<b>Net Decrease in Cash and Cash Equivalents</b>	(26,365)	(669,731)	(284,790)	(3,476)
Cash and Cash Equivalents, Beginning of Year	365,626	2,513,019	1,846,652	912,892
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 339,261</u>	<u>\$ 1,843,288</u>	<u>\$ 1,561,862</u>	<u>\$ 909,416</u>



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JUNE 30, 2014

**16. BLENDED COMPONENT UNITS**

The University has two blended component units as discussed in Note 1. The following financial information is presented for the University's blended component units:

	Condensed Statement of Net Position				
	Blended Component Units		Total Blended Component Units		Total Primary Government
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program		University	
<b>Assets</b>					
Current Assets	\$ 4,103,879	\$ 3,548,400	\$ 7,652,279	\$ 513,787,908	\$ 521,440,187
Capital Assets, Net	-	-	-	857,163,334	857,163,334
Due From University, Blended Component Units	49,523,758	-	49,523,758	-	(49,523,758)
Other Noncurrent Assets	2,110,102	-	2,110,102	111,599,488	113,709,590
<b>Total Assets</b>	<b>55,737,739</b>	<b>3,548,400</b>	<b>59,286,139</b>	<b>1,482,550,730</b>	<b>1,492,313,111</b>
<b>Deferred Outflows of Resources</b>	<b>11,219,057</b>	<b>-</b>	<b>11,219,057</b>	<b>-</b>	<b>11,219,057</b>
<b>Liabilities</b>					
Current Liabilities	1,511,140	40,553	1,551,693	76,004,853	77,556,546
Due To University, Blended Component Units	-	-	-	49,523,758	(49,523,758)
Other Noncurrent Liabilities	65,304,057	-	65,304,057	238,510,268	303,814,325
<b>Total Liabilities</b>	<b>66,815,197</b>	<b>40,553</b>	<b>66,855,750</b>	<b>364,038,879</b>	<b>381,370,871</b>
<b>Net Position</b>					
Net Investment in Capital Assets	-	-	-	657,553,436	657,553,436
Restricted - Expendable	141,599	3,507,847	3,649,446	151,010,406	154,659,852
Unrestricted	-	-	-	309,948,009	309,948,009
<b>Total Net Position</b>	<b>\$ 141,599</b>	<b>\$ 3,507,847</b>	<b>\$ 3,649,446</b>	<b>\$ 1,118,511,851</b>	<b>\$ 1,122,161,297</b>

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

	Blended Component Units UCF Finance Corporation	University of Central Florida College of Medicine Self- Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Operating Revenues	\$ -	\$ 155,977	\$ 155,977	\$ 443,766,578	\$ (142,996)	\$ 443,779,559
Depreciation Expense	-	-	-	(60,849,674)	-	(60,849,674)
Other Operating Expenses	(190,304)	(80,405)	(270,709)	(760,574,549)	(12,219)	(760,857,477)
<b>Operating Income (Loss)</b>	<b>(190,304)</b>	<b>75,572</b>	<b>(114,732)</b>	<b>(377,657,645)</b>	<b>(155,215)</b>	<b>(377,927,592)</b>
Nonoperating Revenues (Expenses)						
Nonoperating Revenue	2,840,652	51,516	2,892,168	443,021,323	(2,992,694)	442,920,797
Interest Expense	(2,492,373)	-	(2,492,373)	(5,155,830)	-	(7,648,203)
Other Nonoperating Expense	(406,398)	-	(406,398)	(42,236,412)	3,147,909	(39,494,901)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(58,119)</b>	<b>51,516</b>	<b>(6,603)</b>	<b>395,629,081</b>	<b>155,215</b>	<b>395,777,693</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(248,423)</b>	<b>127,088</b>	<b>(121,335)</b>	<b>17,971,436</b>	<b>-</b>	<b>17,850,101</b>
Other Revenues, Expenses, Gains, and Losses	-	-	-	23,280,652	-	23,280,652
<b>Increase (Decrease) in Net Position</b>	<b>(248,423)</b>	<b>127,088</b>	<b>(121,335)</b>	<b>41,252,088</b>	<b>-</b>	<b>41,130,753</b>
Net Position, Beginning of the Year	390,022	3,380,759	3,770,781	1,077,259,763	-	1,081,030,544
<b>Net Position, End of Year</b>	<b>\$ 141,599</b>	<b>\$ 3,507,847</b>	<b>\$ 3,649,446</b>	<b>\$ 1,118,511,851</b>	<b>\$ -</b>	<b>\$ 1,122,161,297</b>

**Condensed Statement of Cash Flows**

	Blended Component Units UCF Finance Corporation	University of Central Florida College of Medicine Self- Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:						
Operating Activities	\$ (312,446)	\$ 92,265	\$ (220,181)	\$ (301,088,157)	\$ (161,056)	\$ (301,469,394)
Noncapital Financing Activities	-	-	-	392,549,485	3,924,901	396,474,386
Capital and Related Financing Activities	32,162	-	32,162	(55,591,779)	(3,763,845)	(59,323,462)
Investing Activities	11,950	(2,003,593)	(1,991,643)	(35,175,725)	-	(37,167,368)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(268,334)</b>	<b>(1,911,328)</b>	<b>(2,179,662)</b>	<b>693,824</b>	<b>-</b>	<b>(1,485,838)</b>
Cash and Cash Equivalents, Beginning of Year	6,359,067	3,418,983	9,778,050	46,632,256	-	56,410,306
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 6,090,733</b>	<b>\$ 1,507,655</b>	<b>\$ 7,598,388</b>	<b>\$ 47,326,080</b>	<b>\$ -</b>	<b>\$ 54,924,468</b>



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JUNE 30, 2014

**17. DISCRETELY PRESENTED COMPONENT UNITS**

The University has six discretely presented component units as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

**Condensed Statement of Net Position**

	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	Direct-Support Organizations	UCF Convocation Corporation	Golden Knights Corporation	Total Direct Support Organizations	Other Central Florida Clinical Practice Organization, Inc.	Total
<b>Assets:</b>								
Current Assets	\$ 21,980,246	\$ 9,304,577	\$ 5,306,022	\$ 17,115,653	\$ 1,459,994	\$ 55,166,492	\$ 619,582	\$ 55,786,074
Capital Assets, Net	78,502,576	-	16,023,518	168,436,686	48,219,119	311,181,899	299,187	311,481,086
Other Noncurrent Assets	186,951,084	454,037	-	16,519,018	9,848,911	213,773,050	-	213,773,050
<b>Total Assets</b>	<b>\$ 287,433,906</b>	<b>\$ 9,758,614</b>	<b>\$ 21,329,540</b>	<b>\$ 202,071,357</b>	<b>\$ 59,528,024</b>	<b>\$ 580,121,441</b>	<b>\$ 918,769</b>	<b>\$ 581,040,210</b>
<b>Liabilities:</b>								
Current Liabilities	5,308,784	5,664,603	11,287,545	9,046,326	3,052,620	34,359,878	595,156	34,955,034
Noncurrent Liabilities	28,876,900	-	10,420,425	210,450,586	51,690,064	301,437,975	-	301,437,975
<b>Total Liabilities</b>	<b>\$ 34,185,684</b>	<b>\$ 5,664,603</b>	<b>\$ 21,707,970</b>	<b>\$ 219,496,912</b>	<b>\$ 54,742,684</b>	<b>\$ 335,797,853</b>	<b>\$ 595,156</b>	<b>\$ 336,393,009</b>
<b>Net Position:</b>								
Net Investment in Capital Assets	51,315,194	-	9,228,295	(43,522,270)	(3,859,495)	13,161,724	299,187	13,460,911
Restricted	184,472,886	530,680	-	21,918,151	8,486,996	215,408,713	-	215,408,713
Unrestricted	17,460,142	3,563,331	(9,606,725)	4,178,564	157,839	15,753,151	24,426	15,777,577
<b>Total Net Position</b>	<b>\$ 253,248,222</b>	<b>\$ 4,094,011</b>	<b>\$ (378,430)</b>	<b>\$ (17,425,555)</b>	<b>\$ 4,785,340</b>	<b>\$ 244,323,588</b>	<b>\$ 323,613</b>	<b>\$ 244,647,201</b>

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	Condensed Statement of Revenues, Expenses, and Changes in Net Position					
	Direct-Support Organizations				Other	Total
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	Golden Knights Corporation	Total Direct Support Organizations
Operating Revenues	\$ 51,709,625	\$ 6,214,413	\$ 44,848,833	\$ 29,474,228	\$ 3,025,453	\$ 135,272,552
Depreciation Expense	(1,966,374)	-	(802,898)	(5,932,611)	(1,645,860)	(10,347,743)
Operating Expenses	(33,057,092)	(5,712,376)	(38,636,879)	(16,448,011)	(932,827)	(94,787,185)
Operating Income	16,686,159	502,037	5,409,056	7,093,606	446,766	30,137,624
Net Nonoperating Revenues (Expenses)						
Nonoperating Revenues	7,427,485	106,144	280,776	3,041,601	1,659,983	12,515,989
Interest Expense	-	-	(288,794)	(10,268,467)	(2,022,335)	(12,579,596)
Other Nonoperating Expenses	(166,601)	-	(3,850,215)	(4,836,143)	(740,987)	(9,593,946)
Net Nonoperating Revenues (Expenses)	7,260,884	106,144	(3,858,233)	(12,063,009)	(1,103,339)	(9,657,553)
Income Before Other Revenues Expenses, Gains, or Losses	23,947,043	608,181	1,550,823	(4,969,403)	(656,573)	20,480,071
Other Revenues, Expenses, Gains, and Losses	2,509,861	-	-	-	-	2,509,861
Increase (Decrease) in Net Position	26,456,904	608,181	1,550,823	(4,969,403)	(656,573)	22,989,932
Net Position, Beginning of Year	226,791,318	3,485,830	(1,929,253)	(12,456,152)	5,441,913	221,333,656
Net Position, End of Year	\$ 253,248,222	\$ 4,094,011	\$ (378,430)	\$ (17,425,555)	\$ 4,785,340	\$ 244,323,588
						\$ 323,613
						\$ 244,647,201



UNIVERSITY OF CENTRAL FLORIDA  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**18. SUBSEQUENT EVENTS**

In October 2014, the Corporation issued a \$59,930,000 Refunding Certificate of Participation, Series 2014B to a bank. The certificate will mature on October 1, 2035, and bears interest at a fixed rate of 3.8 percent per annum. Proceeds of \$58,770,584 from the Refunding Certificate plus an additional \$1,577,608 from the Series 2005A account were used to purchase \$60,348,192 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding 2005A tax-exempt certificates of participation, which defeased the certificates. The Corporation expects to extinguish the debt on October 1, 2015.

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**UNIVERSITY OF CENTRAL FLORIDA  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 83,256,000	\$ 83,256,000	0%	\$ 255,712,129	32.6%
7/1/2011	-	118,673,000	118,673,000	0%	280,490,639	42.3%
7/1/2013	-	141,984,000	141,984,000	0%	305,107,256	46.5%

Note: (1) The entry-age actuarial cost method was used to calculate the actuarial accrued liability.

