



UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees
Finance and Facilities Committee
President’s Board Room, Millican Hall
December 11, 2019, 8:30 a.m.
Conference call in phone number 800-442-5794, passcode 463796**

AGENDA

- I. CALL TO ORDER** Alex Martins
Chair, Finance and Facilities Committee
- II. ROLL CALL** Tracy D. Slavik
Coordinator for Administrative Affairs Division
- III. MEETING MINUTES**
 - [Approval of the October 16, 2019, Finance and Facilities Committee meeting minutes](#) Chair Martins
- IV. NEW BUSINESS** Chair Martins
 - Huron Consulting – UCF Rising Master Services Agreement Amendment #4 ([FFC-1](#)) Dennis Crudele
Interim Vice President for Financial Affairs and Chief Financial Officer
 - L3Harris Engineering Center External Building Signage Change ([FFC-2](#)) Misty Shepherd
Interim Vice President for Administrative Affairs and Chief Operating Officer
Robin Knight
Executive Director of Development, UCF College of Engineering and Computer Science, UCF Foundation
 - Post Investigation Action Plan Implementation Update ([FFC-3](#)) Misty Shepherd
Dennis Crudele

- Amendment to Ground Sublease Between UCF Academic Health and Central Florida Health Services (FFC-4) Misty Shepherd
Jennifer Cerasa
Senior Associate General Counsel
- University Operating Budget Quarter Ended September 30, 2019 (INFO-1) Dennis Crudele
- UCF Investments Quarterly Report Ended September 30, 2019 (INFO-2) Dennis Crudele
- University Draft Audited Financial Report 2018-19 (INFO-3) Dennis Crudele
- Direct Support Organizations' 2019-20 First-Quarter Financial Reports (INFO-4) Dennis Crudele
Bert Francis
Assistant Vice President for Debt Management
 - UCF Academic Health
 - UCF Athletic Association and UCF Stadium Corporation
 - UCF Convocation Corporation
 - UCF Finance Corporation
 - UCF Foundation
 - UCF Limbitless Solutions
 - UCF Research Foundation
 - Central Florida Clinical Practice Organization
- Facilities Process Improvements Recommendations Update (INFO-5) Misty Shepherd
Duane Siemen
Interim Associate Vice President for Facilities and Safety

V. OTHER BUSINESS Chair Martins

VI. CLOSING COMMENTS Chair Martins



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Third Floor, Millican Hall
October 16, 2019

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 8:30 a.m. Committee members Kyler Gray and David Walsh were present. Committee members Danny Gaekwad and Robert Garvy attended by teleconference. Committee member Bill Yeargin did not attend. BOT Chair Beverly Seay attended by teleconference. Trustees Ken Bradley, Joseph Conte, and John Lord attended by teleconference. Trustee Bill Self was in attendance.

MEETING MINUTES

The minutes of the September 18, 2019, Finance and Facilities Committee meeting were approved as submitted.

NEW BUSINESS

Specialized Tuition for Master of Science in Financial Technology (FFC-1)

Elizabeth Dooley, Provost and Vice President for Academic Affairs, and Tim Letzring, Senior Associate Provost for Academic Affairs, presented for approval a self-supporting tuition model for the Master of Science in Financial Technology program. The program has received academic approval, but its requested self-supporting tuition model requires Board of Trustees approval.

Self-supporting tuition programs are those in which tuition and fees charged for college-credit continuing education courses offset the full instructional cost of serving the student and do not exceed the existing approved tuition and out-of-state fees for similar level courses.

Self-supporting tuition programs are Auxiliary enterprises, and all expenses must be covered by tuition revenue. Self-supporting tuition levels exist between in-state and out-of-state graduate tuition (equivalent per credit hour charges between \$369.65 and \$1,194.05). The requested tuition rate for the Master of Science in Financial Technology is \$1,150 per credit hour, or \$34,500 for the entire 30-credit program.

The Master of Science in Financial Technology is a 30-credit, self-sustaining, lock-step/cohort program offered jointly by the Department of Finance (College of Business) and Department of Computer Science (College of Engineering and Computer Science). The curriculum includes five courses in Finance and five courses in Computer Science. The face-to-face program will be offered at the main UCF campus.

Chair Martins asked why the tuition rate for the program was a high \$1,150 per credit hour. Letzring said that they cannot use E&G funds, and Finance department and Computer Science department faculty are expensive in terms of their salaries. The program also will provide fellowship assistance and requires new computer equipment.

Martins also asked what happens if the minimum number of students does not enroll in the cohort. Letzring said that the program could delay its start for a year.

Vice Chair Garvy asked why this program is being funded by a self-supporting model and not subsidized like other UCF graduate programs.

College of Business Administration Associate Dean Sevil Sonmez explained what makes the Master of Science in Financial Technology program different from other UCF graduate programs and programs at other institutions. UCF Interim President Thad Seymour added that a high demand for this program exists in central Florida, and it is being priced in a way that is affordable.

Garvy requested that an analysis be completed on all UCF graduate programs to see how funds are spent, and that analysis be brought to the Educational Programs Committee or the full Board of Trustees.

Vice President for Research and Dean of the College of Graduate Studies Elizabeth Klonoff said that in the next year they will be assessing all UCF master's degree and doctoral programs.

Chair Seay asked to emphasize that E&G funds cannot be used for the Master of Science in Financial Technology program. Letzring confirmed and added that if they start the program using E&G funds and discover it is not sustainable, they cannot request self-supporting tuition later.

The committee unanimously approved the self-supporting tuition model for the Master of Science in Financial Technology program as submitted.

Sublease Agreement with Florida Parks Service (FFC-2)

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer, and Jennifer Cerasa, Senior Associate General Counsel, presented for approval a sublease between the University of Central Florida and the Florida Parks Service for a research facility at Econfina State Park for coastal research.

The property is generally located at 4741 Econfina River Road, Lamont, Florida in Taylor County. It is owned by the State of Florida. The facility is a former restaurant that has been vacant for several years, but was recently completely renovated to include a new roof, new A/C system, new floors, and new walls.

The sublease is for 20 years. UCF pays for all charges related to utility fees, maintenance of the property (including the cost of keeping the public restrooms open during park hours of operation), and taxes and assessments.

The agreement will give UCF Coastal a facility that will facilitate basic research activities as well as provide an opportunity for multiple departments (Biology, Anthropology, Civil, Environmental & Construction Engineering) to develop one- and two-week field courses for UCF students. UCF will help maintain the image of the park, provide the park with daily facility maintenance and a presence and security, allow Park Service staff to focus on other projects, and efficiently and effectively utilize empty building space.

Charitable contributions will be used to support associated operating fees. Costs in excess of the charitable contributions will be paid by the department using appropriate funds.

The committee unanimously approved the sublease agreement with the Florida Parks Service for the research facility at Econfina State Park as presented.

Post Investigation Action Plan for Items with Finance and Facilities Committee Oversight (FFC-3)

Shepherd and Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer, updated the committee on the implementation of recommendations with Finance and Facilities Committee oversight following the inappropriate transfer of E&G funds to construction.

Four items were recommended as being considered complete.

Item 6 on the post-investigation action plan states the “university will not move forward with any capital projects until the UCF BOT has completed the implementation of the procedures discussed at the UCF BOT meeting held on 9/6/18 and verified to the Board of Governors that all procedures are in place.” At the September 6, 2018, BOT meeting, the Funding Certification Form was mandated for all capital projects over \$2 million, and the plan to replenish the \$38 million in E&G funds spent on Trever Colbourn Hall was approved. The Funding Certification Form has been in use since, and the \$38 million was replenished. Both have been documented to the Board of Governors. Also, the Board of Governors has lifted the moratorium on capital projects.

Item 15 states, “Budget and finance decision makers should receive regular notifications of changes in applicable laws and regulations including new Board of Governance guidance.” The Division of Finance routes proposed BOG regulation amendments internally for comments and provides feedback to the BOG. Upon publication of new regulations and university policies, they inform the campus community via the budget directors’ meetings and financial focus group meetings.

Item 17 states, “Boards of Trustees should approve E&G carryforward commitments reported to the BOG’s each August and approve University changes to the approved commitments on a quarterly basis.” The UCF BOT approved the 2019-20 Carryforward Spending Plan at the September 19, 2019, BOT meeting. An updated plan is being provided at this FFC meeting and subsequent November 14, 2019, BOT meeting.

Item 33 states, “Document the BOT approval of any auxiliary fund deficit fund balances that were caused by restoration of the E&G funds and provide such documentation to the BOG.” In response to the Auditor General’s operational audit finding, UCF responded: “In terms of auxiliary balances addressed in this finding, as permitted by BOG Regulation 9.013, Auxiliary

Operations, UCF has determined that its auxiliary services will be self-supporting in the aggregate, and not on an individual basis. Accordingly, an auxiliary operation had a temporarily deficit fund balance due to the timing of when the correcting journal entries were posted; however, at no time was there a deficit in the collective fund balance for all auxiliary operations.”

The committee unanimously approved marking items 6, 15, 17, and 33 on the post-investigation action plan as complete.

Roth Athletics Center Phase II Building Program (FFC-4)

Shepherd presented for approval the Roth Athletics Center Interior-Buildout Program. This project (Phase II) was included in the university’s Fixed Capital Outlay budget that was approved by the Finance and Facilities Committee and the Board of Trustees at the September 18, 2019, and September 19, 2019, meetings, respectively, and approved by the Board of Governors on October 3, 2019.

The signed Funding Certification Form also was provided.

As background, the Roth Athletics Center project was initially planned as an expansion of the existing Wayne Densch Sports Center but eventually evolved into a standalone project. The project has been in development for several years and was first presented to the committee in 2012. The project was approached in phases, with Phase I consisting of the building “shell” that included foundation, walls, and roof, along with essential elements required by building code. Phase II involved the interior buildout of the shell. In September 2018, a moratorium was placed on all new projects at the university, which halted the start of Phase II.

The committee unanimously approved the Roth Athletics Center Interior-Buildout Program as presented.

College of Medicine Presentation (INFO-1)

Deborah German, Vice President for Health Affairs and Dean of the College of Medicine, Marcia Katz, Associate Dean for Clinical Affairs and Chief Medical Officer for UCF Health, and Danny Cavallo, Associate Vice President for Administration and Finance and CFO for the College of Medicine, presented an update on UCF Health operational and financial improvements.

UCF Health is the College of Medicine’s faculty practice, and an integral component of the College’s education, research, and clinical missions that provides clinical services to the community. In 2018, the College of Medicine and UCF Health began working with national consultants on a plan for operational and financial improvements, with the goal of becoming financially stable and sustainable.

The presentation covered an overview of UCF Health and the faculty practice, priorities and recommendations, operational improvement initiatives, the estimated annual financial impact of key initiatives, financial projections, and challenges.

A lengthy discussion followed with questions from all trustees focusing on the financial history of the practice, the assurance of their financial projections, medical coding and billing and its impact on UCF Health, and ensuring past errors in financial planning will not reoccur.

Facilities Process Improvements Recommendations Update (INFO-2)

Because of time constraints, this item was tabled until the December 11, 2019, Finance and Facilities Committee meeting.

Campus Master Plan Process Update (INFO-3)

Shepherd presented an update on the new Campus Master Plan development and approval process and discussed changes and additions to the CMP.

After development by a large interdisciplinary team of UCF Element leaders, the 2020-30 Campus Master Plan (CMP) has completed several statutory requirements per [Florida Statute 1013.30](#). All statutory events (underlined) were advertised in the newspaper. Presentations from these meetings are on the CMP website, www.fp.ucf.edu/mp2020/. Completed milestones:

- Statutory public meetings (presentations from these meetings are on the CMP website):
 - Informal Information Session May 15, 2019
 - First Public Hearing July 17, 2019 (transcript of this meeting is on the CMP website)
- Publication in draft form July 22, 2019 for review:
 - Electronic copy on the FPC webpage: <http://fp.ucf.edu/mp2020/>
 - Hard copy placed in the John C. Hitt Library
 - Notification was sent electronically to a statutory list of review agencies, including the host and affected local government (see list on CMP website)
 - Comments from 90-Day review are due October 22, 2019

Once the 90-Day review period ends, individual responses will be emailed to all reviewers who submit comments.

A list of comments and UCF responses and a list of internal edits will be provided to the BOT, along with the final version of the 2020-30 Campus Master Plan.

The remaining statutory requirements per [Florida Statute 1013.30](#) are:

- Following receipt and consideration of all comments, UCF will hold a Second Public Hearing at the November 14, 2019, meeting of the UCF Board of Trustees.
- Board of Trustees will be asked to Adopt the final 2020-30 Campus Master Plan after the Second Public Hearing.

Martins asked that all trustees review the draft Campus Master Plan and provide any comments prior to October 22, 2019, so that they may be addressed prior to the final adoption of the CMP at the November 14, 2019 Board of Trustees meeting.

Direct Support Organizations' 2018-19 Fourth-Quarter Financial Reports (INFO-4)

Crudele and Bert Francis, Assistant Vice President for Debt Management, presented as an information item the 2018-19 Fourth-Quarter Financial Reports for the Central Florida Clinical Practice Organization and the university DSOs: UCF Athletics Association and Stadium Corporation, UCF Convocation Corporation, UCF Finance Corporation, UCF Foundation, UCF Limitless Solutions, and the UCF Research Foundation.

Martins asked if any abnormalities were present. Francis said no, and all variances were explained on the cover sheet.

Trustee Gaekwad expressed concern about the Florida state statutes that mandate DSOs. Vice President and General Counsel Scott Cole will distribute a memo to all trustees explaining the statutes and what the UCF Board of Trustees policy on the request for and release of DSO records allows.

University and Direct Support Organization Debt Report (INFO-5)

Crudele and Francis presented as an information item the University and Direct Support Organization Debt Report. Martins asked if any abnormalities were present. Francis said no and stated one significant transaction since the last report submission on May 16, 2019, has occurred: The university is in the process of calling and defeasing the remaining Health Center revenue bonds. As a result, the projected debt service for 2019-20 includes the total principal outstanding plus accrued interest.

Investments Quarterly Report Ended June 30, 2019, Including Annual Review (INFO-6)

As an information item, Crudele presented the investments quarterly report for the quarter that ended June 30, 2019, and provided an annual review of the university's investment portfolio.

On June 30, 2019, the university had the following cash and investment balances:

Bank of America operating account	\$ 13,745,560
State of Florida Special Purpose Investment Account (SPIA)	\$ 281,219,072
Bank of New York Structured Investment Portfolio	\$ 295,839,286
Total Cash and Investments	\$ 590,803,918

The structured investment portfolio earned quarterly net gains totaling \$7,355,316.