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**UNIVERSITY OF CENTRAL FLORIDA  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

GASB Statement No. 45 (GASB Codification P50.124(b)) requires disclosure in the notes to required the July 1, 2013, unfunded actuarial liability of \$141,984,000 was significantly higher than the July 1, 2011, liability of \$118,673,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.

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ITEM: INFO-2

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

SUBJECT: UCF Investments Quarterly Report Ended September 30, 2014

DATE: December 3, 2014

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For information only.



**University of Central Florida**  
**Total Operating Portfolio Summary<sup>(1)</sup>**  
As of September 30, 2014

Cash & Non-Investment Portfolio	3/31/2014 Reported Value	6/30/2014 Reported Value
Bank of America	\$1,178,270	\$13,439,591
CNL - Money Market	\$5,005	\$5,005
SPIA	\$307,186,076	\$266,489,136
UCF Parking Bonds (SPIA)	\$1,517,576	\$1,434,524
UCF Housing Bonds (SPIA)	\$4,817,158	\$3,050,499
<b>Total Cash &amp; Non-Investment Portfolio</b>	<b>\$314,704,084</b>	<b>\$284,418,754</b>

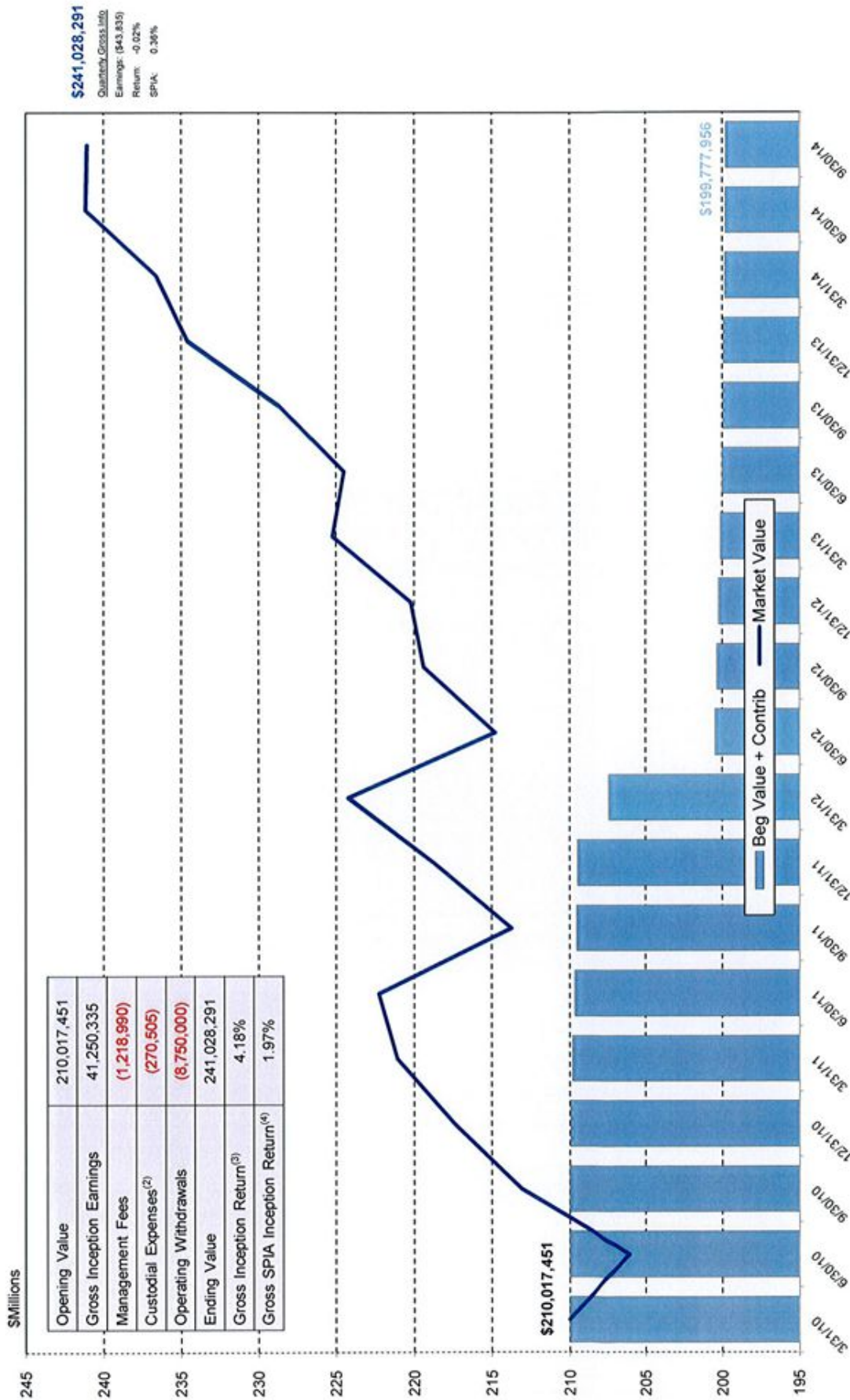
9/30/2014 Reported Value
\$4,693,455
\$5,006
\$363,799,391
\$1,396,591
\$1,382,306
<b>\$371,276,749</b>

Structured Investment Portfolio (BNY)	3/31/2014 Market Value	6/30/2014 Market Value	2nd Quarter Gain/(Loss)	9/30/2014 Market Value	3rd Quarter Gain/(Loss)	Inception Gain/(Loss) <sup>(2)</sup>
Pool I	\$29,997,809	\$29,995,852	\$748	\$29,996,362	\$510	\$30,201
Pool II	\$20,146,668	\$20,152,873	\$12,649	\$20,159,279	\$11,443	\$258,927
Fixed Income (Pool III) <sup>(3)</sup>	\$97,754,271	\$100,242,848	\$709,872	\$100,274,119	\$60,445	\$7,703,289
Domestic Equity (Pool III)	\$19,476,005	\$18,681,909	\$1,005,905	\$18,891,489	\$209,580	\$8,993,726
<b>Total Pool III</b>	<b>\$117,230,276</b>	<b>\$118,924,757</b>	<b>\$1,715,777</b>	<b>\$119,165,608</b>	<b>\$270,025</b>	<b>\$16,697,015</b>
Fixed Income (Pool IV) <sup>(4)</sup>	\$20,904,645	\$24,810,962	\$516,163	\$24,795,747	(\$8,175)	\$4,034,788
Domestic Equity (Pool IV)	\$38,101,983	\$36,670,682	\$1,968,699	\$37,082,066	\$411,385	\$18,058,871
International Equity (Pool IV)	\$10,243,176	\$10,558,251	\$315,076	\$9,829,229	(\$729,023)	\$2,169,534
<b>Total Pool IV</b>	<b>\$69,249,803</b>	<b>\$72,039,895</b>	<b>\$2,799,938</b>	<b>\$71,707,042</b>	<b>(\$325,813)</b>	<b>\$24,263,192</b>
<b>Total Structured Investment Portfolio</b>	<b>\$236,624,556</b>	<b>\$241,113,376</b>	<b>\$4,529,112</b>	<b>\$241,028,291</b>	<b>(\$43,835)</b>	<b>\$41,249,335</b>

<b>Total Operating Portfolio</b>	<b>\$551,328,640</b>	<b>\$525,532,130</b>	<b>\$612,305,040</b>
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1. The portfolio gain/(loss) data is presented gross of management fees and portfolio expenses but net of physical cash flows.  
2. The inception date for analysis is 3/31/10. The actual funding of the various portfolios occurred during March 2010.  
3. Pool III's fixed income market value includes the \$12,276 cash balance held in the Pool III mutual fund account.  
4. Pool IV's fixed income market value includes the \$28,454 cash balance held in the Pool IV mutual fund account.

University of Central Florida  
Structured Investment Portfolio vs. Net Contributions<sup>(1)</sup>  
As of September 30, 2014



1. Net contributions include cash flows associated with management fees, portfolio expenses and physical cash flows.  
2. Custodial expense figure is reduced by commission recapture income received.  
3. Annualized performance number. Net of management fees inception earnings = \$40,031,345. Net inception return = 4.05%.  
4. The gross SPIA inception return corresponds with the 3/31/10 inception of UCF's investment portfolio. Net inception SPIA return = 1.85%.



**University of Central Florida**  
**Structured Investment Portfolio Investment Policy Compliance Checklist<sup>(1)</sup>**  
As of September 30, 2014

<b>Pool I:</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
Investments limited to registered 2a-7 mutual funds, CDARS, and or/SPIA.		✓		
<b>Pool II:</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
Investments in any single pooled investment fund shall be limited to 50% of the market value of Operating Pool II's assets.				✓
All fixed income investments shall maintain a minimum rating of "AAA" or higher by a major credit rating service.		✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the Merrill Lynch 1-Year Treasury index by 25%.		✓		
The maturity of any single security shall not exceed 1.5 years.		✓		
Operating Pool II shall maintain a dollar-weighted average effective maturity of 1 year or less.		✓		
<b>Pool III Equity:</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
Investments in equity securities shall not exceed twenty percent (20%) of the market value of Operating Pool III's assets.		✓		
<b>Pool III Fixed:</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
All fixed income investments shall maintain a minimum rating of "A" or higher by a major credit rating service.		✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "AA" or higher.		✓		
The duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.		✓		
Operating Pool III shall maintain a dollar-weighted average effective maturity of 5 years or less.		✓		
<b>Pool IV Equity:</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
Investment in equity securities shall not exceed seventy-five percent (75%) of the market value of Operating Pool IV's assets.		✓		
Foreign securities shall not exceed twenty percent (20%) of the market value of Operating Pool IV's assets.		✓		
<b>Pool IV Fixed:</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
All fixed income investments shall maintain a minimum rating of "investment grade" or higher by a major credit rating service.		✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "A" or higher.		✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.		✓		

1. Taken as an excerpt from the UCF quarterly performance evaluation report. Individual managers are also measured on an ongoing basis against a combination of 15 quantitative and qualitative criteria.

University of Central Florida  
Structured Investment Portfolio Detail  
As of September 30, 2014

Target Policy Summary	
Pool I	100% 90 Day US T-Bills
Pool II	75% ML 1-Year Treasury + 25% 90 Day US T-bills
Pool III	85% ML 1-5 Year G/C A or Better + 15% S&P 500
Pool IV	30% Barclays Agg + 5% Barclays TIPS + 50% S&P 500 + 15% MSCI-ACWxUS

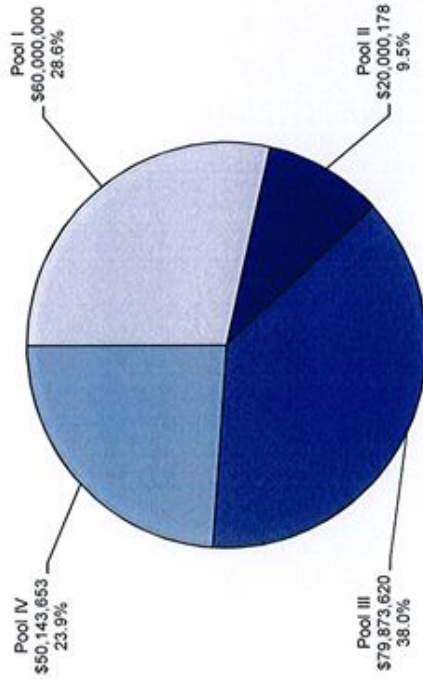
Pool I		\$29,996,362	Current Allocation
Cash & Equivalents		\$29,996,362	100.0%
Fidelity Money Market		\$29,996,362	
Pool III		\$119,165,608	Current Allocation
Intermediate Fixed Income (85%)		\$100,261,843	84.1%
Galliard Capital Management		\$53,923,529	
Sawgrass Asset Management		\$46,338,314	
Domestic Equity (15%)		\$18,903,765	15.9%
Vanguard Institutional Index <sup>(1)</sup>		\$18,903,765	
Pool II		\$20,159,279	Current Allocation
Short-Term Fixed Income		\$20,159,279	100.0%
Galliard Capital Management		\$20,159,279	
Pool IV		\$71,707,042	Current Allocation
Broad Market Fixed Income (35%)		\$24,795,746	34.6%
Galliard Capital Management		\$14,453,959	
PIMCO Total Return <sup>(2)</sup>		\$7,315,129	
Galliard Treasury Inflation Protected (TIPS)		\$3,026,658	
Domestic Equity (50%)		\$37,082,066	51.7%
Vanguard Institutional Index		\$37,082,066	
International Equity (15%)		\$9,829,230	13.7%
Europacific Growth		\$5,136,810	
Manning & Napier Overseas		\$4,692,420	

1. Pool III's Vanguard Institutional Index market value includes the \$12,276 cash balance held in the Pool III mutual fund account.  
2. Pool IV's PIMCO Total Return market value includes the \$28,454 cash balance held in the Pool IV mutual fund account.

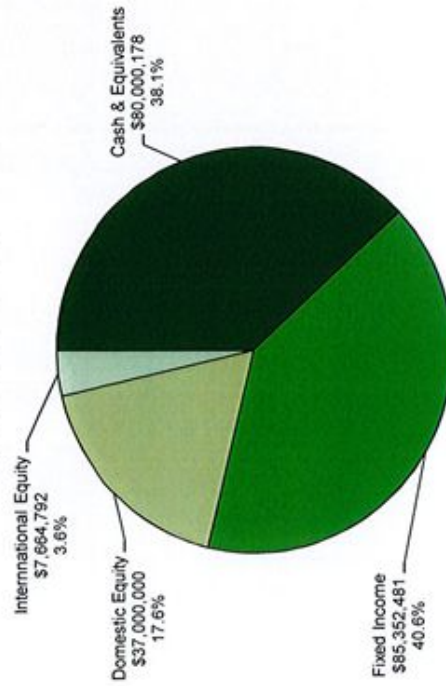


University of Central Florida  
Initial Pool & Asset Allocation vs. Current Structured Investment Portfolio  
As of September 30, 2014

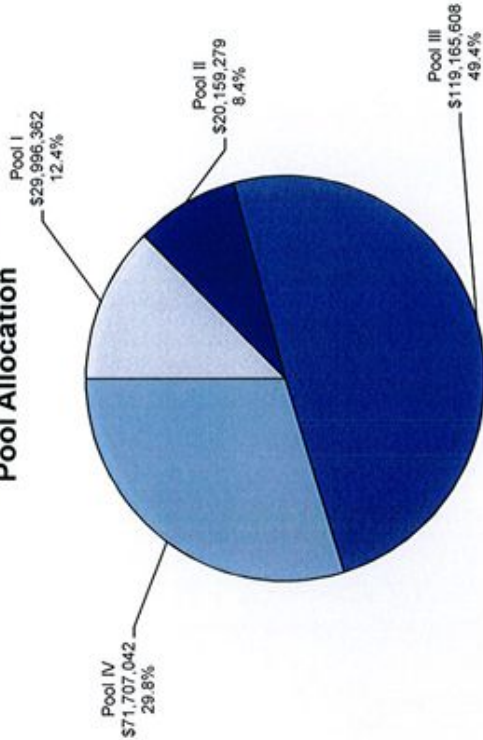
3/31/2010: \$210,017,451  
Pool Allocation



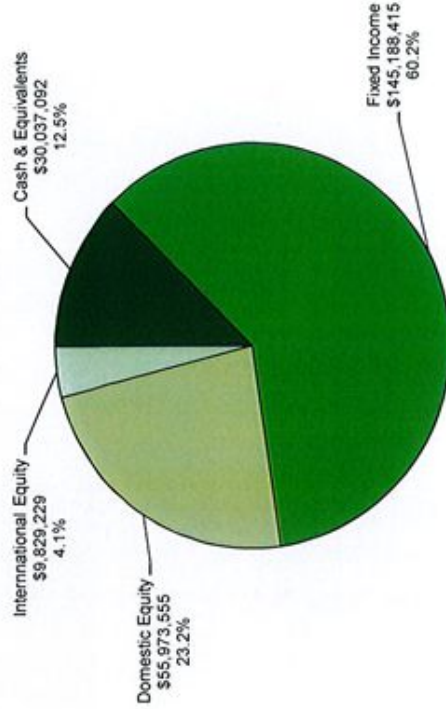
Asset Allocation



9/30/2014: \$241,028,291  
Pool Allocation



Asset Allocation



ITEM: INFO-3

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

SUBJECT: UCF Key Financial Ratios

DATE: December 3, 2014

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For information only.

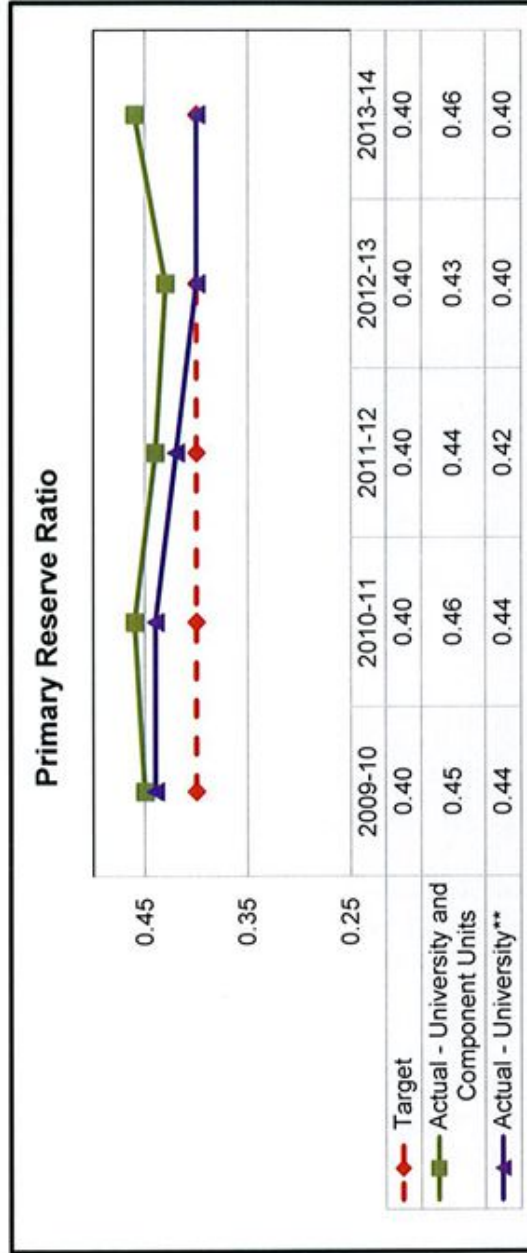


Item: INFO-3

Key Financial Ratios  
June 30, 2014

**UNIVERSITY OF CENTRAL FLORIDA**

## Primary Reserve Ratio



- This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

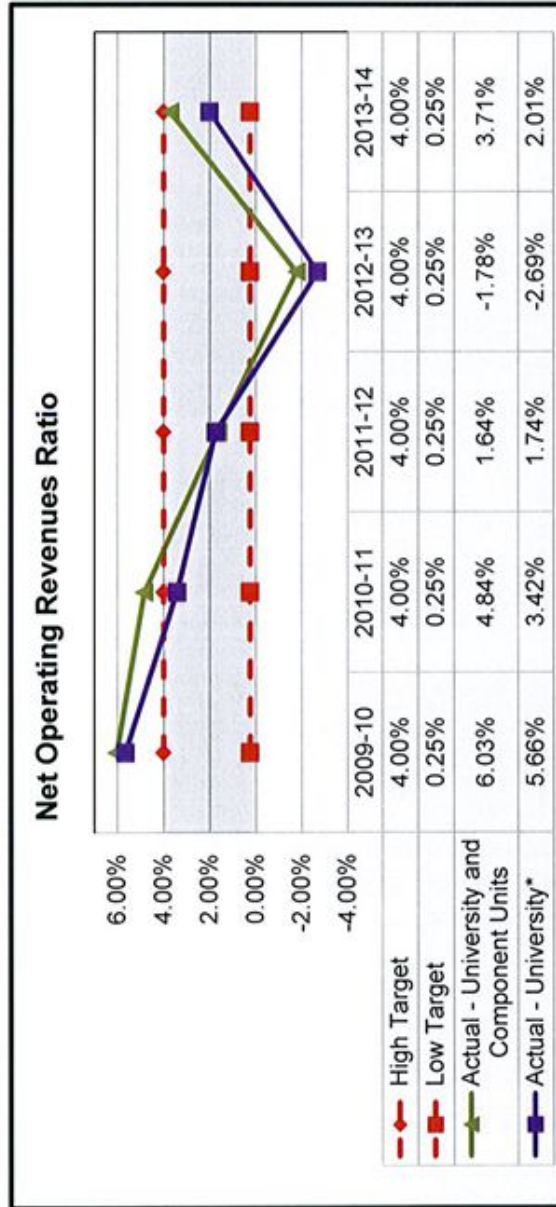
This ratio is calculated as follows:	University and Component Units					University**				
	Primary Reserve (in millions)									
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Primary Reserve Ratio	371	419	405	405	463	316	348	334	319	351
Expendable Net Assets*										
Total Expense	823	905	921	938	998	711	792	804	807	869

\* Excludes expendable net assets restricted for capital.

\*\* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).