Carryforward Spending Plan for 2019-20 and 2019-20 Fixed Capital Outlay Budget Update (INFO-7)

Crudele updated the committee on the Carryforward Spending Plan for 2019-20 and the 2019-20 Fixed Capital Outlay Budget that were approved by the Finance and Facilities Committee and the Board of Trustees on September 18, 2019 and September 19, 2019, respectively.

The Board of Governors subsequently recommended that the requests for PECO funding for the Howard Phillips Hall renovation (\$12.4 million) and Biological Sciences Building renovation (\$21.7 million) be removed from the Legislative Budget Request and be added to the UCF Fixed Capital Outlay Budget and Carryforward Spending Plan in phases beginning in 2019-20 through 2022-23. \$3.5 million also was added to provide operational support for BRIDG while a consultant reviews its operations.

Because the HVAC portions of the Biological Sciences Building and Howard Phillips Hall renovations were already included in the originally approved Carryforward Spending plan, this resulted in a net \$29.9 million removed from units' Carryforward Spending plans.

The BOG approved the UCF Carryforward Spending Plan for 2019-20 and the 2019-20 Fixed Capital Outlay Budget at its October 3, 2019, meeting.

Martins adjourned the Finance and Facilities Committee meeting at 11:20 a.m.

Reviewed by:

Alex Martins
Chair, Finance and Facilities Committee

Date

Respectfully submitted :

Janet Owen
Associate Corporate Secretary

Date

ITEM: FFC-1

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Huron Consulting - UCF Rising Master Services Agreement Amendment #4

Background:

In December 2018, UCF entered into a Master Services Agreement with Huron Consulting to provide business and administrative support services to UCF departments for the implementation, upgrade, and system optimization of three Oracle/PeopleSoft systems for the UCF Rising project, as well as overall program management of the project. Total project cost at that time was \$4,408,538.

The original scope of work for the UCF Rising project included:

- a. implementation of Oracle/PeopleSoft Grants Management: \$952,658
- b. implementation of Oracle/PeopleSoft Chart of Accounts (including redesign of UCF's chart of accounts): \$1,280,090
- c. implementation of Oracle/PeopleSoft Commitment Accounting (to provide better tracking of employee salaries and benefits, especially useful for research compliance): \$1,125,000
- d. implementation of the recommendations included in the Quality Assurance action plans and design and creation of a Program Management Office, governance structure, and organizational chart for the projects; and development of consolidated project timeline: \$138,750
- e. Overall program management for all UCF Rising projects: \$912,040

Amendment #1 in April 2019 added a .5 FTE Huron consultant to supplement the change management team in support of the UCF Rising project for three months at an initial cost of \$75,000, with an option to extend for an additional three months (this option was exercised at an additional cost of \$75,000). The university is now in the process of hiring a full-time change management professional to assist with future projects. Total project cost after amendment #1 (including the extension option) was \$4,558,538.

Amendment #2 in October 2019 reallocated funding from the Chart of Accounts redesign to a Budget Process redesign with no change to the total project cost of \$4,558,538.

Amendment #3 in November 2019 added a 1.0 FTE Huron consultant to provide support and conversion cleanup for the UCF Research Foundation on the Grants Management implementation for three months. This position will also provide post Go-Live support for the PeopleSoft Grants suite and assistance with month-end processing and specific UCF Research Foundation reporting. The cost of this extension is \$143,080, bringing the total project cost to \$4,701,618.

Amendment #4 will bring the total project cost over \$5,000,000, requiring Board of Trustees approval. This amendment extends key Huron consultants for two to four months to provide production support post Go-Live for the Human Capital Management (HCM) and Grants Management modules, as well as the Program Management Office. The extension will provide production support for Finance & Accounting, Human Resources, and the Office of Research; additional reviews and improvements to key business processes; prioritization of deferred items; and further dissemination of lessons learned. The cost of this extension is \$616,680, bringing the total project cost to \$5,318,298.

Issues to be Considered:

This request for additional services to be provided was supported by the UCF Rising Business Owners Council and approved by the Executive Steering Committee (members include Provost Elizabeth Dooley, Interim Chief Financial Officer Dennis Crudele, Interim Chief Operating Officer Misty Shepherd, Chief Information Officer Joel Hartman, and Vice President Elizabeth Klonoff). Continued support from Huron consultants for this period is considered vital to the overall success of the project.

Alternatives to Decision:

The alternative to extending this contract would require existing UCF staff in Finance & Accounting, UCFIT, Office of Research, and Human Resources to provide these Post Go-Live services. Due to limited staffing availability in these offices, this is not considered to be a viable option.

Fiscal Impact and Source of Funding:

The \$616,680 cost of this contract amendment will be paid from Division of Finance and central E&G carryforward funds.

Recommended Action:

Approve amendment #4 to the Huron Master Services Agreement for the UCF Rising project at a cost of \$616,680, bringing the total project cost to \$5,318,298.

Authority for Board of Trustees Action:

Board of Trustees Delegation of Authority to the President, Items requiring specific approval of the board, 3) Contractual obligation of more than five (5) years' duration and an aggregate net value of five million or more dollars, options, renewals, extensions, or amendments thereto, other than grants, contracts, and other agreements for research, sponsored training, clinical trials, patents and licensing, technology transfer, and research compliance.

Contract Reviewed/Approved by General Counsel:

Contract reviewed by Scott Cole, Vice President and General Counsel.

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Supporting Documentation:

Attachment A: Contract Summary Form for Amendment #4

Facilitators/Presenters:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Attachment A

Summary of Agreement

Purpose/Background	This Amendment 4 to the Huron Master Agreement extends by change order key Huron Consultants for 2 to 4 months to provide production support for the Human Capital Management and Grants Management modules as well as the Program Management Office. It will also provide production support for Finance and Accounting, Human Resources, and the Office of Research.
Parties	Huron Consulting Services, LLC and the University of Central Florida
Term	Master Agreement expires December 1, 2023
Obligations of UCF	Payment for services rendered
Obligations of other party	Provide administrative and support services to UCF departments for the implementation, upgrade, and optimization of three Oracle/PeopleSoft systems and associated project management. This includes Grants Management, Budget Process Redesign, and Commitment Accounting.
Financial terms	Total cost with implementation of change order will be \$5,318,298.
Termination rights	UCF may terminate the agreement, without cause, upon 90 days notice or for breach of contract.
Additional terms	Huron only performs services requested by UCF. A statement of work (SOW) will be issued for each new service requested by UCF, with a description of services and price.
Link to agreement	https://bot.ucf.edu/files/2019/11/Huron-UCF-Rising-Amendment-4.pdf <i>For reference:</i> Master Agreement: https://bot.ucf.edu/files/2019/11/Huron-UCF-Rising-Master-Services-Agreement.pdf Amendment 1: https://bot.ucf.edu/files/2019/11/Huron-UCF-Rising-Amendment-1.pdf Amendment 2: https://bot.ucf.edu/files/2019/11/Huron-UCF-Rising-Amendment-2.pdf Amendment 3: https://bot.ucf.edu/files/2019/11/Huron-UCF-Rising-Amendment-3.pdf

ITEM: FFC-2

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: L3Harris Engineering Center External Building Signage Change

Background:

L3 and Harris Corporation merged in 2018. They are now ready to officially change their name to L3Harris in all spaces that hold their name, include the Harris Engineering Center (Engineering III Building #116) on the UCF Main Campus. The signage on the external façade of the building will be changed to L3Harris Engineering Center at the donor's expense. The signage is designed to be similar to existing signage that it will replace.

Issues to be Considered:

L3Harris will pay for the full expense of changing the external signage on the building. UCF Facilities has been briefed, and UCF has obtained three separate estimates from three vendors to bid on the project. The installation is expected in December 2019, with a re-grand opening media event of the building hosted in January 2020.

L3Harris (naming donor for the Harris Engineering Center) named the building with a \$3 million philanthropic commitment to the UCF Foundation in 2005. At that time, the Board of Trustees approved the naming of the building with no limitation as to the life of the naming. Therefore, UCF must honor the naming, as the donor wishes to change the name to their current brand.

Alternatives to Decision:

1. Reject the renaming and request staff to submit a different name for the building.
2. Reject the renaming and keep the current building name.

Fiscal Impact and Source of Funding:

This effort will only change the external signage and any reference to the industry partner in other spaces and collateral on campus as needed. L3Harris will pay for all expenses for the signage change and installation.

Recommended Action:

Approve the change in signage from the Harris Corporation Engineering Center to L3Harris Engineering Center.

Authority for Board of Trustees Action:

Delegation of Authority to the President, Items requiring specific authority of the Board, 18. Naming of Buildings

Contract Reviewed/Approved by General Counsel:

N/A

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer
Robin Knight, Executive Director of Development, UCF College of Engineering and Computer Science,
UCF Foundation

Supporting Documentation:

Attachment A: Original Gift Agreement from Harris Corporation

Facilitators/Presenters:

Robin Knight, Executive Director of Development, UCF College of Engineering and Computer Science,
UCF Foundation

Attachment A

Confidential Information (FS 1004.28.5)



UCF Foundation, Inc.

University of Central Florida Foundation, Incorporated
MEMORANDUM OF UNDERSTANDING

FOUNDATION MK
To establish the
Harris Corporation Hall

This agreement is made on this 17th day of May 2005, and entered into between the Harris Corporation, Inc. (hereinafter called "Donor") and the University of Central Florida Foundation, Incorporated (hereinafter called "Foundation"), a 501(c)(3) non-profit organization.

The Gift

The Donor plans to make a charitable gift of \$3 million to assist the University of Central Florida with the enhancement of the College of Engineering and Computer Science's newest facility, Engineering III. This gift will have a transformational impact on the college, the School of Computer Science and the Department of Electrical and Computer Engineering. This gift will allow the college to provide students and faculty with a state-of-the-art facility that will create an optimal teaching and research environment.

Upon written agreement of the \$3 million commitment among the Donor, the Foundation and the University, the UCF Board of Trustees will receive a recommendation for the naming of Harris Corporation ~~Hall (hereafter called the "Hall")~~. Such naming will be conditioned upon the fulfillment of the commitment. → *ENGINEERING CENTER MK*

It is anticipated that the gift of \$3 million will qualify for state matching funds from the Alec P. Courtelis Capital Facilities Enhancement Challenge Grant Program. This match will provide an additional \$3 million, which will create a total of \$6 million in gift resources for facility enhancement. The funds will be used to enhance equipment and furnishings in the Hall.

Payment Schedule

The Donor will make an initial contribution of \$600,000 on or before June 30, 2005. The Donor will make annual contributions of \$600,000 thereafter over the next four years on or before the anniversary date of the initial gift. The payment schedule will be as follows:

- \$600,000 due on or before June 30, 2006
- \$600,000 due on or before June 30, 2007
- \$600,000 due on or before June 30, 2008
- \$600,000 due on or before June 30, 2009

The Foundation will submit a request for matching funds from the Alec P. Courtelis University Facilities Enhancement Challenge Grant Program in accordance with the submission guidelines.

Additional Considerations

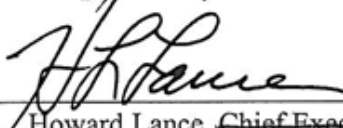
The signers acknowledge that at some time in the future the scope of the program described in this document may change. In that event, the Foundation, with the Donor's or a representative's approval, may authorize a change. If the Donor or a representative is no longer available, the Foundation will make the determination based on the recommendations of the Dean of the College of Engineering and Computer Science. Such changes will relate as closely as possible to the original intent of the Donor.

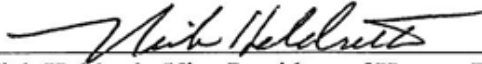
The Foundation shall be the absolute owner of this fund. The Foundation and the College of Engineering and Computer Science will use reasonable care in administering the funds according to the terms of this agreement.

NEH

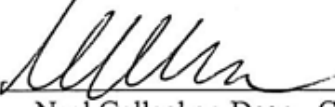
FOUNDATION

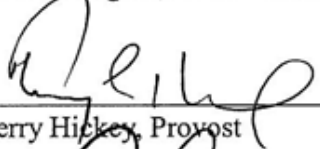
Harris Corporation, Inc.

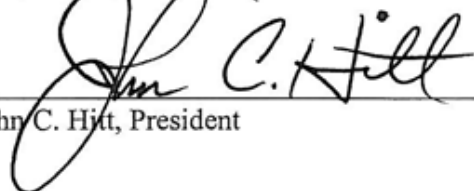
By:  Date: 6/8/05
 Howard Lance, Chief Executive Officer
 TRUSTEE, PRESIDENT NEH

By:  Date: 6/8/05
 Nick Heldreth, Vice President of Human Resources and Corporate Relations
 TRUSTEE, VICE PRESIDENT NEH

University of Central Florida


By:  Date: 6-13-05
 Neal Gallagher, Dean - College of Engineering and Computer Science

By:  Date: 6/14/05
 Terry Hickey, Provost

By:  Date: 6/14/05
 John C. Hill, President

Confidential Information (FS 1004.28.5)

University of Central Florida Foundation, Incorporated

By:  Date: 6/13/05
Jeffrey N. Snow, Director of Major Gifts - College of Engineering and Computer Science

By:  Date: 6/13/05
Robert J. Holmes, Jr., Chief Executive Officer



UCF Foundation, Inc.

**University of Central Florida Foundation, Incorporated
MEMORANDUM OF UNDERSTANDING**

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It is anticipated that the gift of \$3 million will qualify for state matching funds from the Alec P. Courtelis Capital Facilities Enhancement Challenge Grant Program. This match will provide an additional \$3 million, which will create a total of \$6 million in gift resources for facility enhancement. The funds will be used to enhance equipment and furnishings in the Hall.

Payment Schedule

The Donor will make an initial contribution of \$600,000 on or before June 30, 2005. The Donor will make annual contributions of \$600,000 thereafter over the next four years on or before the anniversary date of the initial gift. The payment schedule will be as follows:

- \$600,000 due on or before June 30, 2006
- \$600,000 due on or before June 30, 2007
- \$600,000 due on or before June 30, 2008
- \$600,000 due on or before June 30, 2009

The Foundation will submit a request for matching funds from the Alec P. Courtelis University Facilities Enhancement Challenge Grant Program in accordance with the submission guidelines.

Additional Considerations

The signers acknowledge that at some time in the future the scope of the program described in this document may change. In that event, the Foundation, with the Donor's or a representative's approval, may authorize a change. If the Donor or a representative is no longer available, the Foundation will make the determination based on the recommendations of the Dean of the College of Engineering and Computer Science. Such changes will relate as closely as possible to the original intent of the Donor.

The Foundation shall be the absolute owner of this fund. The Foundation and the College of Engineering and Computer Science will use reasonable care in administering the funds according to the terms of this agreement.

NEH
FOUNDATION
Harris Corporation, Inc.