## Net Operating Revenues Ratio



- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of .25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

This ratio is calculated as follows:

*Net Operating Revenues Ratio*

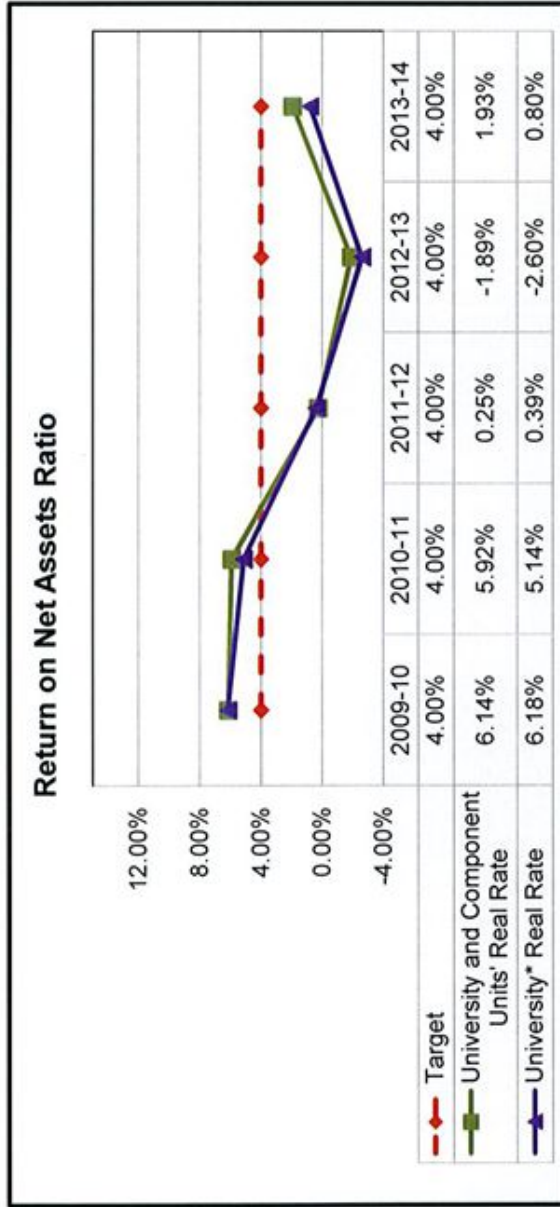
Operating and Non-Operating  
Net Income (Loss)

Operating Revenues plus Non-Operating Revenues

Net Operating Revenues (in millions)	University and Component Units					University*				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Operating and non-operating net income (loss)	53	46	15	(16)	38	43	28	14	(21)	18
Operating revenues plus non-operating revenues	875	952	936	922	1,036	754	820	818	786	887

\* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).

## Return on Net Assets Ratio



- This ratio measures whether the university has improved financially by measuring total economic return or the return on net assets that occurred as a result of the university's activities. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index. The university has established a target of 4 percent.

This ratio is calculated as follows:

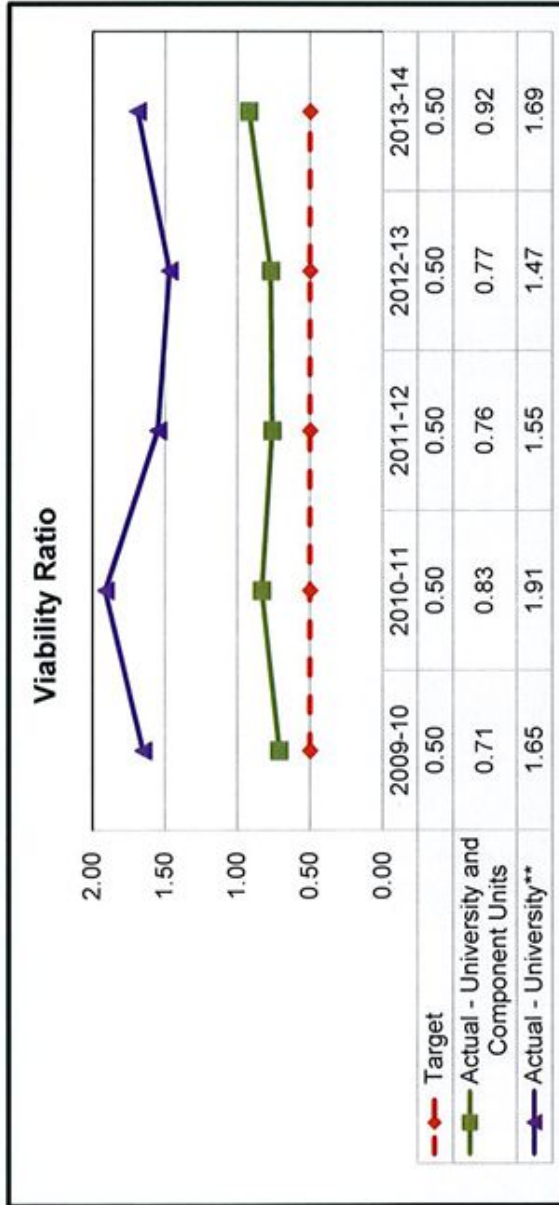
$$\frac{\text{Return on Net Assets}}{\text{Change in Net Assets}} \div \frac{\text{Total Net Assets}}{\text{Total Net Assets}}$$

Return on Net Assets Ratio (in millions)	University and Component Units					University*				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Change in total net assets	79	90	25	(4)	64	67	68	23	(11)	41
Total net assets (beginning of year)	1,130	1,210	1,302	1,306	1,303	953	1,020	1,090	1,092	1,081

\* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).



## Viability Ratio



- This ratio measures one of the most basic determinants of clear financial health, the availability of expendable net assets to cover debt should the university and component units need to settle its obligations. A ratio of 0.5 or greater indicates the university and component units have sufficient reserves to satisfy all liabilities, including long-term debt.

This ratio is calculated as follows:

$$\text{Viability Ratio} = \frac{\text{Expendable Net Assets}^*}{\text{Long-Term Debt}}$$

Viability Ratio (in millions)	University and Component Units					University**				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Expendable Net Assets	371	419	405	405	463	316	348	334	319	351
Long-term Debt	525	508	532	525	506	192	182	215	217	208

\* Excludes expendable net assets restricted for capital.

\*\* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).

## Computing the Composite Financial Index - *Overview of Methodology*

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This methodology is an arithmetic means of combining the four ratios previously displayed as a measure of fundamental elements of financial health to yield a single composite financial index that represents an institution's overall financial health.

Under the methodology, the composite financial index is calculated as follows:

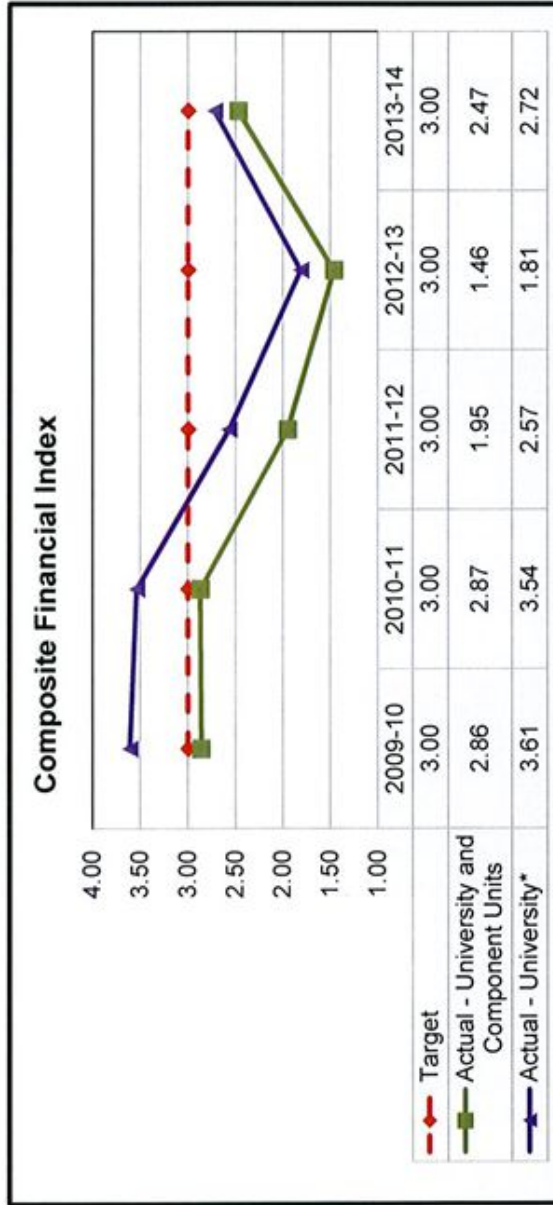
- determine the value of each ratio
- divide each ratio by an industry determined relevant value to calculate a strength factor
- multiply strength factors by specific weighting factors
- total the resulting four numbers to reach a single CFI score.

These scores do not have absolute precision but can be indicators of overall institutional well-being when evaluated in conjunction with nonfinancial indicators. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution.

$$\bullet \text{ CFI} = \text{Sum of} \left( \frac{\text{Ratios}}{\text{Relevant Value}} \right) \times \text{Weight}$$



## Composite Financial Index - Trend

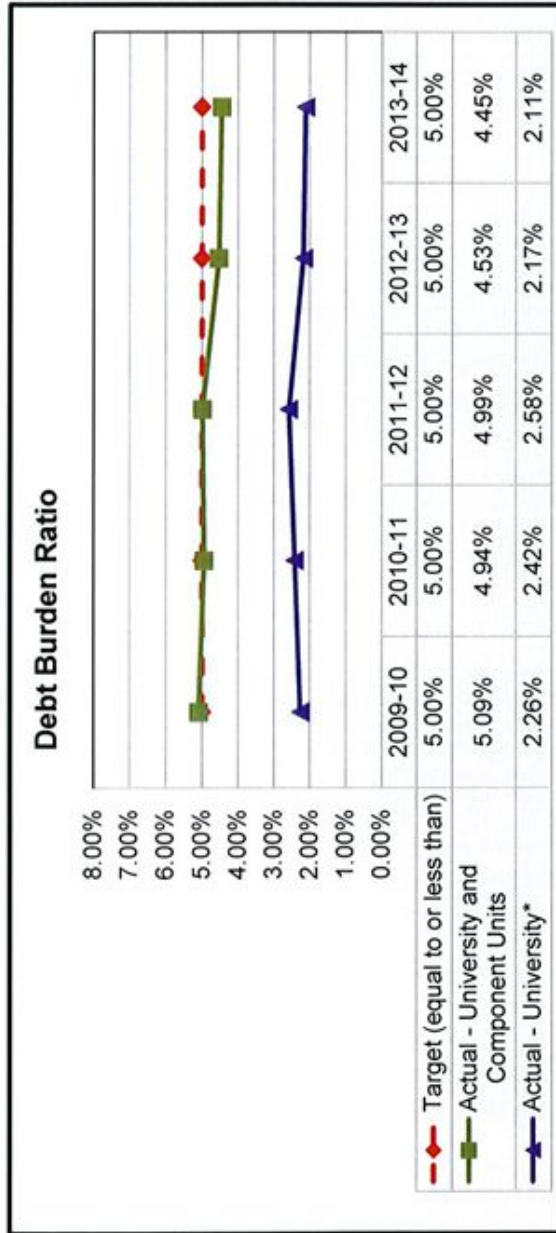


- This index is a composite of the four key ratios. When combined, these four ratios deliver a single measure of the overall financial health of the university. The university has established a target of 3.00.