By: *Howard Lance* Date: 6/8/05
Howard Lance, Chief Executive Officer *NEH*
TRUSTEE, PRESIDENT

By: *Nick Heldreth* Date: 6/8/05
Nick Heldreth, Vice President of Human Resources and Corporate Relations
TRUSTEE, VICE PRESIDENT NEH

University of Central Florida


By: *Neal Gallagher* Date: 6-13-05
Neal Gallagher, Dean - College of Engineering and Computer Science

By: *Terry Hickey* Date: 6/14/05
Terry Hickey, Provost

By: *John C. Hill* Date: 6/14/05
John C. Hill, President

Confidential Information (FS 1004.28.5)

University of Central Florida Foundation, Incorporated

By:  Date: 6/13/05
Jeffrey N. Snow, Director of Major Gifts - College of Engineering and Computer Science

By:  Date: 6/13/05
Robert J. Holmes, Jr., Chief Executive Officer

ITEM: FFC-3

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Post Investigation Action Plan for Items with Finance and Facilities Committee Oversight

Background:

The Audit and Compliance committee was charged by the Chairman of the Board of Trustees to develop a board plan for oversight of the implementation of recommendations from the inappropriate transfer of E&G funds to construction.

As requested by the Board of Trustees, University Audit and University Compliance, Ethics, and Risk accumulated all recommendations, sorted them by similarity, assigned a theme, ranked them by risk, and worked with leadership to assign the appropriate university staff and obtain an action plan with target completion dates for each recommendation. This plan was approved by the Board of Trustees on July 18, 2019. The action items in this plan have been sorted by board committee and distributed to the chair of each committee with oversight. Attachment A includes those items which are assigned to the Finance and Facilities Committee.

Issues to be Considered:

Item 55 on the attached spreadsheet states “The Division of Finance will consider use of periodic employee satisfaction surveys.” Administration and Finance considered the use of periodic satisfaction surveys and determined that the existing process to survey satisfaction with services is accomplished by Procurement Services’ and Finance and Accounting’s email signature blocks that solicit feedback. Administration and Finance considers this action item completed. Original completion date was for June 2020 but has been changed to reflect November 2019 completion.

Item 42 on the attached spreadsheet states “Develop a policy for the authorization of funds, which is approved the President, CFO, Legal, and Board of Trustees.” This commitment refers to the policy on capital projects. Upon further review it was determined that this had already been satisfied by the Board of Trustees Policy titled Capital Projects Funding Certification implemented in September 2018. Board of Trustees Policy titled Capital Projects Funding Certification was established by the Board in September 2018 and posted to the BOT website. There is no further action required.

Item 7 on the attached spreadsheet states “All future board and committee approvals of capital projects over \$2 million require a written certification signed by the president, vice president submitting the item, the CFO and general counsel identifying the source of funds and certifying that they are appropriate for that purpose.” Upon further review by Audit and Compliance, it was determined that this recommendation had already been satisfied by the Board of Trustees Policy titled Capital Projects Funding Certification implemented in September 2018. Board of Trustees Policy titled Capital Projects Funding Certification was established by the Board in September 2018 and posted to the BOT website. There is no further action required.

Updates (highlighted in red on the attached spreadsheet) have been made to items 37, 11, 12, 21, 48, 43, 14, 44, 45, 16, and 31.

Continue to review the proposed action plans and determine if they are the right approach for the board to meet its fiduciary duties in protecting the university against future risks of this nature.

Alternatives to Decision:

Not mark items 55, 42, and 7 as complete.

Propose alternative approach for ensuring the board meets its fiduciary duties with respect to the recommendations.

Fiscal Impact and Source of Funding:

Several of these recommendations will require additional resources including the hiring of more staff and developing training programs and related materials. The board should work with the president to ensure appropriate resources are devoted to completing the recommendations.

Recommended Action:

1. Mark items 55, 42, and 7 as complete.
2. The board, through the appropriate board committee assigned oversight for the respective action plans, should continue to actively monitor the progress under way, request status updates on a periodic basis, and work with UCF management, the Board of Governors, and the Board of Trustees to implement remediation efforts.

Authority for Board of Trustees Action:

BOG Regulation 1.001 (3)(a)

Contract Reviewed/Approved by General Counsel:

N/A

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer

Supporting Documentation:

Attachment A: Post Investigation Action Plan for Items with Finance and Facilities Committee Oversight

Facilitators/Presenters:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer

Finance and Facilities Committee Meeting - New Business

Pending Recommendation List

Post Investigation Action Plan

As of November 15, 2019

Item #	Summary Source	Source Detail	Recommendation	Risk Rating	Theme	Responsible Office	Responsible Person	Responsible BOT Committee	Action Plan	Action Plan Completion	Status	Completion Date
55	Accenture	Accenture January 17, 2019 Report	Customer Experience & Employee Satisfaction Surveys - As part of promoting a performance oriented culture, A&F would benefit from an employee satisfaction survey. These surveys could be conducted every 2-3 years at a low cost (given the value) with small, dedicated internal teams taking actions to address the survey findings.	Low	Culture, Ethics, & Governance	CFO	Dennis Crudele	Finance and Facilities Committee	The Division of Finance will consider use of periodic employee satisfaction surveys.	A&F considered the use of periodic satisfaction surveys and determined that the existing process to survey satisfaction with services is accomplished by Procurement Services' and F&A's email signature blocks that solicit feedback. A&F considers this action item completed. Original completion date was for June 2020 but has been changed to reflect November 2019 completion.	Completed	November-19
42	Board of Governors	Board of Governors January 31, 2019 Audit and Compliance Committee Meeting	Develop a policy for the authorization of funds, which is approved by the President, CFO, Legal, and Board of Trustees. NOTE ***This was not a recommendation from the BOG. Marchena/Pres Whittaker informed them that this was an action we were taking.	Medium	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	To be included in Board Operating Procedures 2. This commitment refers to the policy on capital projects. Upon further review it was determined that this had already been satisfied by the Board of Trustees Policy titled Capital Projects Funding Certification implemented in September 2018.	Board of Trustees Policy titled Capital Projects Funding Certification was established by the Board in September 2018 and posted to the BOT website. There is no further action required.	Completed	November-19
7	Board of Trustees	Board of Trustees September 8, 2018 Meeting	All future board and committee approvals of capital projects over \$2 million require a written certification signed by the president, vice president submitting the item, the CFO and general counsel identifying the source of funds and certifying that they are appropriate for that purpose.	High	Internal Control Redesign & Process Enhancements	General Counsel	Scott Cole	Finance and Facilities Committee	To be included in Board Operating Procedures 2. Upon further review it was determined that this recommendation had already been satisfied by the Board of Trustees Policy titled Capital Projects Funding Certification implemented in September 2018.	Board of Trustees Policy titled Capital Projects Funding Certification was established by the Board in September 2018 and posted to the BOT website. There is no further action required.	Completed	November-19
37	Bryan Cave Investigation	Bryan Cave January 17, 2019 Report	The University should develop, as a supplement to the budgeting documents and reports required to be submitted to the BOT and/or BOG by Florida law and BOG regulations, a clear and consistent reporting package to be presented to the BOT on a periodic basis, designed to appropriately inform the Board regarding the funding of capital projects.	Medium	Monitoring Post-Transaction Activities	CFO	Dennis Crudele	Finance and Facilities Committee	To be included in Board Operating Procedures 2 (BOP 2). Budget reporting templates were developed and presented to the Finance and Facilities Committee (FFC) on September 18, 2019 and full BOT on September 19. Adjustments were made and resubmitted to the FFC at October 16, 2019 meeting and then presented to the BOG Facilities Committee on October 30, 2019. A board policy/procedure that outlines the final budget reporting package and frequency for submitting to the BOT and BOG will be developed and presented for Board approval.		In Progress	December-19
11	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	Internal loans should be fully disclosed and audited to ensure the safety and security of all funds, particularly E&G funds.	High	Internal Control Redesign & Process Enhancements	CFO	Dennis Crudele	Finance and Facilities Committee	Internal loans have been discussed with the President, BOT chairman, and Finance & Facilities Committee chair. The CFO is in the process of obtaining signed loan agreements for each loan and will present a complete list and repayment plan to the BOT at the November 14, 2019 meeting. A follow up training is also scheduled for November 20, 2019 during the Board retreat. Annual updates will be provided to the BOT until all internal loans are repaid.		In Progress	December-19
12	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	E&G funds should not be transferred or encumbered except as authorized in budgets and carry forward commitment lists approved by the Board of Trustees.	High	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	An internal process is being developed based on BOG guidance and the BOT Delegation of Authority. This work is near completion and on target to meet the December timeframe. The transfer checklist is being reviewed and revised and the workflow setup is in process.		In Progress	December-19
10	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	Capital projects in excess of \$1 million in cost should not be undertaken before the President and General Counsel certify the actual source of all funds to be expended and that planning and funding conform to the Capital Outlay Budget, Capital Improvement Plan, Master Plan, applicable laws and regulations. Such certifications should be submitted to the BOT for information at the next scheduled meeting	High	Internal Control Redesign & Process Enhancements	General Counsel	Scott Cole	Finance and Facilities Committee	To be included in Board Operating Procedures 2.		In Progress	December-19

Finance and Facilities Committee Meeting - New Business

Pending Recommendation List

Post Investigation Action Plan

As of November 15, 2019

Item #	Summary Source	Source Detail	Recommendation	Risk Rating	Theme	Responsible Office	Responsible Person	Responsible BOT Committee	Action Plan	Action Plan Completion	Status	Completion Date
57	Accenture	Accenture January 17, 2019 Report	Benchmarking of A&F Services for Efficiency & Effectiveness - UCF has the opportunity to establish a new culture of performance. Benchmarking cost and quality of transaction processing areas in Finance, Procurement, HR, IT and Facilities would provide UCF with a fact based approach to staffing and performance improvement.	Low	Internal Control Redesign & Process Enhancements	CFO	Dennis Crudele	Finance and Facilities Committee	The Division of Finance and the Division of Administration will benchmark transaction processing in areas such as Finance & Accounting, Procurement, Facilities, Police, HR, and Parking. This information will be utilized to reassess staffing needs in those units.		In Progress	June-20
21	Association of Governing Boards	AGB January 17, 2019 Memo	The UCF budget should be developed with appropriate engagement of the Board through its Finance Committee as institution priorities are being shaped with a focus on the strategic plan of the University.	Medium	BOT & Staff Interaction	CFO	Dennis Crudele	Finance and Facilities Committee	Annual budgets for the university and DSOs were presented at the June 2019 BOT meeting. Going forward, UCF will need to determine budget approval workflow including use of various internal committees such as the Budget Committee and how the BOT will be involved in the decision making process prior to formal presentation of the proposal. F&A is working with Huron Consulting to develop a new budget model to be implemented fiscal year 2021. The plan is on target for development and approval by target completion date of June 2020.		In Progress	June-20
48	Auditor General	Florida Auditor General January 4, 2019 Report	Enhance procedures to ensure and demonstrate that E&G carryforward funds are only used for authorized purposes. Such enhancements may include appropriate training to ensure that University management responsible for approving the use of E&G funding understand the restrictions for such use and documenting support for allowable uses of the funding.	Medium	Training & Awareness	CFO	Dennis Crudele	Finance and Facilities Committee	Training will be developed and provided to budget and finance decision makers to ensure E&G carryforward funds are used for authorized purposes. Working with other SUS institutions, F&A is developing funds use guidelines that will be posted on F&A's website. Training materials and guidelines will be developed with a timeline for implementation by June 2020.		In Progress	June-20
43	Board of Trustees	Board of Trustees January 24, 2019 Meeting	Office of the General Counsel, Compliance, Ethics and Risk Office, and Internal Audit will develop updated policies and procedures for the board's consideration to further ensure proper use of state appropriated E&G funds.	Medium	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	F&A will consult with the Office of the General Counsel, Compliance, Ethics and Risk Office, and Internal Audit to develop updated policies and procedures for the board's consideration to further ensure proper use of state appropriated E&G funds.		In Progress	June-20
14	Bryan Cave Investigation	Bryan Cave January 17, 2019 Report	The University should require all newly hired F&A and Facilities department employees, and other employees with budgetary responsibilities, to undergo education and training regarding the proper use of state-appropriated funds, the relevant state statutes, regulations and BOG guidance, and should provide for regular training and education of all such employees regarding these matters. The University should also implement periodic education and training on the key concepts regarding the budgeting process and the appropriation of state funds for members of the BOT and University leaders.	High	Training & Awareness	CFO	Dennis Crudele	Finance and Facilities Committee	A process is being developed to provide initial training on the proper use of funds to new F&A and Facilities employees, with periodic refreshes provided to existing employees and BOT members. Training on the proper use of funds was provided to the BOT on 5/17/19 and to university VPs and Deans on 5/31/19. Additional training materials will be developed with a timeline for implementation by June 2020.		In Progress	June-20

Finance and Facilities Committee Meeting - New Business

Pending Recommendation List
Post Investigation Action Plan
As of November 15, 2019