University and Component Units				University*				
	Relevant Value	Weight		2009-10	2010-11	2011-12	2012-13	2013-14
Primary Reserve Ratio	0.133	35%		1.19	1.22	1.16	1.14	1.22
Net Operating Revenues Ratio	0.013	10%		0.46	0.37	0.13	(0.14)	0.29
Return on Net Assets Ratio	0.02	20%		0.61	0.59	0.02	(0.19)	0.19
Viability Ratio	0.417	35%		0.59	0.69	0.64	0.65	0.77
Composite Financial Index				2.86	2.87	1.95	1.46	2.47
				3.61	3.54	2.57	1.81	2.72

\* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).

## Debt Burden Ratio



- This ratio measures the percentage of total expenditures the university and component units spent on debt service. Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered as a key financial indicator for any institution using debt. A target of 5 percent, which the University and component units have met, indicates an acceptable dependency on borrowed funds.

This ratio is calculated as follows:

$$\frac{\text{Debt Burden Ratio}}{\text{Debt Service Adjusted Expenses}}$$

Debt Burden (in millions)	University and Component Units					University*				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Burden	40	42	44	40	42	15	18	20	16	17
Adjusted Expenses	776	854	875	888	946	666	743	760	759	817

\* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).

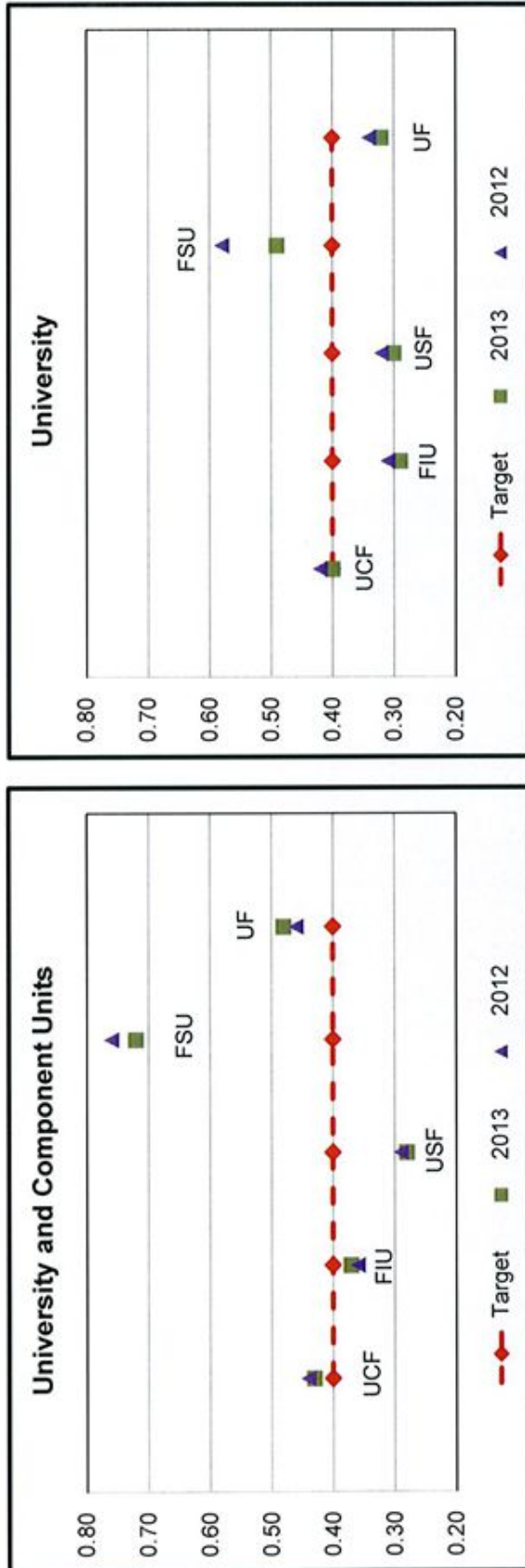


Item: INFO-3

Key Financial Ratios  
June 30, 2013

# **UNIVERSITY OF CENTRAL FLORIDA COMPARED TO STATE UNIVERSITY SYSTEM**

## Primary Reserve Ratio



This ratio is calculated as follows:

$$\frac{\text{Expendable Net Assets}^*}{\text{Total Expense}}$$

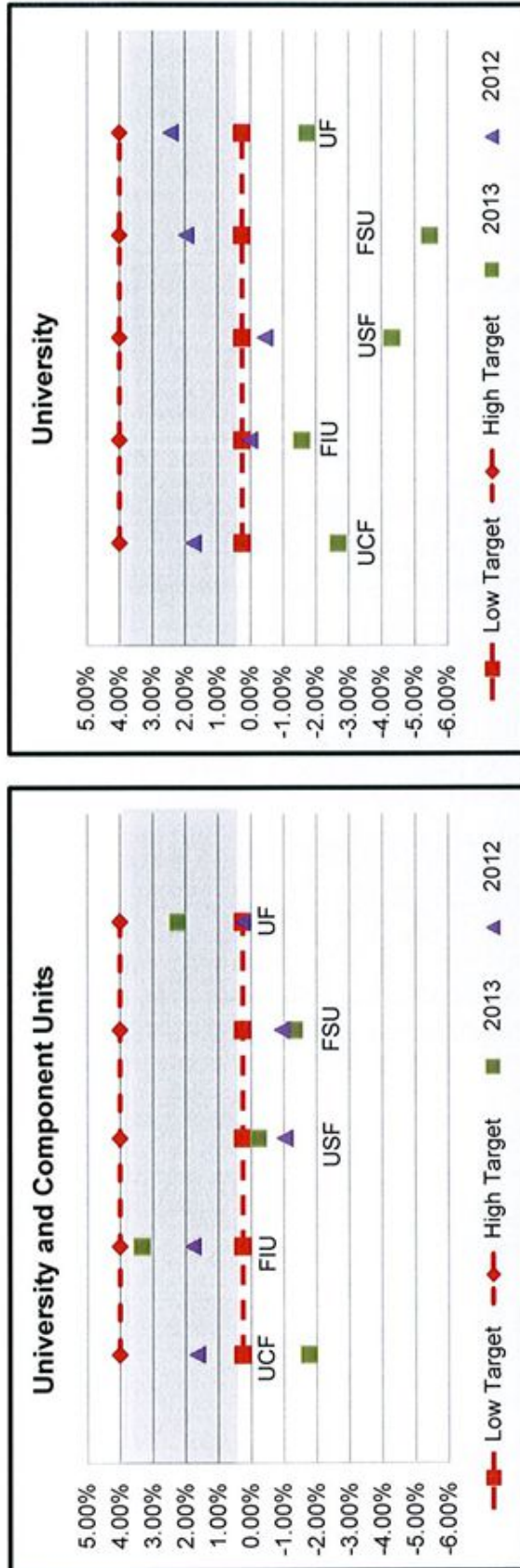
- This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2013 University and Component Units	0.43	0.37	0.28	0.72	0.48	0.57	0.36	0.22	0.35	0.41	0.22
2012 University and Component Units	0.44	0.36	0.29	0.76	0.46	0.51	0.40	0.27	0.31	0.46	-0.11
2013 University	0.40	0.29	0.30	0.49	0.32	0.33	0.25	0.18	0.24	0.26	0.21
2012 University	0.42	0.31	0.32	0.58	0.34	0.30	0.31	0.22	0.23	0.33	0.26

\* Excludes expendable net assets restricted for capital.



## Net Operating Revenues Ratio



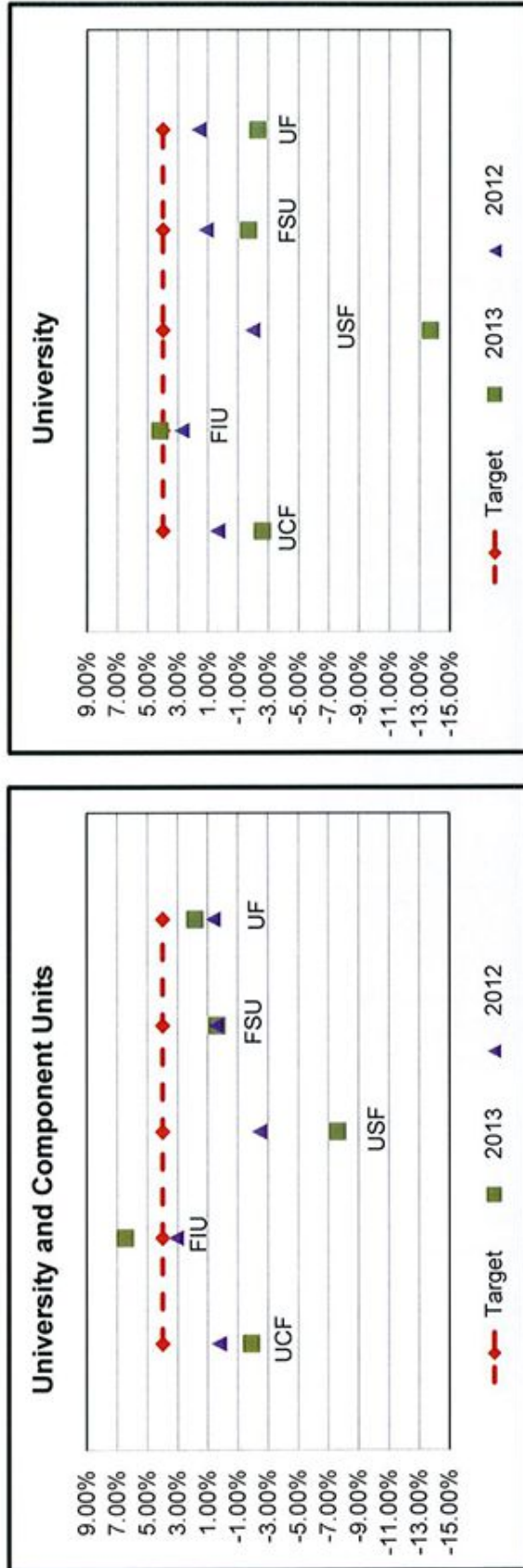
This ratio is calculated as follows:  

$$\frac{\text{Operating and Non-Operating Net Income (Loss)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of .25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2013 University and Component Units	-1.78%	3.32%	-0.23%	-1.33%	2.22%	-1.04%	-7.45%	-6.14%	-0.69%	-5.47%	-5.24%
2012 University and Component Units	1.64%	1.77%	-1.04%	-0.96%	0.24%	-6.06%	1.67%	-9.16%	-5.51%	-7.90%	-14.89%
2013 University	-2.69%	-1.58%	-4.32%	-5.47%	-1.75%	-4.65%	-6.01%	-6.52%	-2.32%	-8.69%	-6.89%
2012 University	1.74%	0.01%	-0.46%	1.96%	2.43%	-2.77%	3.10%	-7.21%	-4.12%	-7.62%	-15.77%