Item #	Summary Source	Source Detail	Recommendation	Risk Rating	Theme	Responsible Office	Responsible Person	Responsible BOT Committee	Action Plan	Action Plan Completion	Status	Completion Date
44	Bryan Cave Investigation	Bryan Cave January 17, 2019 Report	The University should require F&A to consult with the University's General Counsel, Compliance, Ethics, and Risk Office, Internal Audit, and the BOG, as appropriate, to develop specific written policies and procedures designed to reasonably ensure the proper use of state-appropriated E&G funding. These policies and procedures should, at a minimum, clearly identify those persons and/or bodies within the university with responsibility to approve and oversee expenditures of E&G.	Medium	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	F&A will consult with the University's General Counsel, Compliance, Ethics, and Risk Office, Internal Audit, and the BOG, as appropriate, to develop specific written policies and procedures designed to reasonably ensure the proper use of state-appropriated E&G funding. These policies and procedures will, at a minimum, clearly identify those persons and/or bodies within the university with responsibility to approve and oversee expenditures of E&G. Completion date was changed from December 2019 to June 2020, when all policies and procedures are expected to be complete.		In Progress	June-20
45	Bryan Cave Investigation	Bryan Cave January 17, 2019 Report	The policies and procedures should also describe the documentation necessary to support certain funding-related requests, such as budget transfer requests above a certain threshold, and provide clear instructions to employees charged with the responsibility to approve such requests.	Medium	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	F&A will consult with the University's General Counsel, Compliance, Ethics, and Risk Office, Internal Audit, and the BOG, as appropriate, to develop specific written policies and procedures designed to reasonably ensure the proper use of state-appropriated E&G funding. These policies and procedures will also describe the documentation necessary to support certain funding-related requests, such as budget transfer requests above a certain threshold, and provide clear instructions to employees charged with the responsibility to approve such requests. Completion date was changed from December 2019 to June 2020, when all policies and procedures are expected to be complete.		In Progress	June-20
13	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	University investment policies and accounting of investment shares of various university accounts should disclose the source and possible use of all funds commingled in investment programs. Care should be taken to avoid risking University reserves or endowments through internal allocation practices that are not fully accountable to the BOT's	High	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	Procedures are being developed that will clarify the sources of funding in each of the university's investment vehicles.		In Progress	June-20
16	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	The General Counsel, audit, and other compliance offices should help train budget, finance and accounting staff, and their administrative superiors, in applicable laws and regulations	High	Training & Awareness	CFO	Dennis Crudele	Finance and Facilities Committee	A process is being developed to provide initial training on the proper use of funds to new F&A and Facilities employees, with periodic refreshes provided to existing employees and BOT members. Training on the proper use of funds was provided to the BOT on 5/17/19 and to university VPs and Deans on 5/31/19. Additional training materials will be developed with a timeline for implementation by June 2020.		In Progress	June-20
46	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	All SUS leadership should jointly search for best practices in budgeting and accountability. Each Board of Trustees should adopt policies to ensure adherence to budget and planning laws and regulations.	Medium	Policies & Procedures	CFO	Dennis Crudele	Finance and Facilities Committee	To be included in Board Operating Procedures 2.		In Progress	June-20
31	Accenture	Accenture January 17, 2019 Report	Reporting Relationship of Academic/DSO Financial Leads and CFO - We recommend that each unit's designated finance lead (sometimes this is a single role that combines finance/operations at the unit level) serve as a dual report to the CFO organization (potentially reporting in to an AVP of Finance).	Medium	Internal Control Redesign & Process Enhancements	President, Provost & CFO	Thad Seymour, Elizabeth Dooley & Dennis Crudele	Finance and Facilities Committee	The Division of Finance, led by the CFO, is in the process of hiring a new Assistant VP for Budget, Planning, and Administration. When this position is filled, the reporting structure for the college/division/unit Budget Directors will be re-evaluated to ensure consistency in training, work product, and communication. The new AVP/Budget starts on November 18. The planned reorganization with a timeline for completion will follow. The DSOs will have a dotted line to the AVP/Budget and either a dotted or straight line to the AVP/Controller.		In Progress	June-20

Finance and Facilities Committee Meeting - New Business

Pending Recommendation List
Post Investigation Action Plan
As of November 15, 2019

Item #	Summary Source	Source Detail	Recommendation	Risk Rating	Theme	Responsible Office	Responsible Person	Responsible BOT Committee	Action Plan	Action Plan Completion	Status	Completion Date
32	Accenture	Accenture January 17, 2019 Report	CFO Role in Budgeting - UCF would benefit from formalizing the CFO's role to include setting the overall fiscal constraint in the budget process (e.g. revenue, expenditure, liquidity and debt targets). From a practicable standpoint, this translates into the President, Provost and the CFO "stacking hands" on fiscal capacity, with the Provost driving the budget allocation process thereafter.	Medium	Internal Control Redesign & Process Enhancements	President, Provost & CFO	Thad Seymour, Elizabeth Dooley & Dennis Crudele	Finance and Facilities Committee	The Division of Finance will draft a University Budgets policy, which will include the CFO's responsibility for establishing the total available funding from all sources to be allocated in the university's budget. After this amount is set, the CFO, Provost, and President will jointly determine the allocation to the academic and non-academic units across campus. The Provost working		In Progress	June-20
33	Auditor General	Florida Auditor General January 4, 2019 Report	Document the BOT approval of any auxiliary fund deficit fund balances that were caused by restoration of the E&G funds and provide such documentation to the BOG.	Medium	Internal Control Redesign & Process Enhancements	CFO	Dennis Crudele	Finance and Facilities Committee	Documentation to be reviewed and approved during upcoming Board meetings	UCF's response to the Auditor General included the following paragraph on page 17: In terms of auxiliary balances addressed in this finding, as permitted by BOG Regulation 9.013, Auxiliary Operations, UCF has determined that its auxiliary services will be self-supporting in the aggregate, and not on an individual basis. Accordingly, an auxiliary operation had a temporarily deficit fund balance due to the timing of when the correcting journal entries were posted; however, at no time was there a deficit in the collective fund balance for all auxiliary operations.	Completed	July-19
6	Board of Governors	Board of Governors September 13, 2018 FAC and Full Board Meetings	University will not move forward with any capital projects until the UCF BOT has completed the implementation of the procedures discussed at the UCF BOT meeting held on 9/6/18 and verified to the BOG that the procedures are in place.	High	Internal Control Redesign & Process Enhancements	COO	Misty Shepherd	Finance and Facilities Committee	All proposed projects on hold until further notice.	1. University Audit will continue to perform real-time capital project monitoring for all projects costing two million dollars or more that are approved by the UCF Board of Trustees between the time period of 9/15/2019 to 12/31/2021. We would use the current monitoring approach including providing 60 day status memos throughout the course of each project. 2. For calendar year 2022, the President and Chair of the UCF BOT Finance and Facilities Committee would jointly decide to: a) Extend the monitoring program for another 12 months b) Make the monitoring program permanent (perhaps adjusting the dollar amount for volume of projects, inflation or regulatory changes) c) Continue monitoring efforts on a project by project basis based on a request from the President or Committee Chair at the time the project is formally approved by the BOT d) Discontinue the monitoring program altogether	Completed	September-19
3	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	Capital Outlay Budgets must comply with statutory requirements showing all capital projects and the actual source of funds committed to each project	High	Culture, Ethics, & Governance	COO	Misty Shepherd	Finance and Facilities Committee	The BOG has provided a template to all universities for presenting their capital outlay budget. UCF is actively using the template and will be presenting it for BOT approval in July 2019. The FFC meeting scheduled for September 18th will address the Capital Budget, at that time the committee will also acknowledge that we have met our obligation with regards to this recommendation and it can be removed from open items.	The original date for presenting the budget to the board was July but the BOG made changes to the instructions and the template and therefore gave all university's an extension to September. The FFC meeting scheduled for September 18th will address the Capital Budget, at that time the committee will also acknowledge that we have met our obligation with regards to this recommendation and it can be removed from open items. This was agenda item FFC4 on the September 18 meeting.	Completed	September-19
15	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	Budget and finance decision makers should receive regular notifications of changes in applicable laws and regulations including new Board of Governance guidance.	High	Training & Awareness	CFO	Dennis Crudele	Finance and Facilities Committee	F&A will continue to provide notification via email, budget directors' meetings, and financial focus group meetings, to budget and finance decision makers as there are changes to applicable laws and regulations. Particular emphasis will be given to new Board of Governors guidance when it is received.	Division of Financial Affairs developed a communication plan that outlines the process for monitoring additions or changes to Florida Statutes and BOG Regulations and the procedure for communicating those changes. This action item was originally marked with a proposed completion date in December 2019 but was completed in October, 2019.	Completed	October-19
17	Public Integrity and Ethics Committee	Public Integrity and Ethics Committee March 14, 2019 Report	Boards of Trustees should approve E&G carryforward commitments reported to the BOG's each August and approve University changes to the approved commitments on a quarterly basis	High	Transparency & Pre-Approvals	CFO	Dennis Crudele	Finance and Facilities Committee	An internal process is being developed based on BOG guidance.	Division of Financial Affairs developed a process document that outlines the requirement and process for seeking approval of annual E&G carryforward expenditure plans by the BOT and BOG. This action item was originally marked with a proposed completion date in December 2019 but was completed in October.	Completed	October-19

ITEM: FEC-4

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Amendment to Ground Sublease Between UCF Academic Health and Central Florida Health Services

Background:

On August 22, 2017, UCF Academic Health, Inc. (UCFAH) sublet 25.2 acres in Lake Nona Medical City to Central Florida Health Services, LLC. (CFHS) for the development and construction of the UCF Lake Nona Medical Center under the terms of a ground sublease (Ground Sublease). The UCF Lake Nona Medical Center was approved by the Board of Trustees in 2016, and in March 2017 the Florida Board of Governors approved the medical center as a public-private partnership (P3). A medical office building adjacent to the hospital was included in that P3 approval and will benefit the medical center. The Ground Sublease had an initial term of 50 years and granted to CFHS the option to renew the Ground Sublease for an additional renewal term of 49 years.

CFHS is subletting a portion of the 25.2 acres to Tavistock, where Tavistock will be responsible for the development of the medical office building. Tavistock requested a 97-year lease term to build, and in order to do so, CFHS must exercise its extension under the UCFAH/CFHS sublease. However, the existing sublease requires UCFAH and CFHS to determine a rental rate for the renewal term at the time the renewal term option is exercised. UCFAH would prefer to wait to evaluate the renewal rate until closer to the expiration of the existing 50-year term, so this proposed Third Amendment to Ground Sublease clarifies that the time frame for commencing the process for determining the renewal term rent is not at the time that CFHS exercises the option to renew, but rather is 24 months prior to the end of the initial term.

This proposed Third Amendment to the Ground Sublease permits Tavistock to have the term of sublease it desires to build a medical office building, while protecting UCFAH's ability to adequately evaluate the rental rate at a date in the future when the project is more fully developed.

Issues to be Considered:

UCFAH's administrative team worked with outside counsel and the UCF Office of the General Counsel to draft the proposed Third Amendment to Ground Sublease. The Third Amendment to Ground Sublease was previously approved by the Board of Directors for UCFAH on November 18.

Alternatives to Decision:

Decline to approve the Third Amendment to Ground Sublease or request that revisions be made to the Third Amendment to Ground Sublease.

Fiscal Impact and Source of Funding:

N/A

Recommended Action:

Review and approve the Third Amendment to Ground Sublease and authorize the university to enter into any necessary closing documents that may be needed to effectuate the sub-sub ground lease to Tavistock.

Authority for Board of Trustees Action:

UCF Board of Trustees Policy Delegation of Authority to the President (Items requiring specific approval of the Board, Item 5. Acquisition (including gifts), sale or encumbrance of real property)

Contract Reviewed/Approved by General Counsel:

Jeanette C. Schreiber and Jennifer F. Cerasa

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer
Jeanette C. Schreiber, Associate Vice President for Medical Affairs and Chief Legal Officer

Supporting Documentation:

Attachment A: Contract Summary Form for Third Amendment to Ground Sublease

Facilitators/Presenters:

Jeanette C. Schreiber, Associate Vice President for Medical Affairs and Chief Legal Officer
Jennifer F. Cerasa, Senior Associate General Counsel

Attachment A

Summary of Agreement

Purpose/Background	UCF Academic Health, Inc (“UCFAH”) is the landlord and Central Florida Health Services, LLC (“CFHS”) is the tenant under a Ground Sublease dated August 22, 2017 (the “Ground Sublease”) for approximately 25.2 acres in Lake Nona, inclusive of the UCF Medical Center at Lake Nona site. The Ground Sublease has an Initial Term of 50 years and grants to CFHS the option to renew the Ground Sublease for an additional Renewal Term of 49 years. The amount of rent to be paid during the Renewal Term is not established in the Ground Sublease, but rather a process for determining the rent is set out which will involve appraisals of the leased property as it will exist at the beginning of the 49 year renewal term. CFHS has opted to exercise its extension to renew the Term of the Sublease now, so this Amendment changes the time frame for determining the Renewal Term Rent to twenty-four (24) months prior to the end of the Initial Term (August 21, 2067). This Amendment will allow CFHS to enter into a 97-year Ground Sub Sub Lease with Tavistock to develop a medical office building.
Parties	UCF Academic Health, Inc (“UCFAH”)- Landlord Central Florida Health Services, LLC (“CFHS”)- Tenant
Term	97 years total – started in 2017 Initial Term of 50 years, CFHS is exercising its option to renew the term for an additional 49 years upon approval of this First Amendment. New expiration date: August 21, 2116.
Obligations of UCF	Commence the process for determining the Renewal Term Rent on August 21, 2065.
Financial terms	To be determined. Renewal Rental Rate will be decided 24 months prior to the end of the Initial Term of the Ground Sublease (2065).
Termination rights	None.
Additional terms	N/A

Link to agreement	https://bot.ucf.edu/files/2019/11/UCFTeaching-Hospital-THIRD-AMENDMENT-TO-GROUND-SUBLEASE.pdf

ITEM: INFO-1

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Quarterly Operating Budget Report Ended June 30, 2019

Background:

This item provides quarterly operating financial information to the trustees for information purposes only.

Issues to be Considered:

The attached reports include year-to-date revenues and expenditures for the fiscal year ended June 30, 2019 and 2018 in comparison to the operating budget, along with narrative discussion of significant changes in year-over-year financial results. Overall, revenues and expenditures as a percent of the operating budget are 89.2 percent and 87.9 percent, respectively, compared to 87.3 percent and 85.4 percent in the prior year. Specific activities and variances in certain budget categories are described below.

Alternatives to Decision:

N/A

Fiscal Impact and Source of Funding:

N/A

Recommended Action:

For information only

Authority for Board of Trustees Action:

Specific trustee request

Committee Chair or Chairman of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Supporting Documentation:

Attachment A: UCF Operating Budget Quarterly Report

Facilitators/Presenters:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

University of Central Florida Operating Budget Report

as of June 30, 2019 (100% of year)

2018-19

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 767,028,366	\$ 660,173,274	\$ 834,874,276	79.1%	91.9%	\$ 106,855,092	\$ 192,342,492
Medical School	45,570,196	45,922,859	57,746,237	79.5%	78.9%	(352,663)	12,469,224
Auxiliary Enterprises	262,225,088	339,045,700	342,073,719	99.1%	76.7%	(76,820,612)	170,762,725
Sponsored Research	163,568,268	164,475,432	171,988,000	95.6%	95.1%	(907,163)	17,262,602
Student Financial Aid	569,818,932	573,626,235	620,465,788	92.5%	91.8%	(3,807,303)	35,856,378
Student Activities	20,642,735	19,735,349	23,729,718	83.2%	87.0%	907,386	6,720,833
Concessions	573,548	408,914	750,000	54.5%	76.5%	164,634	1,127,274
Technology Fee	9,640,040	9,007,488	9,100,000	99.0%	105.9%	632,552	10,422,368
	\$ 1,839,067,172	\$ 1,812,395,249	\$ 2,060,727,738	87.9%	89.2%	\$ 26,671,923	\$ 446,963,897

2017-18

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 646,706,742	\$ 623,733,566	801,415,203	77.8%	80.7%	\$ 22,973,176	\$ 171,372,145
Medical School	42,845,590	46,928,281	58,195,397	80.6%	73.6%	(4,082,690)	16,551,914
Auxiliary Enterprises	229,111,600	217,386,587	275,887,508	78.8%	83.0%	11,725,013	152,958,754
Sponsored Research	157,232,829	154,075,803	163,703,000	94.1%	96.0%	3,157,026	14,105,576
Student Financial Aid	540,368,652	535,864,321	550,000,000	97.4%	98.2%	4,504,331	31,352,047
Student Activities	21,029,277	24,239,372	28,217,277	85.9%	74.5%	(3,210,095)	9,930,928
Concessions	620,940	722,214	750,000	96.3%	82.8%	(101,274)	1,228,548
Technology Fee	9,468,952	8,518,246	9,100,000	93.6%	104.1%	950,706	9,471,663
	\$ 1,647,384,583	\$ 1,611,468,390	\$ 1,887,268,385	85.4%	87.3%	\$ 35,916,193	\$ 406,971,575

University of Central Florida Operating Expenditure Report

as of June 30, 2019 (100% of year)

2018-19

	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	\$ 463,158,379	\$ 184,871,526	\$ 12,143,369	\$ -	\$ 660,173,274	70.2%	28.0%	1.8%	-	100.0%
Medical School	34,367,611	10,138,400	1,361,050	55,798	45,922,859	74.8%	22.1%	3.0%	0.1%	100.0%
Auxiliary Enterprises	102,711,172	221,641,691	1,450,512	13,242,324	339,045,700	30.3%	65.4%	0.4%	3.9%	100.0%
Sponsored Research	77,453,683	82,280,674	4,741,075	-	164,475,432	47.1%	50.0%	2.9%	-	100.0%
Student Financial Aid	5,758,692	567,867,543	-	-	573,626,235	1.0%	99.0%	-	-	100.0%
Student Activities	10,416,826	9,316,221	-	2,301	19,735,349	52.8%	47.2%	-	0.0%	100.0%
Concessions	487	408,427	-	-	408,914	0.1%	99.9%	-	-	100.0%
Technology Fee	42,944	7,189,991	1,774,554	-	9,007,488	0.5%	79.8%	19.7%	-	100.0%
	\$ 693,909,795	\$ 1,083,714,472	\$ 21,470,560	\$ 13,300,423	\$ 1,812,395,249	38.3%	59.8%	1.2%	0.7%	100.0%

2017-18

	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	\$ 423,934,298	\$ 188,770,454	\$ 11,028,814	\$ -	\$ 623,733,566	68.0%	30.3%	1.8%	-	100.0%
Medical School	34,751,920	10,466,945	1,709,416	-	46,928,281	74.1%	22.3%	3.6%	-	100.0%
Auxiliary Enterprises	95,936,546	104,978,597	2,380,614	14,090,830	217,386,587	44.1%	48.3%	1.1%	6.5%	100.0%
Sponsored Research	71,814,883	78,769,682	3,491,238	-	154,075,803	46.6%	51.1%	2.3%	-	100.0%
Student Financial Aid	5,854,681	530,004,558	5,082	-	535,864,321	1.1%	98.9%	0.0%	-	100.0%
Student Activities	10,461,567	13,728,263	49,542	-	24,239,372	43.2%	56.6%	0.2%	-	100.0%
Concessions	893	721,321	-	-	722,214	0.1%	99.9%	-	-	100.0%
Technology Fee	170,134	6,970,886	1,377,227	-	8,518,246	2.0%	81.8%	16.2%	-	100.0%
	\$ 642,924,923	\$ 934,410,704	\$ 20,041,933	\$ 14,090,830	\$ 1,611,468,390	39.9%	58.0%	1.2%	0.9%	100.0%

University of Central Florida Operating Budget Report

as of June 30, 2019 (100% of year)

Statistical Information

Student Credit Hours ¹

Actual Compared to UCF Plan

	2018-19				2017-18			
	Actual	Plan	Difference	% Variance	Actual	Plan	Difference	% Variance
Summer ²	278,485	267,046	11,439	4.3%	254,450	253,151	1,299	0.5%
Fall	741,315	724,314	17,001	2.3%	712,335	704,555	7,780	1.1%
Spring	707,325	691,916	15,409	2.2%	686,316	679,317	6,999	1.0%
	1,727,125	1,683,276	43,849	2.6%	1,653,101	1,637,023	16,078	1.0%

Current Year Compared to Prior Year

	2018-19				2017-18			
	2018-19	2017-18	Difference	% Variance	2017-18	2016-17	Difference	% Variance
Summer ²	278,485	254,450	24,035	9.4%	254,450	244,369	10,081	4.1%
Fall	741,315	712,335	28,980	4.1%	712,335	690,075	22,260	3.2%
Spring	707,325	686,316	21,010	3.1%	686,316	660,185	26,131	4.0%
	1,727,125	1,653,101	74,025	4.5%	1,653,101	1,594,629	58,472	3.7%

Additional Statistical Information

	2018-19	2017-18	Difference	% Variance
Student headcount - Fall 2018 and 2017	68,558	66,180	2,378	3.6%
Percent in-state students - Fall 2018 and 2017	90.7%	91.5%	-0.8%	
Foundation endowment - June 30, 2018 and 2017	\$ 161,573,513	\$ 155,232,331	\$ 6,341,182	4.1%
Foundation assets - June 30, 2018 and 2017	\$ 338,113,316	\$ 320,594,257	\$ 17,519,059	5.5%
On-campus housing, including Greek housing ³	6,907			
Rosen Campus housing ³	384			
Affiliated housing ³	3,756			
Managed housing ³	1,235			
Gross square footage - Orlando Campus ³	9,525,265			
Acreage - Orlando Campus ³	1,415			

¹ Medical students are not included in student credit hours.

² Summer 2018 data. Summer 2019 will be included in 2019-20 reporting.

³ As of Fall 2018

University of Central Florida Operating Budget Status

June 30, 2019

Year-to-Date Activity and Variances

The attached reports include revenues and expenditures for the fiscal year ended June 30, 2019, compared to the operating budget. Student credit hours are 2.6 percent higher than the enrollment plan and 4.5 percent higher than the prior year. Overall, revenues and expenditures as a percent of the operating budget are 89.2 percent and 87.9 percent, respectively, compared to 87.3 percent and 85.4 percent in the prior year. Specific activities and variances in certain budget categories are described below.

Educational & General

Revenues increased \$120.3 million over prior year. This reflects a (a) \$14.2 million increase in tuition and fees attributed to enrollment growth and an increase in out-of-state students; (b) \$10.9 million pro-rata share of realized gains from the university's structured investment portfolio; (c) \$6.3 million increase in lottery distributions received from the Department of Education for educational enhancement; (d) \$2.0 million reimbursement of waivers given for disaster relief for Hurricane Maria; and (e) \$84.7 million return of E&G funds transferred to facility projects in previous years. Of this amount, approximately \$38.2 million was used for the construction of Trevor Colbourn Hall, \$13.8 million was spent on nine additional repair/renovation and construction projects, and \$32.4 million had been transferred but unspent at the end of the prior year. The \$38.2 million and \$13.8 million expended amounts were replaced with unrestricted auxiliary and research funds as noted in the respective sections below.

Expenditures increased \$36.4 million. This increase was primarily driven by compensation and benefits increases of \$39.2 million due to investments in the university faculty hiring plan and support personnel, as well as annual increases in health and retirement benefits.

Medical School

Revenues increased \$2.7 million due to an increase in state appropriations for the Professional and Graduate Degree Excellence Program.

Expenditures decreased \$1.0 million due to operating costs for Lake Nona Gateway and Pegasus Health Quad Building now covered by Pegasus Health which is an Auxiliary fund.

Auxiliary

Revenues increased \$33.1 million. The increase is primarily driven by (a) \$17.4 million higher revenues from medical residency programs, market rate programs, transportation, health and equipment fees; and bookstore commissions; (b) \$9.2 million in sales of IT related equipment from the UCF Technology Product Center and the Office of Instructional Resources for UCF Downtown and the Academic Commons project; (c) \$3.0 million net increase in pro-rata share of

University of Central Florida Operating Budget Status

June 30, 2019

realized gains from the university's structured portfolio; and (d) \$1.6 million of capital contributions from a food service vendor.

Expenditures increased by \$121.7 million. The increase is primarily driven by (a) \$77.9 million due to increases over prior year in funding to university construction. Current year funding going towards the following: \$44.7 million to replace E&G funds expended on facility projects (predominantly Trevor Colburn Hall), \$2.7 million UCF Downtown Student Center, \$11.3 million UCF Downtown Academic Building, and \$39.7 million for the internal loan to fund construction costs incurred as of 6/30/19. Additionally, there were increases to expenditures due to (b) \$35.8 million increase due to pro-rata share of unrealized losses from the university's structured portfolio; and (c) \$6.8 million increase in compensation primarily due to the expansion of the medical residency programs, other increases in staff headcount, pay rate increases and increases in health and retirement benefits.

Sponsored Research

Revenues increased \$6.3 million primarily related to increases in Federal and state funding.

Expenditures increased \$10.4 million. This reflects \$7.6 million used to replace E&G funds expended on nine additional repair/renovation and construction projects and \$5.6 million increase in compensation and benefits primarily due to increases in staff headcount, pay rate increases and increases in health and retirement benefits. These increases are partially offset by a decrease of \$2.2 million related to Federal research activity.

Student Financial Aid

Revenues increased \$29.5 million due primarily to higher State funding for Bright Futures of \$32.9 million. Federal Pell grants and institutional funding increases were offset by lower Federal loan funding benefiting students as they incur lower educational debt.

Expenditures increased \$37.8 million. State, institutional and private funded awards increased by \$33.2 million, \$9.1 million and \$2.2 million, respectively. Federal funded awards decreased by \$9.8 million. Differences between revenues and expenditures by category are primarily related to timing differences between receipt and disbursement of funds.

Student Activities

There was no significant increase in revenues.

Expenditures decreased \$4.5 million due to funding transferred of \$4.5 million to construction for the Student Union 3rd floor expansion project made in FY18.

Concessions

There was no significant increase in revenues or expenditures.

**University of Central Florida
Operating Budget Status**

June 30, 2019

Technology Fee

Technology fee revenues were consistent with the prior year. Technology fee expenditure variances are due to timing differences in the progress of the various projects. Approximately 54 percent of 2018-19, 67 percent of 2017-18 and 95 percent of the 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 Status

June 30, 2019

Budgets

Educational & General. The Educational & General budget includes expenditures for operating activities (including general instruction, research, public service, plant operations and maintenance, student services, libraries, administrative support, and other enrollment related operations). This budget is funded by general revenue, Educational Enhancement funds (Lottery), 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, grant, 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 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 commissions and related sponsorship revenue. These funds are used for events and other expenditures that support the university.

Technology Fee. The revenue from this fee will be used to enhance instructional technology resources for students and faculty.

University of Central Florida Operating Budget Status

June 30, 2019

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-2

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Investments Quarterly Report Ended September 30, 2019

Background:

This item is provided to the trustees quarterly for information purposes only. The attached report provides an update on the university's investment portfolio for the quarter ended September 30, 2019 (Attachment A).

At September 30, 2019, the university had the following cash and investment balances:

Bank of America operating account	\$ 7,389,071
State of Florida Special Purpose Investment Account (SPIA)	\$ 352,220,312
Bank of New York Structured Investment Portfolio	<u>\$ 298,996,032</u>
Total Cash and Investments	<u>\$ 658,605,415</u>

The structured investment portfolio earned quarterly net gains totaling \$3,267,680.

Issues to be Considered:

N/A

Alternatives to Decision:

N/A

Fiscal Impact and Source of Funding:

N/A

Recommended Action:

For information only.

Authority for Board of Trustees Action:

Specific trustee request.

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Supporting Documentation:

Attachment A: UCF Investments Quarterly Report as of September 30, 2019

Facilitators/Presenters:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Cash & Non-Investment Portfolio	03/31/2019 Reported Value	06/30/2019 Reported Value	09/30/2019 Reported Value
Bank of America	\$9,644,868	\$13,745,560	\$7,389,071
SPIA	\$320,683,277	\$281,219,072	\$352,220,312
Total Cash & Non-Investment Portfolio	\$330,328,145	\$294,964,632	\$359,609,383