## Return on Net Assets Ratio



This ratio is calculated as follows:  

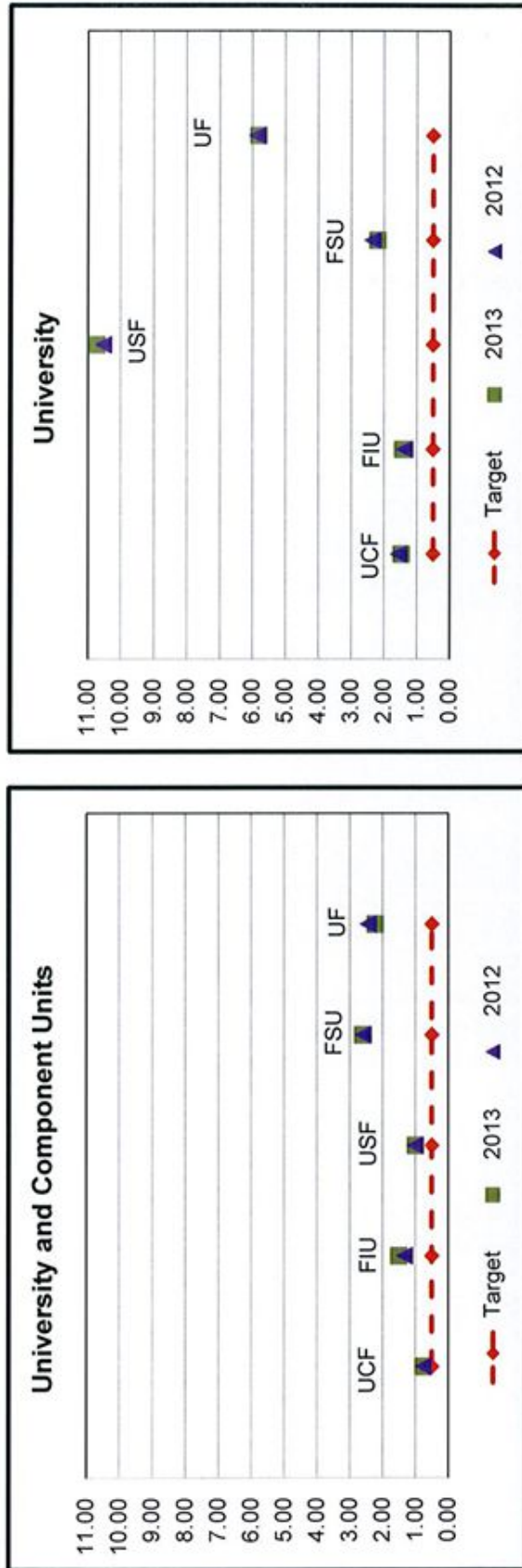
$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

- This ratio measures whether the university has improved financially by measuring total economic return or the return on net assets that occurred as a result of the university's activities. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index. The university has established a target of 4 percent.

	UCF	FIU	USF	FSU	UF	FAMU	UNF	FGCU	UWF	NCF
2013 University and Component Units	-1.89%	6.47%	-7.60%	0.40%	1.85%	-4.30%	-3.75%	-0.19%	-4.65%	-1.56%
2012 University and Component Units	0.25%	3.12%	-2.44%	0.47%	0.65%	-0.68%	-5.53%	-3.11%	-4.66%	-4.25%
2013 University	-2.60%	4.19%	-13.71%	-1.69%	-2.33%	-6.01%	-6.52%	-2.32%	-8.69%	-6.89%
2012 University	0.39%	2.76%	-1.97%	1.12%	1.60%	0.18%	-5.65%	-3.02%	-5.81%	-5.06%



## Viability Ratio



This ratio is calculated as follows:  

$$\frac{\text{Expendable Net Assets}^*}{\text{Long-Term Debt}}$$

- This ratio measures one of the most basic determinants of clear financial health, the availability of expendable net assets to cover debt should the university and component units need to settle its obligations. A ratio of 0.5 or greater indicates the university and component units have sufficient reserves to satisfy all liabilities, including long-term debt.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2013 University and Component Units	0.77	1.50	1.01	2.61	2.23	0.89	1.18	0.35	0.28	1.40	0.28
2012 University and Component Units	0.76	1.33	1.01	2.60	2.45	0.96	2.59	0.40	0.28	1.42	-0.14
2013 University	1.47	1.43	10.72	2.19	5.81	1.53	0.78	0.29	0.19	N/A	-1.35
2012 University	1.55	1.37	10.53	2.34	5.85	1.52	1.98	0.34	0.20	N/A	0.31

\* Excludes expendable net assets restricted for capital.

# Computing the Composite Financial Index - Overview of Methodology

This methodology is an arithmetic means of combining the four ratios previously displayed as a measure of fundamental elements of financial health to yield a single composite financial index that represents an institution's overall financial health.

Under the methodology, the composite financial index is calculated as follows:

- determine the value of each ratio
- divide each ratio by an industry determined relevant value to calculate a strength factor
- multiply strength factors by specific weighting factors
- total the resulting four numbers to reach a single CFI score.

These scores do not have absolute precision but can be indicators of overall institutional well-being when evaluated in conjunction with nonfinancial indicators. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution.

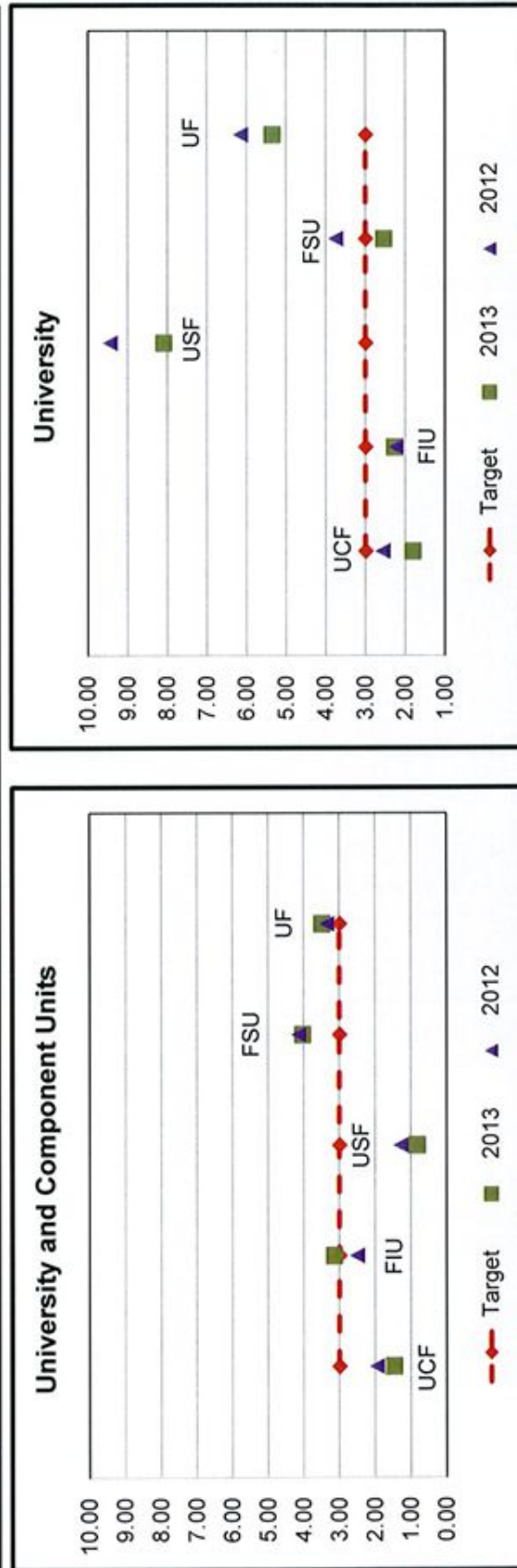
• 
$$CFI = \text{Sum of } \left( \frac{\text{Ratios}}{\text{Relevant Value}} \right) \times \text{Weight}$$

Relevant values and weights assigned were as follows:

	Relevant Value	Weight
Primary Reserve Ratio	0.133	35%
Net Operating Revenues Ratio	0.013	10%
Return on Net Assets Ratio	0.02	20%
Viability Ratio	0.417	35%



## Composite Financial Index



- This index is a composite of the four key ratios. When combined, these four ratios deliver a single measure of the overall financial health of the university. The university has established a target of 3.00.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2013 University and Component Units	1.46	3.14	0.82	4.03	3.49	2.00	0.94	0.03	1.07	1.37	0.25
2012 University and Component Units	1.95	2.51	1.29	4.15	3.36	1.49	3.29	-0.22	0.32	1.34	-1.98
2013 University	1.81	2.27	8.09	2.54	5.35	1.15	-0.13	-0.63	0.21	N/A	-1.35
2012 University	2.57	2.24	9.45	3.75	6.15	1.85	2.74	-0.25	0.15	N/A	-0.77

**ITEM: INFO-4**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** University Operating Budget Report Ended September 30, 2014

**DATE:** December 3, 2014

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For information only.



**ITEM: INFO-4**

**University of Central Florida  
Operating Budget Status**

**September 30, 2014**

***Year-to-Date Activity and Variances***

The attached reports include revenues and expenditures for the three months ended September 30, 2014, compared to the operating budget. Student credit hours are slightly lower than the enrollment plan by 0.7 percent and are slightly higher than the prior year by 0.5 percent. Revenue and expenditures as a percentage of budget are slightly lower than prior year. Overall, revenues and expenditures as a percent of the operating budget are 34 percent and 26 percent, respectively. Specific activities and variances in certain budget categories are described below.

**Educational & General**

E&G revenues increased \$9.7 million. State appropriations increased \$8.5 million which is primarily due to new performance-based funding and adjustments for compensation and benefits.

E&G expenditures increased by \$0.7 million. Salaries and benefits decreased \$8.6 million. The first quarter of 2013 included one additional pay period totaling \$12.9 million, partially offset by current year compensation and benefit increases. The decrease in compensation is offset by a \$9.4 million increase in other expenses including \$1.3 million in software costs, \$4.3 million in financial aid and medical research expenditures that occurred earlier in the year, and a \$3 million credit in July 2013 associated with a lower than expected Conference USA payment.

**Medical School**

Medical school revenues increased by \$1.2 million primarily due to increased state appropriations and student fees.

Total medical school expenditures are consistent with prior year.

**Auxiliary Enterprises**

Auxiliary revenues increased by \$3.7 million. Transportation and health fee revenues increased by \$2 million, and Computer Services and Technology revenues increased by \$1.2 million for projects completed from technology fee funding.

Expenditures increased by \$5.2 million. Salaries and benefits increased \$1 million which reflects the absence of an additional pay period recorded in first quarter 2013 offset by subsequent employment cost increases and new positions. Capital asset purchases increased \$0.4 million. There was also an increase in asset purchases of \$1.8 million below capitalization thresholds. Facilities Operations expenses increased \$0.8 million which includes annual maintenance costs for the Combined Heat and Power Plant and increased natural gas purchases. Debt service principal payments for Housing bonds increased \$1 million.