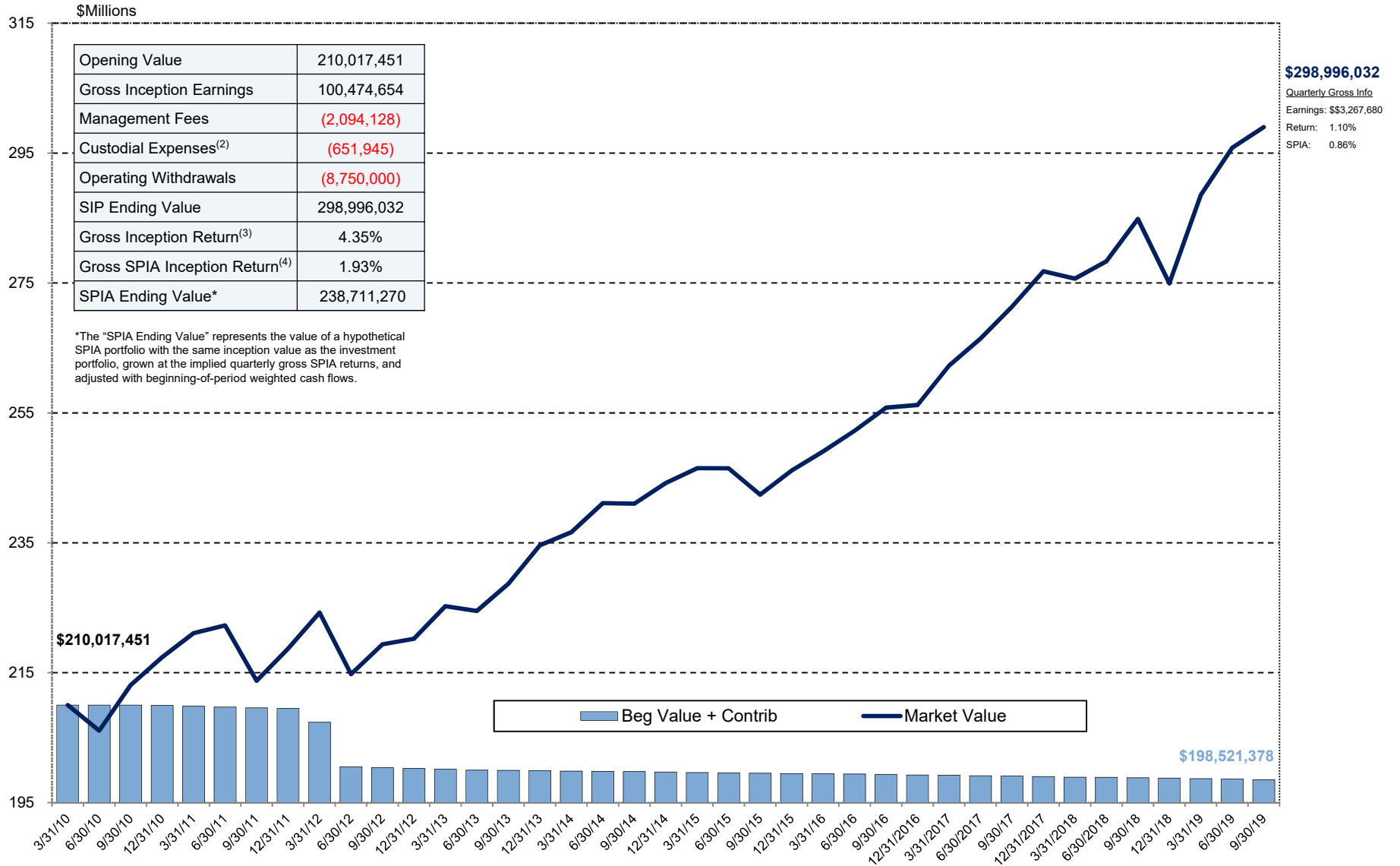
Structured Investment Portfolio (BNY)	03/31/2019 Reported Value	06/30/2019 Reported Value	2nd Quarter Gain/(Loss)	09/30/2019 Reported Value	3rd Quarter Gain/(Loss)	Inception Gain/(Loss) ⁽²⁾
Pool I	\$0	\$0	\$0	\$0	\$0	\$85,786
Pool II	\$52,349,394	\$52,831,597	\$498,822	\$53,148,892	\$347,746	\$3,519,895
Fixed Income (Pool III) ⁽³⁾	\$117,011,137	\$119,180,437	\$2,203,664	\$120,235,857	\$1,106,561	\$19,817,234
Domestic Equity (Pool III)	\$20,940,037	\$21,839,849	\$899,813	\$22,209,206	\$369,357	\$20,811,442
Total Pool III	\$137,951,174	\$141,020,286	\$3,103,476	\$142,445,063	\$1,475,918	\$40,628,676
Fixed Income (Pool IV) ⁽⁴⁾	\$33,961,512	\$34,995,767	\$1,051,797	\$35,766,990	\$800,566	\$9,887,099
Domestic Equity (Pool IV)	\$49,922,248	\$52,067,452	\$2,145,204	\$52,948,019	\$880,567	\$41,325,824
International Equity (Pool IV)	\$14,368,167	\$14,924,183	\$556,016	\$14,687,067	(\$237,116)	\$5,027,370
Total Pool IV	\$98,251,927	\$101,987,402	\$3,753,017	\$103,402,076	\$1,444,017	\$56,240,294
Total Structured Investment Portfolio	\$288,552,494	\$295,839,286	\$7,355,316	\$298,996,032	\$3,267,680	\$100,474,654

Total Operating Portfolio	\$618,880,639	\$590,803,918	\$658,605,415	Total Equity Allocation	13.64%
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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 \$4,799 cash balance held in the Pool III mutual fund account.
 4. Pool IV's fixed Income market value includes the \$10,058 cash balance held in the Pool IV mutual fund account.



University of Central Florida
Structured Investment Portfolio vs. Net Contributions⁽¹⁾
 As of September 30, 2019



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 = \$98,380,526. Net inception return = 4.25%
 4. The gross SPIA inception return corresponds with the 3/31/10 inception of UCF's investment portfolio. Net inception SPIA return = 1.81%



Pool I:	Yes	No	N/A
Investments limited to registered 2a-7 mutual funds, CDARS, and or/SPIA.			✓

Pool II:	Yes	No	N/A
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.	✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the Merrill Lynch 1-Year Treasury index by 25%.	✓		
The maximum average effective maturity of any single security shall not exceed 3 years.	✓		
Operating Pool II shall maintain a dollar-weighted average effective maturity of 1 years or less.	✓		

Pool III Equity:	Yes	No	N/A
Investments in equity securities shall not exceed twenty percent (20%) of the market value of Operating Pool III's assets.	✓		

Pool III Fixed:	Yes	No	N/A
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 7 years or less.	✓		

Pool IV Equity:	Yes	No	N/A
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.	✓		

Pool IV Fixed:	Yes	No	N/A
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.



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	35% Barclays Agg + 50% S&P 500 + 15% MSCI-ACWxUS

Pool I	\$0	Current Allocation
Cash & Equivalents	\$0	100.0%
Fidelity Money Market	\$0	

Pool II	\$53,148,892	Current Allocation
Short-Term Fixed Income	\$53,148,892	100.0%
Galliard Capital Management	\$53,148,892	

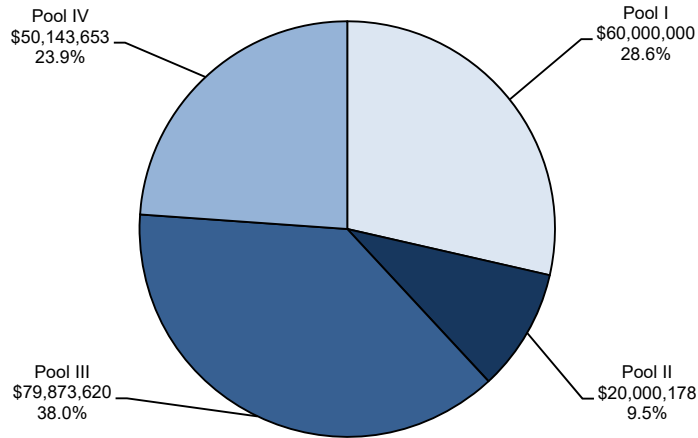
Pool III	\$142,445,063	Current Allocation
Intermediate Fixed Income (85%)	\$120,235,857	84.4%
Galliard Capital Management ⁽¹⁾	\$64,713,781	
Sawgrass Asset Management	\$55,522,077	
Domestic Equity (15%)	\$22,209,206	15.6%
Vanguard Institutional Index	\$22,209,206	

Pool IV	\$103,402,076	Current Allocation
Broad Market Fixed Income (35%)	\$35,766,990	34.6%
Galliard Capital Management ⁽²⁾	\$22,930,580	
Dodge & Cox Income	\$12,836,410	
Domestic Equity (50%)	\$52,948,019	51.2%
Vanguard Institutional Index	\$52,948,019	
International Equity (15%)	\$14,687,067	14.2%
Europacific Growth	\$14,687,067	

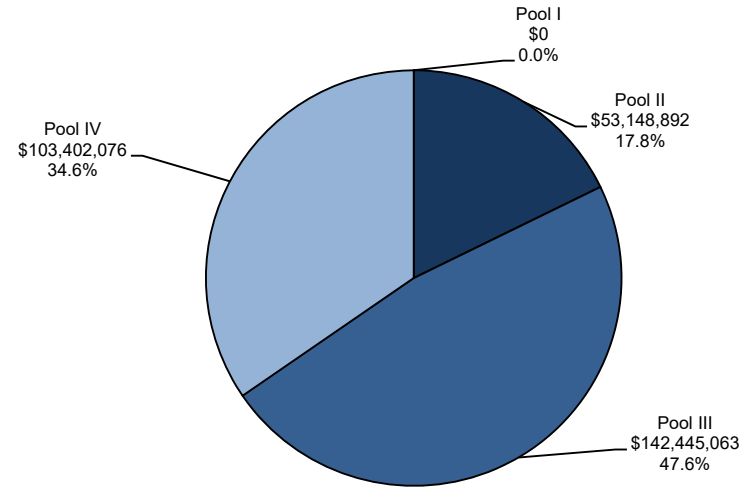
1. Pool III's Galliard Asset Management's market value includes the \$4,798.69 cash balance held in the Pool III mutual fund account.
 2. Pool IV's Galliard market value includes the \$10,057.50 cash balance held in the Pool IV mutual fund account.



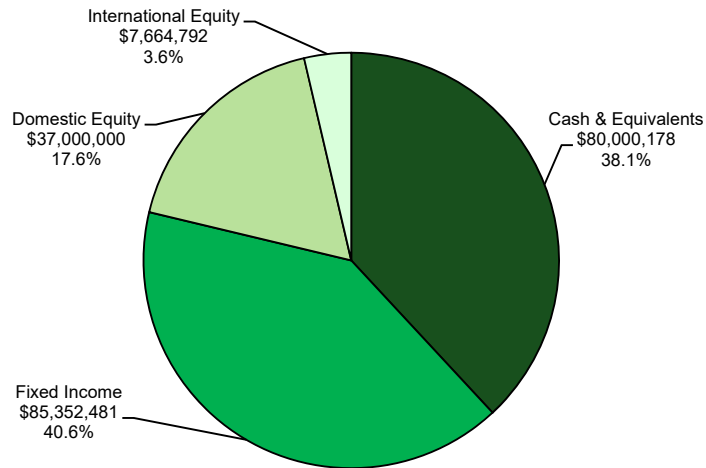
**3/31/2010: \$210,017,451
Pool Allocation**



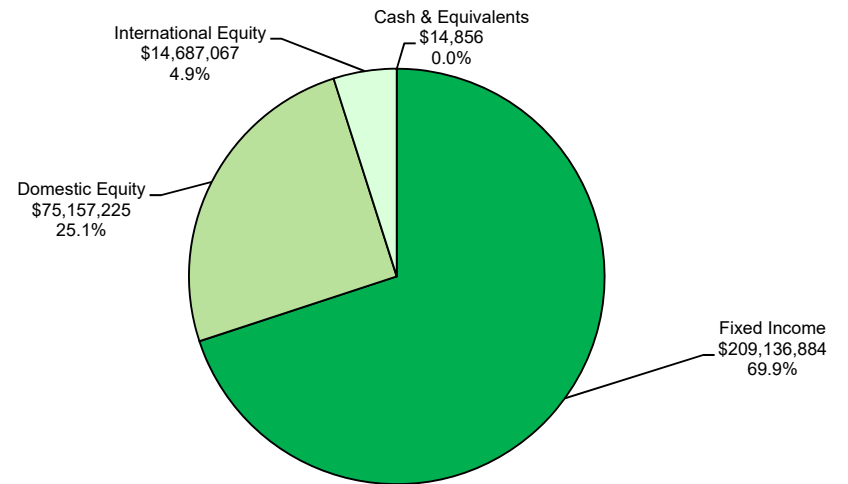
**09/30/2019: \$298,996,032
Pool Allocation**



Asset Allocation



Asset Allocation



ITEM: INFO-3

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: University Draft Audited Financial Report 2018-19

Background:

This item is provided to the trustees annually for information purposes only. In accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the State of Florida Auditor General's office is currently conducting the financial statement audit for the University of Central Florida and its aggregate discretely presented statements, which collectively comprise the University's basic financial statements, as of and for the fiscal year ended June 30, 2019. The audit is expected to be completed and report issued between January – March 2020. The final report will be provided to this committee for review.

Issues to be Considered:

At this time, we are not aware of any adjustments or pending issues regarding this audit.

Alternatives to Decision:

N/A

Fiscal Impact and Source of Funding:

N/A

Recommended Action:

For information only

Authority for Board of Trustees Action:

Specific trustee request.

Committee Chair or Chairman of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Supporting Documentation:

Attachment A: University Draft Audited Financial Report 2018-19

Facilitators/Presenters:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, 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, 2019, and June 30, 2018.

FINANCIAL HIGHLIGHTS

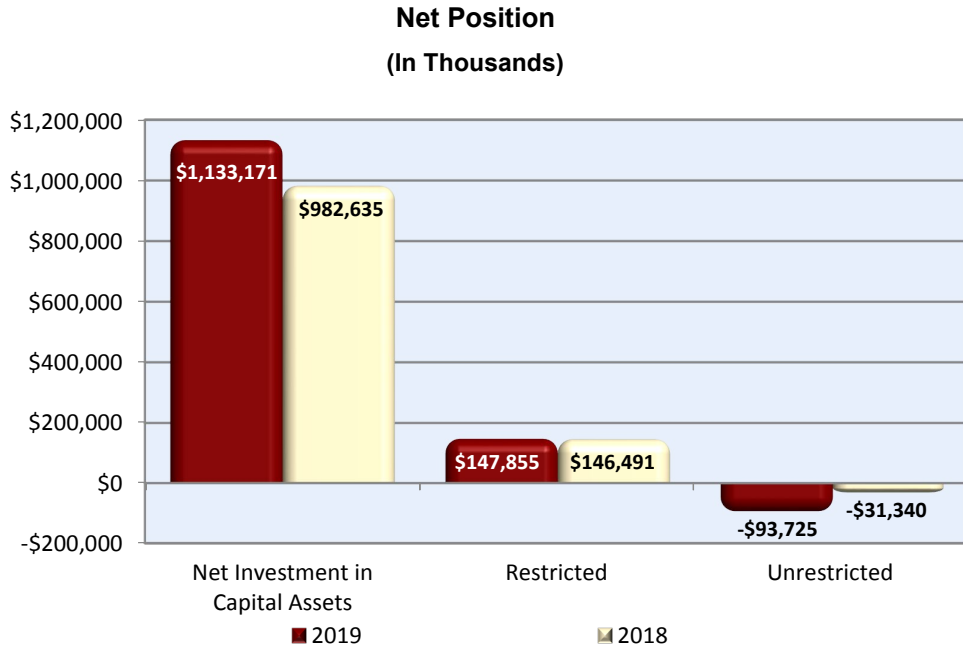
The University's assets and deferred outflows of resources totaled \$2.2 billion at June 30, 2019. This balance reflects a \$135.9 million, or 6.7 percent, increase as compared to June 30, 2018, resulting primarily from the transfer of capital assets from one component unit described below and higher construction activity. Liabilities and deferred inflows of resources increased by \$46.3 million, or 5.0 percent, totaling \$982.4 million at June 30, 2019, resulting primarily from annual changes in actuarial determined amounts for other postemployment benefits and pensions. As a result, the University's net position increased by \$89.5 million, resulting in a year-end balance of \$1.2 billion.

The University's operating revenues totaled \$558.9 million for the 2018-19 fiscal year, representing a 1.6 percent increase compared to the 2017-18 fiscal year. Operating expenses totaled \$1.2 billion for the 2018-19 fiscal year, representing an increase of 9.2 percent as compared to the 2017-18 fiscal year due mainly to increases in compensation and employee benefits, services and supplies, and scholarships, fellowships, and waivers.

Other revenues of \$104.4 million includes a \$78.3 million transfer of capital assets from one component unit. In the 2018-19 fiscal year, the defeasance of certain UCF Convocation Corporation Certificates of Participation terminated ground leases with the University and all improvements on the leased land transferred ownership to the University. The transfer of capital assets included the residential facilities, parking facilities, and convocation retail buildings. The assets were recognized by the University at carrying value as a capital transfer to the University.

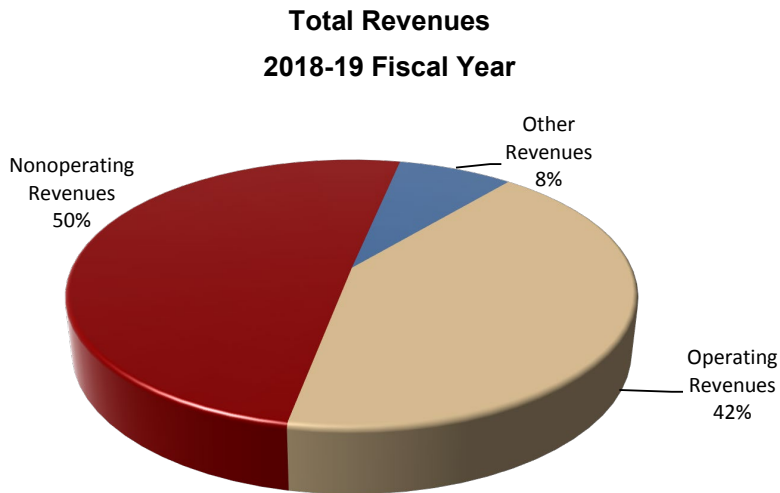
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:

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The deficit unrestricted net position for 2019 and 2018 can be attributed primarily to the full recognition of certain long-term liabilities (i.e. compensated absences payable, other postemployment benefits payable and net pension liabilities) in the current unrestricted funds that are expected to be paid over time. Additional information about the University’s deficit net position in individual funds is presented in Note 3 in the accompanying notes to financial statements.

The following chart provides a graphical presentation of University revenues by category for the 2018-19 fiscal year:



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OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of 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
 - UCF Stadium 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 financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, 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, deferred inflows of resources, and net position at June 30:

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

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 601,080	\$ 628,594
Capital Assets, Net	1,286,116	1,147,334
Other Noncurrent Assets	<u>128,598</u>	<u>106,460</u>
Total Assets	<u>2,015,794</u>	<u>1,882,388</u>
Deferred Outflows of Resources	<u>153,916</u>	<u>151,467</u>
Liabilities		
Current Liabilities	141,798	123,159
Noncurrent Liabilities	<u>759,988</u>	<u>760,062</u>
Total Liabilities	<u>901,786</u>	<u>883,221</u>
Deferred Inflows of Resources	<u>80,623</u>	<u>52,848</u>
Net Position		
Net Investment in Capital Assets	1,133,171	982,635
Restricted	147,855	146,491
Unrestricted	<u>(93,725)</u>	<u>(31,340)</u>
Total Net Position	<u>\$ 1,187,301</u>	<u>\$ 1,097,786</u>

Total assets as of June 30, 2019, increased by \$133.4 million or 7.1 percent. This increase is primarily due to higher capital related activity including building construction and transfer of capital assets previously discussed. Major capital projects include the development of a downtown campus, renovations and modernization of the library, and expansion of the student union.

Deferred outflows of resources increased by \$2.4 million, or 1.6 percent. Deferred inflows of resources increased by \$27.8 million, or 52.6 percent. These changes were primarily related to annual changes in actuarial determined amounts for other postemployment benefits and pensions.

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 2018-19 and 2017-18 fiscal years:

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

(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
Operating Revenues	\$ 558,896	\$ 550,334
Less, Operating Expenses	<u>1,201,207</u>	<u>1,100,003</u>
Operating Loss	(642,311)	(549,669)
Net Nonoperating Revenues	<u>627,432</u>	<u>568,965</u>
Income (Loss) Before Other Revenues	(14,879)	19,296
Other Revenues	<u>104,394</u>	<u>18,988</u>
Net Increase In Net Position	89,515	38,284
Net Position, Beginning of Year	1,097,786	1,279,955
Adjustment to Beginning Net Position (1)	<u>-</u>	<u>(220,453)</u>
Net Position, Beginning of Year, as Restated	<u>1,097,786</u>	<u>1,059,502</u>
Net Position, End of Year	<u>\$ 1,187,301</u>	<u>\$ 1,097,786</u>

(1) For the 2017-18 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

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 gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2018-19 and 2017-18 fiscal years:

**Operating Revenues
For the Fiscal Years**

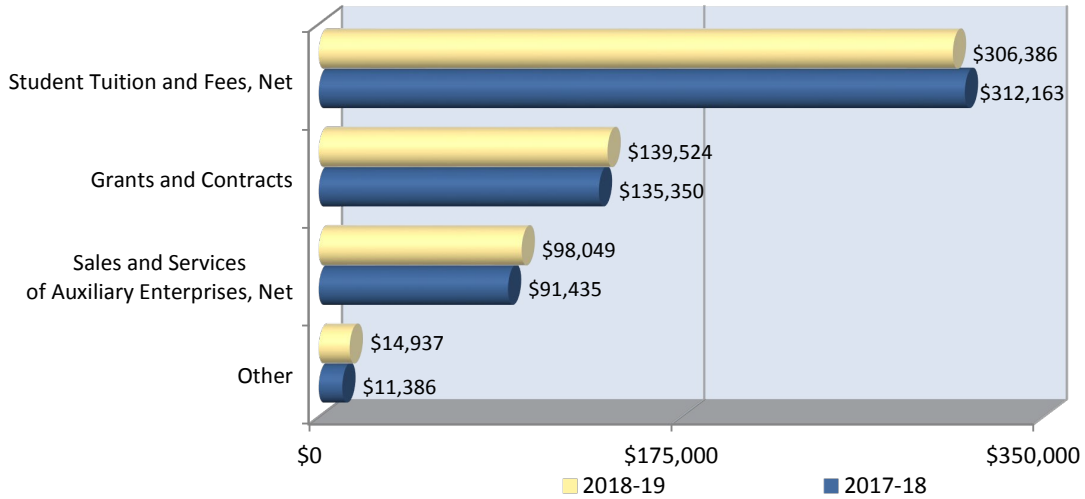
(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
Student Tuition and Fees, Net	\$ 306,386	\$ 312,163
Grants and Contracts	139,524	135,350
Sales and Services of Auxiliary Enterprises, Net	98,049	91,435
Other	<u>14,937</u>	<u>11,386</u>
Total Operating Revenues	<u>\$ 558,896</u>	<u>\$ 550,334</u>

The following chart presents the University's operating revenues for the 2018-19 and 2017-18 fiscal years:

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Operating Revenues
(In Thousands)



Operating Expenses

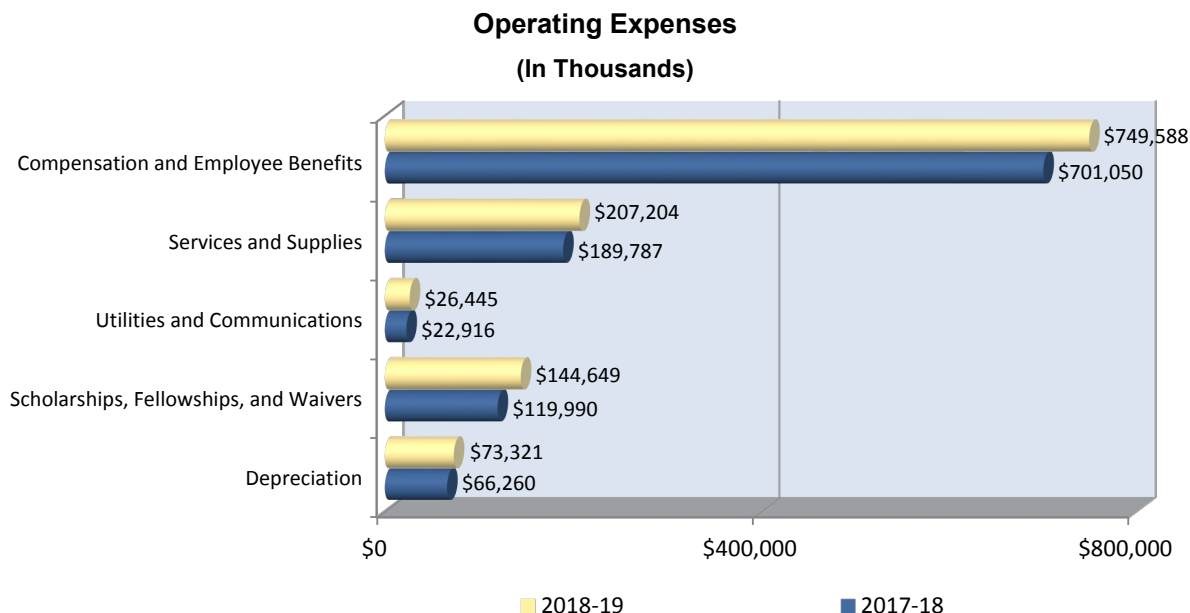
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University 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 operating expenses by natural classification for the 2018-19 and 2017-18 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
Compensation and Employee Benefits	\$ 749,588	\$ 701,050
Services and Supplies	207,204	189,787
Utilities and Communications	26,445	22,916
Scholarships, Fellowships, and Waivers	144,649	119,990
Depreciation	73,321	66,260
Total Operating Expenses	<u>\$ 1,201,207</u>	<u>\$ 1,100,003</u>

The following chart presents the University’s operating expenses for the 2018-19 and 2017-18 fiscal years:



Operating expenses increased \$101.2 million, or 9.2 percent, over the 2017-18 fiscal year. Compensation and employee benefits increased by \$48.5 million. Salaries increased \$39.5 million due to investments in the University faculty hiring plan including support personnel, growth in post-doctoral medical resident programs, and annual salary increases. Retirement expenses including actuarial determined pension expenses and healthcare expenses increased \$12.5 million. Services and supplies increased by \$17.4 million, or 9.2 percent, due to an increase in demand for computer store resale supplies, more repairs and maintenance activity, and consulting services for grant and other system upgrades. Scholarships, fellowships, and waivers increased by \$24.7 million, or 20.6 percent, resulting from increased awards for the Florida Bright Futures Scholarship Program and Federal Pell Grants.

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, 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 2018-19 and 2017-18 fiscal years:

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

(In Thousands)

	2018-19	2017-18
State Noncapital Appropriations	\$ 383,229	\$ 375,458
Federal and State Student Financial Aid	231,707	192,728
Investment Income	31,338	15,592
Other Nonoperating Revenues	24,131	25,766
Loss on Disposal of Capital Assets	(614)	(79)
Interest on Capital Asset-Related Debt	(6,678)	(7,534)
Other Nonoperating Expenses	(35,681)	(32,966)
Net Nonoperating Revenues	\$ 627,432	\$ 568,965

Net nonoperating revenues increased by \$58.5 million, or 10.3 percent, primarily due to a rise in Federal and State student financial aid of \$39.0 million. The University received additional funds for the Florida Bright Futures Scholarship Program and Federal Pell Grants in the 2018-19 fiscal year. Investment income increased by \$15.7 million due to an increase in realized gains from the liquidation of equity investments offset by an increase in unrealized losses.

Other Revenues

This category is composed of State capital appropriations, capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2018-19 and 2017-18 fiscal years:

**Other Revenues
For the Fiscal Years**

(In Thousands)

	2018-19	2017-18
State Capital Appropriations	\$ 13,849	\$ 12,472
Capital Transfers In	78,269	-
Capital Grants, Contracts, Donations, and Fees	12,276	6,516
Total	\$ 104,394	\$ 18,988

Other revenues were \$104.4 million for the 2018-19 fiscal year. This represents a \$85.4 million increase compared to the 2017-18 fiscal year due primarily to the transfer of the convocation center residential, parking, and retail assets from the UCF Convocation Corporation to the University as previously discussed.

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

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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 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows For the Fiscal Years		
(In Thousands)		
	<u>2018-19</u>	<u>2017-18</u>
Cash Provided (Used) by:		
Operating Activities	\$ (524,569)	\$ (440,992)
Noncapital Financing Activities	602,054	554,407
Capital and Related Financing Activities	(100,304)	(110,880)
Investing Activities	<u>25,309</u>	<u>4,226</u>
Net Increase in Cash and Cash Equivalents	2,490	6,761
Cash and Cash Equivalents, Beginning of Year	<u>25,784</u>	<u>19,023</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,274</u>	<u>\$ 25,784</u>

Cash and cash equivalents increased \$2.5 million. Cash used by operating activities increased by \$83.6 million compared to the 2017-18 fiscal year primarily due to an increase in cash payments to and on behalf of employees for compensation and benefits, payments to suppliers for goods and services, and payments to students for scholarships and fellowships. Cash inflows from noncapital financing activities increased by \$47.6 million primarily due to an increase in cash received from Federal and State student financial aid and State appropriations net of pass-through disbursements. Cash used by capital and related financing activities decreased by \$10.6 million primarily due to cash donations received for the construction of the UCF Downtown Academic Building. Cash provided by investing activities increased by \$21.1 million primarily due to the liquidation of equity investments.

Major sources of funds came from State noncapital appropriations (\$382.4 million), net student tuition and fees (\$302.9 million), Federal and State student financial aid (\$231.7 million), grants and contracts (\$141.6 million), and net sales and services of auxiliary enterprises (\$107.7 million). Major uses of funds were for payments made to and on behalf of employees (\$711.9 million), payments to suppliers (\$237.2 million), payments to students for scholarships and fellowships (\$144.6 million), and payments related to the purchase or construction of capital assets (\$126.3 million).

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

Capital Assets

At June 30, 2019, the University had \$2.2 billion in capital assets, less accumulated depreciation of \$894.6 million, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$73.3 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

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

	<u>2019</u>	<u>2018</u>
Land	\$ 43,016	\$ 42,742
Construction in Progress	113,518	90,060
Buildings	1,016,409	902,373
Infrastructure and Other Improvements	36,052	37,358
Furniture and Equipment	42,003	40,909
Library Resources	27,452	26,082
Leasehold Improvements	7,088	7,163
Works of Art and Historical Treasures	578	647
Capital Assets, Net	<u>\$ 1,286,116</u>	<u>\$ 1,147,334</u>

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2019, were incurred on projects completed: Trevor Colbourn Hall, John C. Hitt Library Renovations ARC Building, and Student Union Expansion Phase 2, and projects currently in progress: the UCF Downtown Academic Building, the John C. Hitt Library Renovations Phases 1A and 2, UCF Downtown Parking Garage, UCF Downtown Central Energy Plant, and Student Union Expansion Phases 3 and 4. The University's major construction commitments at June 30, 2019, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 160,091
Completed to Date	113,518
Balance Committed	<u>\$ 46,573</u>

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

Debt Administration

As of June 30, 2019, the University had \$169.3 million in outstanding capital improvement debt payable, and loans and notes payable, representing a decrease of \$11.3 million, or 6.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

DRAFT**Long-Term Debt at June 30****(In Thousands)**

	<u>2019</u>	<u>2018</u>
Capital Improvement Debt	\$ 108,453	\$ 117,242
Loans and Notes Payable	<u>60,861</u>	<u>63,359</u>
Total	<u>\$ 169,314</u>	<u>\$ 180,601</u>

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. Because of limited economic growth and increased demand for State resources, a modest decrease in State funding is anticipated in the 2019-20 fiscal year. The University manages this through the continual efficient and strategic use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments. The budget that the Florida Legislature adopted for the 2019-20 fiscal year included \$35.3 million in base-funding reductions for the State University System of which the University incurred \$5.3 million in reductions. Further, the University's performance funding was reduced by \$0.8 million.