**ITEM: INFO-4**

**University of Central Florida  
Operating Budget Status**

**September 30, 2014**

Sponsored Research

Sponsored research revenues decreased \$3.7 million. As discussed in prior quarterly reports, revenues are now recorded on an accrual basis throughout the year. First quarter 2013 revenues were recorded on a cash basis. During that quarter, we received approximately \$3.6 million in cash receipts for a sponsored research project for the Florida Solar Energy Center which ended in 2013.

Overall expenditures decreased \$1.1 million. Salaries and benefits decreased \$3.8 million primarily due to the additional pay period in prior year. The salaries and benefits decrease is partially offset by a \$1.6 million increase for grant related subcontractor expenses and a \$0.5 million increase in capital purchases.

Student Financial Aid

Revenues increased \$6.9 million. Federal and private funding increased while state funding decreased. Increases in federal funding were for Stafford Loans of \$4.4 million, Pell Grants of \$2.2 million, and Plus Loans of \$1 million. Private funding for loans and scholarships increased \$1.2 million. State funding for Bright Future Scholarships decreased \$5.5 million, offsetting \$0.8 million increases for the Florida Student Assistance Grant and National Merit scholarships. Timing of transfers of institutional funding for National Merit scholarships explain \$2 million of the remaining increase.

Expenditures increased \$6.9 million. Need-based and non-need-based student awards increased by \$4.6 million and \$2.8 million, respectively.

Student Activities

Revenues increased \$0.9 million primarily related to activity and service fees. Expenses decreased \$0.4 million primarily due to the additional pay period in the prior year.

Concessions

Concessions revenue increased due to the timing of commissions and sponsorship revenue receipts from Coca-Cola.



**ITEM: INFO-4**

**University of Central Florida  
Operating Budget Status**

**September 30, 2014**

Technology Fee

Technology fee revenues were consistent with the prior year.

Technology fee expense variances are due to timing differences in the progress of the various projects. Approximately 77 percent of 2013-14 and 98 percent of 2012-13 and prior years' awarded funds have been spent or transferred to Computer Services and Telecommunications for projects completed or in progress.

# University of Central Florida

## Operating Budget Report

as of September 30, 2014 (25% of year)

**2014-15**

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 209,441,960	\$ 119,550,215	\$ 673,355,376	17.8%	31.1%	\$ 89,891,745	\$ 153,440,388
Medical School	10,477,669	6,602,345	57,083,903	11.6%	18.4%	3,875,324	20,535,923
Auxiliary Enterprises	61,142,485	45,076,709	206,596,893	21.8%	29.6%	16,065,777	168,016,144
Sponsored Research	35,740,791	35,227,801	152,584,000	23.1%	23.4%	512,990	34,148,458
Student Financial Aid	215,457,423	201,635,505	503,923,681	40.0%	42.8%	13,821,917	28,901,462
Student Activities	8,494,652	3,961,088	20,000,000	19.8%	42.5%	4,533,565	8,312,809
Concessions	328,539	74,577	460,000	16.2%	71.4%	253,962	1,103,762
Technology Fee	3,852,642	1,617,735	9,100,000	17.8%	42.3%	2,234,907	4,518,932
	<b>\$ 544,936,162</b>	<b>\$ 413,745,975</b>	<b>\$ 1,623,103,853</b>	<b>25.5%</b>	<b>33.6%</b>	<b>\$ 131,190,186</b>	<b>\$ 418,977,877</b>

**2013-14**

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 199,770,959	\$ 118,835,543	\$597,365,895	19.9%	33.4%	\$ 80,935,416	\$ 121,024,562
Medical School	9,230,482	6,539,204	47,906,360	13.6%	19.3%	2,691,278	14,496,365
Auxiliary Enterprises	57,477,233	39,835,995	188,545,104	21.1%	30.5%	17,641,238	159,498,886
Sponsored Research	39,452,008	36,350,893	150,912,000	24.1%	26.1%	3,101,115	23,797,770
Student Financial Aid	208,531,112	194,699,811	521,544,307	37.3%	40.0%	13,831,301	28,560,028
Student Activities	7,595,158	4,346,356	21,945,080	19.8%	34.6%	3,248,802	8,954,497
Concessions	15,929	65,799	420,000	15.7%	3.8%	(49,870)	884,687
Technology Fee	3,819,959	2,801,866	9,945,000	28.2%	38.4%	1,018,093	4,711,636
	<b>\$ 525,892,840</b>	<b>\$ 403,475,467</b>	<b>\$ 1,538,583,746</b>	<b>26.2%</b>	<b>34.2%</b>	<b>\$ 122,417,373</b>	<b>\$ 361,928,431</b>

# University of Central Florida

## Operating Expenditure Report

as of September 30, 2014 (25% of year)

### 2014-15

	Expenditures - Amount					Expenditures - Percent of Total				
	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total
Educational & General	\$ 61,462,578	\$ 57,537,475	\$ 550,162	\$ -	\$ 119,550,215	51.4%	48.1%	0.5%	-	100.0%
Medical School	4,524,245	2,072,147	5,953	-	6,602,345	68.5%	31.4%	0.1%	-	100.0%
Auxiliary Enterprises	11,906,572	26,040,908	578,222	6,551,006	45,076,709	26.4%	57.8%	1.3%	14.5%	100.0%
Sponsored Research	14,266,159	19,116,498	1,845,145	-	35,227,801	40.5%	54.3%	5.2%	-	100.0%
Student Financial Aid	641,025	200,994,481	-	-	201,635,505	0.3%	99.7%	-	-	100.0%
Student Activities	1,987,478	1,973,610	-	-	3,961,088	50.2%	49.8%	-	-	100.0%
Concessions	979	73,598	-	-	74,577	1.3%	98.7%	-	-	100.0%
Technology Fee	440	1,114,465	502,830	-	1,617,735	0.0%	68.9%	31.1%	-	100.0%
	<u>\$ 94,789,475</u>	<u>\$ 308,923,182</u>	<u>\$ 3,482,312</u>	<u>\$ 6,551,006</u>	<u>\$ 413,745,975</u>	<u>22.9%</u>	<u>74.7%</u>	<u>0.8%</u>	<u>1.6%</u>	<u>100.0%</u>

### 2013-14

	Expenditures - Amount					Expenditures - Percent of Total				
	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total
Educational & General	\$ 70,139,093	\$ 47,464,894	\$ 1,231,556	\$ -	\$ 118,835,543	59.0%	39.9%	1.0%	-	100.0%
Medical School	4,812,985	1,406,950	319,269	-	6,539,204	73.6%	21.5%	4.9%	-	100.0%
Auxiliary Enterprises	10,873,448	23,148,282	158,573	5,655,692	39,835,995	27.3%	58.1%	0.4%	14.2%	100.0%
Sponsored Research	18,123,747	16,869,741	1,357,405	-	36,350,893	49.9%	46.4%	3.7%	-	100.0%
Student Financial Aid	1,029,998	193,669,813	-	-	194,699,811	0.5%	99.5%	-	-	100.0%
Student Activities	2,357,013	1,971,993	17,350	-	4,346,356	54.2%	45.4%	0.4%	-	100.0%
Concessions	789	65,010	-	-	65,799	1.2%	98.8%	-	-	100.0%
Technology Fee	17,973	2,433,441	350,452	-	2,801,866	0.6%	86.9%	12.5%	-	100.0%
	<u>\$ 107,355,046</u>	<u>\$ 287,030,124</u>	<u>\$ 3,434,605</u>	<u>\$ 5,655,692</u>	<u>\$ 403,475,467</u>	<u>26.6%</u>	<u>71.1%</u>	<u>0.9%</u>	<u>1.4%</u>	<u>100.0%</u>



# University of Central Florida

## Operating Budget Report

as of September 30, 2014 (25% of year)

### Statistical Information

#### Student Credit Hours <sup>1</sup>

##### Actual Compared to UCF Plan

Summer

Fall<sup>2</sup>

Spring

#### 2014-15

Actual	Plan	Difference	% Variance
225,671	238,120	(12,449)	-5.2%
651,053	644,740	6,313	1.0%
-	-	-	-
876,724	882,860	(6,136)	-0.7%

#### 2013-14

Actual	Plan	Difference	% Variance
228,164	228,060	104	0.0%
644,246	643,743	503	0.1%
-	-	-	-
872,410	871,803	607	0.1%

##### Current Year Compared to Prior Year

Summer<sup>2</sup>

Fall

Spring

2014-15	2013-14	Difference	% Variance
225,671	228,164	(2,493)	-1.1%
651,053	644,246	6,808	1.1%
-	-	-	-
876,724	872,410	4,315	0.5%

2013-14	2012-13	Difference	% Variance
228,164	235,805	(7,641)	-3.2%
644,246	649,923	(5,678)	-0.9%
-	-	-	-
872,410	885,728	(13,319)	-1.5%

#### Additional Statistical Information

Student headcount - Fall 2014<sup>2</sup> and 2013Percent in-state students - Fall 2014<sup>2</sup> and 2013

Foundation endowment - June 30, 2014, and 2013

Foundation assets - June 30, 2014, and 2013

On-campus housing, including Greek housing

Rosen Campus housing

Affiliated housing

Managed housing

Gross square footage - Orlando Campus

Acreage - Orlando Campus

2014-15	2013-14	Difference	% Variance
61,197	59,770	1,427	2.4%
93.6%	94.7%	-1.1%	
\$ 152,717,147	\$ 133,827,336	\$ 18,889,811	14.1%
\$ 287,546,289	\$ 263,770,330	\$ 23,775,959	9.0%
6,896			
380			
3,723			
594			
7,862,933			
1,415			

<sup>1</sup> Medical students are not included in student credit hours.<sup>2</sup> Fall 2014 is preliminary data.

## University of Central Florida Operating Budget Status

### Explanation of Terms

#### *Budgets*

**Educational & General.** The Educational & General budget includes expenditures for instructional activities and related administrative support. This budget is funded by general revenue, Educational Enhancement funds, and student fees. E&G student fees include tuition and out-of-state fees.

**Auxiliary Enterprises.** Auxiliary enterprises include those activities that are not instructional in nature but support the operation of the university. The primary auxiliary areas include Housing, Student Health Services, Parking Services, Computer Store, Telecommunications, Continuing Education, Dining Services, and the Bookstore. The auxiliaries must generate adequate revenue to cover expenditures and allow for future renovations and building or equipment replacement, if applicable. Several of the auxiliaries are partially or wholly funded by student fees, including Student Health Services, Parking Services and Material and Supply Fees.

**Sponsored Research.** Sponsored research includes research activities that are funded by federal, state, local, and private funds.

**Student Financial Aid.** The student financial aid budget largely represents scholarship and loan funds that are received by the university and subsequently disbursed to students. Large disbursements of these funds occur at the beginning of the fall and spring semesters. The expenditures in this budget will, therefore, not coincide with the months remaining in the year.

**Student Activities.** The student activities budget is funded by the Activity and Service Fee paid by the students and includes expenditures for student government and student clubs and organizations. This budget also includes all expenditures for the Student Union and the Recreation and Wellness Center. Expenditures for these entities are funded by the Activity and Service Fee and by revenue generated through functions in the facilities.

**Concessions.** The concessions budget is funded from vending machine revenue. These funds are used for events and other expenditures that support the university.

**Technology Fee.** The technology fee was established in January 2009 as allowed by Florida Statute 1009.24. The university began charging 5 percent of the tuition per credit hour beginning in the fall term of the 2009-10 academic years. A committee and guidelines for the allocation and use of the technology resources were established. The revenue from this fee will be used to enhance instructional technology resources for students and faculty.

## University of Central Florida Operating Budget Status

### Explanation of Terms

#### *Expenditure Categories*

**Salaries and Benefits.** Salaries and benefits include salary payments, along with employer benefit costs, including FICA, health insurance, life insurance, disability insurance, and pre-tax benefits. Benefits are approximately 30 percent of salaries for permanent employees.

**Expenses.** Expenses include office supplies, repairs, maintenance costs, contract services, and all other items not included as salaries, capital purchases, or debt service.

**Capital Purchases.** Capital purchases include personal property with a value of \$5,000 or more and library resources with a value of \$250 or more, and an expected life of one year or more.

**Debt Service.** Debt service includes principal and interest payments on bonds and other loans within the university.



ITEM: INFO-5

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** Direct Support Organizations' 2014-15 First-Quarter Financial Reports

**DATE:** December 3, 2014

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For information only.

UCF Athletic Association and Golden Knights Corporation  
Consolidated Statement of Operations - Cash Basis  
For the Quarter Ended September 30, 2014

	UCF Athletic Association Actual 2014-15	Golden Knights Corporation Actual 2014-15	Combined Actual 2014-15	UCF Athletic Association Budget 2014-15	Golden Knights Corporation Budget 2014-15	Combined Budget 2014-15	Variance to Budget Favorable (Unfavorable)	UCF Athletic Association Actual 2013-14	Golden Knights Corporation Actual 2013-14	Combined Actual 2013-14	Variance to Prior Year Favorable (Unfavorable)
<b>Operating revenues</b>											
Athletic events, including premium seating	\$ 5,673,893	\$ 1,465,407	\$ 7,139,300	\$ 5,800,000	\$ 1,290,714	\$ 7,090,714	\$ 48,586	\$ 4,053,763	\$ 1,481,207	\$ 5,544,970	\$ 1,594,330
University allocations	10,949,408	-	10,949,408	10,768,359	-	10,768,359	181,049	10,090,084	-	10,090,084	859,324
Sponsorship	870,062	500,000	1,370,062	850,000	500,000	1,350,000	20,062	859,260	500,000	1,359,260	10,802
Contributions	106,199	155,000	261,199	75,000	48,750	123,750	137,449	120,199	125,000	245,199	16,000
Other	184,937	11,944	196,881	180,000	30,000	210,000	(13,119)	189,920	86,483	276,403	(28,777)
<b>Total operating revenues</b>	<b>17,784,499</b>	<b>2,132,351</b>	<b>19,916,850</b>	<b>17,673,359</b>	<b>1,869,464</b>	<b>19,542,823</b>	<b>374,027</b>	<b>15,313,226</b>	<b>2,202,690</b>	<b>17,515,916</b>	<b>2,400,934</b>
<b>Operating expenses</b>											
Scholarships	3,535,985	-	3,535,985	3,500,000	-	3,500,000	(35,985)	2,832,342	-	2,832,342	(703,643)
Employee compensation	3,818,675	-	3,818,675	4,115,157	-	4,115,157	296,482	3,614,160	-	3,614,160	(204,515)
Sport operations	3,548,590	-	3,548,590	3,577,261	-	3,577,261	28,671	3,915,616	-	3,915,616	367,026
Support operations	2,372,797	39,834	2,412,631	2,314,605	91,429	2,406,034	(6,597)	1,831,063	225,763	2,056,826	(355,805)
Other	1,121,271	-	1,121,271	1,100,000	-	1,100,000	(21,271)	513,119	-	513,119	(608,152)
<b>Total operating expenses</b>	<b>14,397,318</b>	<b>39,834</b>	<b>14,437,152</b>	<b>14,607,023</b>	<b>91,429</b>	<b>14,698,452</b>	<b>261,300</b>	<b>12,706,300</b>	<b>225,763</b>	<b>12,932,063</b>	<b>(1,505,089)</b>
<b>Net operating income</b>	<b>3,387,181</b>	<b>2,092,517</b>	<b>5,479,698</b>	<b>3,066,336</b>	<b>1,778,035</b>	<b>4,844,371</b>	<b>635,327</b>	<b>2,606,926</b>	<b>1,976,927</b>	<b>4,583,853</b>	<b>895,845</b>
<b>Nonoperating revenues (expenses)</b>											
Net transfers (to GKC) and from UCFAA	(1,648,770)	1,648,770	-	(1,648,770)	1,648,770	-	-	(2,115,719)	2,115,719	-	-
Interest income	370	73,812	74,182	370	50,000	50,370	23,812	427	153,522	153,949	(79,767)
Interest expense	(23,547)	(977,082)	(1,000,629)	(23,547)	(2,037,485)	(2,061,032)	1,060,403	(183,263)	(1,060,403)	(1,243,666)	243,037
<b>Total nonoperating expenses</b>	<b>(1,671,947)</b>	<b>745,500</b>	<b>(926,447)</b>	<b>(1,671,947)</b>	<b>(338,715)</b>	<b>(2,010,662)</b>	<b>1,064,215</b>	<b>(2,298,555)</b>	<b>1,208,838</b>	<b>(1,089,717)</b>	<b>163,270</b>
<b>Net increase (decrease) from operations</b>	<b>\$ 1,715,234</b>	<b>\$ 2,838,017</b>	<b>\$ 4,553,251</b>	<b>\$ 1,394,389</b>	<b>\$ 1,439,320</b>	<b>\$ 2,833,709</b>	<b>\$ 1,719,542</b>	<b>\$ 308,371</b>	<b>\$ 3,185,765</b>	<b>\$ 3,494,136</b>	<b>\$ 1,059,115</b>
<b>Debt service</b>											
Total principal and interest payments	\$ 23,547	\$ 1,122,082	\$ 1,145,629	\$ 23,547	\$ 3,325,819	\$ 3,349,366	\$ 2,203,737	\$ 183,263	\$ 1,120,724	\$ 1,303,987	\$ 158,358
							65.80 %				12.14 %

## 2014-15

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**UCF Finance Corporation**  
**Statement of Operations**  
**For the Quarter Ended September 30, 2014**

	2014-15			2013-14		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>						
University transfers	\$ 754,708	\$ 747,816	\$ 6,892 0.9 %	\$ 772,944	\$ 774,850	\$ (1,906) (0.2)%
Interest	2,556	1,750	806 46.1 %	1,289	3,500	(2,211) (63.2)%
<b>Total revenues</b>	<b>757,264</b>	<b>749,566</b>	<b>7,698 1.0 %</b>	<b>774,233</b>	<b>778,350</b>	<b>(4,117) (0.5)%</b>
<b>Expenses</b>						
Operating	16,220	15,750	(470) (3.0)%	16,020	18,276	2,256 12.3 %
Interest	610,334	609,448	(886) (0.1)%	629,514	604,500	(25,014) (4.1)%
Debt related	130,710	124,368	(6,342) (5.1)%	131,225	158,100	26,875 17.0 %
<b>Total expenses</b>	<b>757,264</b>	<b>749,566</b>	<b>(7,698) (1.0)%</b>	<b>776,759</b>	<b>780,876</b>	<b>4,117 0.5 %</b>
<b>Net decrease from operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (2,526)</b>	<b>\$ (2,526)</b>	<b>-</b>
<b>Debt Service</b>						
Total principal and interest payments	\$ 1,905,334			\$ 1,869,514		

**UCF Foundation**  
**Statement of Operations**  
**For the Quarter Ended September 30, 2014**

	2014 - 15			2013 - 14		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Unrestricted gifts, fees, and investment earnings	\$ 1,010,270	\$ 1,277,067	\$ (266,797) (20.9)%	\$ 1,260,051	\$ 1,185,500	\$ 74,551 6.3%
Real estate	319,181	462,500	(143,319) (31.0)%	477,002	461,593	15,409 3.3%
University support	2,539,622	2,228,300	311,322 14.0 %	1,473,383	1,412,689	60,694 4.3%
<b>Total revenue</b>	<b>3,869,073</b>	<b>3,967,867</b>	<b>(98,794) (2.5)%</b>	<b>3,210,436</b>	<b>3,059,782</b>	<b>150,654 4.9%</b>
<b>Expenses</b>						
Academic and university support	181,061	180,900	(161) (0.1)%	163,739	173,922	10,183 5.9%
Development, alumni relations, and operations	3,378,873	3,325,000	(53,873) (1.6)%	3,147,463	3,255,633	108,170 3.3%
<b>Total expenses</b>	<b>3,559,934</b>	<b>3,505,900</b>	<b>(54,034) (1.5)%</b>	<b>3,311,202</b>	<b>3,429,555</b>	<b>118,353 3.5%</b>
<b>Net increase (decrease) from total operations</b>	<b>\$ 309,139</b>	<b>\$ 461,967</b>	<b>\$ (152,828)</b>	<b>\$ (100,766)</b>	<b>\$ (369,773)</b>	<b>\$ 269,007</b>
<b>Debt Service</b>						
Total principal and interest payments	\$ 44,818			\$ 45,232		

**UCF Research Foundation  
Statement of Operations  
For the Quarter Ended September 30, 2014**

	2014-15			2013-14		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Operating revenue <sup>1</sup>	\$ 1,564,437	\$ 1,619,302	\$ (54,865) (3.4)%	\$ 1,000,426	\$ 978,992	\$ 21,434 2.2 %
Management fees and other	36,991	41,302	(4,311) (10.4)%	47,914	48,948	(1,034) (2.1)%
<b>Total revenues</b>	<u>1,601,428</u>	<u>1,660,604</u>	<u>(59,176) (3.6)%</u>	<u>1,048,340</u>	<u>1,027,940</u>	<u>20,400 2.0 %</u>
<b>Expenses</b>						
Total operating expenses	1,460,045	1,572,535	112,490 7.2 %	1,094,352	1,008,038	(86,314) (8.6)%
<b>Net increase (decrease) from operations</b>	<u>\$ 141,383</u>	<u>\$ 88,069</u>	<u>\$ 53,314</u>	<u>\$ (46,012)</u>	<u>\$ 19,902</u>	<u>\$ (65,914)</u>

<sup>1</sup> Operating includes royalties, contributions, rents, conferences, unit residuals, consortiums, management fees, and other.



**ITEM: INFO-6**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** UCF Housing Update

**DATE:** December 3, 2014

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For information only.