In addition to State funding, the University relies on other revenue streams to maintain the open access to, and high quality of, its academic programs. Net tuition and fee revenue decreased 1.9 percent from 2017-18 to 2018-19. The decrease was primarily due to a 17.5 percent increase in scholarship allowances. Overall, enrollment increased 3.6 percent with a student count of approximately 68,558. The change was primarily due to a 1,051 headcount increase in undergraduate students entering college for the first time and a 933 headcount increase in undergraduate transfer students. 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 the University Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

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BASIC FINANCIAL STATEMENTS

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2019

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,470,384	\$ 13,743,492
Restricted Cash and Cash Equivalents	3,291,936	14,112,215
Investments	477,124,628	-
Accounts Receivable, Net	66,971,788	22,289,920
Loans and Notes Receivable, Net	935,982	-
Due from State	36,308,112	-
Due from Component Units	2,452,242	1,429,731
Due from University	-	19,789,760
Inventories	2,561,406	4,849
Other Current Assets	4,963,923	3,864,006
Total Current Assets	601,080,401	75,233,973
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	18,512,027	2,860,470
Restricted Investments	97,683,454	227,412,436
Loans and Notes Receivable, Net	4,068,750	17,331,592
Depreciable Capital Assets, Net	1,129,363,508	86,732,091
Nondepreciable Capital Assets	156,752,212	67,610,715
Due from Component Units	5,160,148	-
Other Noncurrent Assets	3,173,089	592,352
Total Noncurrent Assets	1,414,713,188	402,539,656
Total Assets	2,015,793,589	477,773,629
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	6,219,000	-
Pensions	135,441,412	-
Deferred Loss on Debt Refundings	12,256,040	4,836,510
Total Deferred Outflows of Resources	153,916,452	4,836,510
LIABILITIES		
Current Liabilities:		
Accounts Payable	13,408,816	9,502,758
Construction Contracts Payable	21,827,398	-
Salary and Wages Payable	28,781,043	-
Deposits Payable	9,249,406	-
Due to Component Units	19,789,760	1,429,731
Due to University	-	2,452,242
Unearned Revenue	26,899,467	15,403,250
Other Current Liabilities	1,807,481	2,266,909
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	8,410,000	-
Bonds Payable	-	9,618,000
Loans and Notes Payable	2,559,000	4,924,608
Compensated Absences Payable	4,147,857	94,088
Other Postemployment Benefits Payable	3,446,000	-
Net Pension Liability	1,472,470	-
Total Current Liabilities	141,798,698	45,691,586

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UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2019

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	100,042,833	-
Bonds Payable	-	209,048,299
Loans and Notes Payable	58,302,000	76,566,999
Compensated Absences Payable	55,107,236	606,338
Other Postemployment Benefits Payable	289,887,000	-
Net Pension Liability	247,827,119	-
Unearned Revenues	-	29,287
Due to University	-	5,160,148
Other Noncurrent Liabilities	8,821,367	333,376
	759,987,555	291,744,447
Total Noncurrent Liabilities		
	901,786,253	337,436,033
Total Liabilities		
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	59,068,000	-
Pensions	21,554,701	-
	80,622,701	-
Total Deferred Inflows of Resources		
NET POSITION		
Net Investment in Capital Assets	1,133,171,168	(138,759,982)
Restricted for Nonexpendable:		
Endowment	-	139,179,939
Restricted for Expendable:		
Debt Service	1,411,528	-
Loans	3,319,150	-
Capital Projects	124,459,288	2,241,857
Other	18,665,069	117,513,284
Unrestricted	(93,725,116)	24,999,008
	\$ 1,187,301,087	\$ 145,174,106
TOTAL NET POSITION		

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

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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, 2019

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$199,575,020 (Pledged for Capital Improvement Debt: \$17,919,743 for Student Health and \$15,043,319 for Parking)	\$ 306,386,490	\$ -
Federal Grants and Contracts	102,499,974	-
State and Local Grants and Contracts	8,685,881	-
Nongovernmental Grants and Contracts	28,338,452	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$29,801,945 for Housing and \$6,683,121 for Parking)	98,049,160	-
Gifts and Donations	-	34,962,490
Interest on Loans and Notes Receivable	117,613	-
Other Operating Revenues Pledged for Capital Improvement Debt: \$556,445 for Housing and \$1,331,007 for Parking)	14,818,329	133,467,762
Total Operating Revenues	558,895,899	168,430,252
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	749,588,114	20,125,758
Services and Supplies	207,204,315	131,912,609
Utilities and Communications	26,444,589	-
Scholarships, Fellowships, and Waivers	144,648,993	-
Depreciation	73,321,362	3,904,222
Total Operating Expenses	1,201,207,373	155,942,589
Operating Income (Loss)	(642,311,474)	12,487,663
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	383,228,705	-
Federal and State Student Financial Aid	231,706,545	-
Investment Income	31,337,593	385,245
Other Nonoperating Revenues	24,131,316	14,826,543
Loss on Disposal of Capital Assets	(613,619)	-
Interest on Capital Asset-Related Debt	(6,677,661)	(9,052,565)
Other Nonoperating Expenses	(35,680,530)	(10,106,383)
Net Nonoperating Revenues (Expenses)	627,432,349	(3,947,160)
Income (Loss) Before Other Revenues	(14,879,125)	8,540,503
State Capital Appropriations	13,849,299	-
Capital Transfers In (Out)	78,269,300	(78,269,300)
Capital Grants, Contracts, Donations, and Fees	12,275,550	-
Additions to Permanent Endowments	-	3,052,849
Increase (Decrease) in Net Position	89,515,024	(66,675,948)
Net Position, Beginning of Year	1,097,786,063	211,850,054
Net Position, End of Year	\$ 1,187,301,087	\$ 145,174,106

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

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UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 302,916,778
Grants and Contracts	141,609,383
Sales and Services of Auxiliary Enterprises, Net	107,715,572
Interest on Loans and Notes Receivable	122,957
Payments to Employees	(711,867,969)
Payments to Suppliers for Goods and Services	(237,270,835)
Payments to Students for Scholarships and Fellowships	(144,648,993)
Collection on Loans to Students	1,236,480
Other Operating Receipts	15,617,330
	(524,569,297)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	382,419,438
Federal and State Student Financial Aid	231,706,545
Federal Direct Loan Program Receipts	236,838,739
Federal Direct Loan Program Disbursements	(236,838,739)
Net Change in Funds Held for Others	(257,831)
Other Nonoperating Disbursements	(11,813,812)
	602,054,340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	33,076,367
Capital Grants, Contracts, Donations and Fees	9,980,432
Other Receipts for Capital Projects	1,035,390
Purchase or Construction of Capital Assets	(126,348,646)
Principal Paid on Capital Debt and Leases	(11,500,956)
Interest Paid on Capital Debt and Leases	(6,546,122)
	(100,303,535)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	917,609,990
Purchases of Investments	(934,391,077)
Investment Income	42,089,930
	25,308,843
Net Increase in Cash and Cash Equivalents	2,490,351
Cash and Cash Equivalents, Beginning of Year	25,783,996
Cash and Cash Equivalents, End of Year	\$ 28,274,347

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UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2019

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (642,311,474)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	73,321,362
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(725,571)
Inventories	(43,085)
Other Assets	(666,228)
Accounts Payable	(1,966,095)
Salaries and Wages Payable	2,186,645
Deposits Payable	22,123
Compensated Absences Payable	1,911,368
Unearned Revenue	11,040,834
Other Liabilities	(961,308)
Other Postemployment Benefits Payable	(7,179,000)
Net Pension Liability	16,156,729
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,325,000
Deferred Inflows of Resources Related to Other Postemployment Benefits	16,588,000
Deferred Outflows of Resources Related to Pensions	(4,455,812)
Deferred Inflows of Resources Related to Pensions	11,187,215
	<u>\$ (524,569,297)</u>
NET CASH USED BY OPERATING ACTIVITIES	
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a decrease 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.	\$ (11,305,724)
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.	\$ (613,619)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but is not a cash transaction for the statement of cash flows.	\$ 1,666,157
Capital transfers from a component unit were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 78,269,300

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

NOTES TO FINANCIAL STATEMENTS

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 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 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, and selecting 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 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 Professions and Sciences (previously included in the 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. The condensed financial statements are reported net of eliminations.

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 and are governed by separate

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boards. The Statutes authorize 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 Foundation, Inc. is a not-for-profit Florida Corporation whose principal function is to provide charitable and educational aid 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.
- UCF Stadium 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.
- Limbitless Solutions, Inc. is a not-for-profit Florida Corporation whose purpose is to develop affordable open source 3D printed bionic solutions for individuals with disabilities, increase accessibility with art infused bionics, and to promote access and engagement in STEM/STEAM education. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.
- UCF Academic Health, Inc. is a not-for-profit Florida Corporation whose purpose is to promote and support medical education, research, and patient care through the planning and development of clinical initiatives and affiliated partnerships that serve the education, research and clinical mission and objectives of the College of Medicine. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

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 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

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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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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'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, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

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 of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

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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 the student or the 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. 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. 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 \$9,238,755 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 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$3,291,936 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:

<u>Component Unit</u>	<u>Cash in Bank</u>	<u>Money Market Funds</u>	<u>Total</u>
University of Central Florida Foundation, Inc.	\$ 7,225,569	\$ 1,247,004	\$ 8,472,573
University of Central Florida Research Foundation, Inc.	379,255	-	379,255
UCF Athletics Association, Inc.	161,536	-	161,536
UCF Convocation Corporation	2,051,362	14,915,122	16,966,484
UCF Stadium Corporation	-	810,559	810,559
Central Florida Clinical Practice Organization, Inc.	3,925,770	-	3,925,770
Total Component Units	<u>\$ 13,743,492</u>	<u>\$ 16,972,685</u>	<u>\$ 30,716,177</u>

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The University holds certain cash balances for various discretely presented component units. Cash amounts held for University of Central Florida Research Foundation, Inc., UCF Convocation Corporation, and UCF Stadium Corporation were \$7,822,694, \$4,512,119, and \$2,277,125, respectively.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of 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. At June 30, 2019, approximately \$6,892,046 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the FDIC limits. As of June 30, 2019, no part of the Association’s bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **UCF Convocation Corporation** – At June 30, 2019, the Convocation Corporation held \$14,915,122 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation’s name.
- **UCF Stadium Corporation** – At June 30, 2019, the Stadium Corporation held \$810,559 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation’s name.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2019, The Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$3,759,849, were in excess of the Federal deposit insurance limit as of June 30, 2019.

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, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition 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, \$5,000 for tangible personal property, and \$250 for library resources. 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

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- Works of Art and Historical Treasures – 5 to 15 years
- Computer Software – 5 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, 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.

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Change

Governmental Accounting Standards Board Statement No. 88. The University implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement establishes additional requirements for disclosures related to debt obligations of governments, including direct borrowings and direct placements.

3. Deficit Net Position in Individual Funds

The University reported an unrestricted net position at June 30, 2019, which included a deficit in the current funds – unrestricted as shown below:

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (122,889,414)
Auxiliary Funds	<u>29,164,298</u>
Total	<u>\$ (93,725,116)</u>

As shown in the following schedule, this deficit can be attributed primarily to the full recognition of certain long-term liabilities (i.e. compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over time:

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	<u>Amount</u>
Total Unrestricted Net Position Before Recognition of Certain Long-Term Liabilities, Deferred Outflows and Deferred Inflows of Resources	<u>\$ 447,124,855</u>
Amount Expected to be Paid in Future Years:	
Compensated Absences Payable	59,255,093
Other Post Employment Benefits Payable and Related Deferred Outflows and Deferred Inflows of Resources	346,182,000
Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources	<u>135,412,878</u>
Total Amount Expected to be Paid in Future Years	<u>540,849,971</u>
Total Unrestricted Net Position	<u>\$ (93,725,116)</u>

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and 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 Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; 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; and other investments approved by the 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.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the University's recurring fair value measurements as of June 30, 2019, are valued using quoted market prices (Level 1 inputs), with the exception of corporate, municipal and other bonds, certain federal agency obligations and certificates of deposits which are valued using matrix pricing models which may consider quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2019, are reported as follows:

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Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 284,115,629	\$ -	\$ -	\$ 284,115,629
SBA Debt Service Accounts	1,411,528	1,411,528	-	-
Certificates of Deposit	490,828	-	490,828	-
United States Government and Federally-Guaranteed Obligations	44,904,216	44,904,216	-	-
Federal Agency Obligations	31,210,420	198,492	31,011,928	-
Bonds and Notes	106,100,485	-	106,100,485	-
Mutual Funds				
Equities	90,421,975	90,421,975	-	-
Bonds	16,153,001	16,153,001	-	-
Total investments by fair value level	\$ 574,808,082	\$ 153,089,212	\$ 137,603,241	\$ 284,115,629

Investments held by the University's component units at June 30, 2019, are reported as follows:

Investments by fair value level	University of Central Florida Foundation Inc.	University of Central Florida Research Foundation Inc.	Total	Fair Value Measurements Using		
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity - Domestic	\$ 4,381,135	\$ 969,163	\$ 5,350,298	\$ 5,119,120	\$ 69,686	\$ 161,492
Equity - International	19,300,887	-	19,300,887	19,300,887	-	-
Domestic - Fixed Income	48,169,390	-	48,169,390	48,169,390	-	-
Global All Assets	14,124,619	-	14,124,619	14,124,619	-	-
Real Assets	5,474,791	-	5,474,791	474,791	-	5,000,000
Total investments by fair value level	91,450,822	969,163	92,419,985	\$ 87,188,807	\$ 69,686	\$ 5,161,492
Investments measured at the net asset value (NAV)						
Equity - Domestic	13,018,181	-	13,018,181			
Equity - International	47,250,887	-	47,250,887			
Domestic - Fixed Income	5,464,757	-	5,464,757			
International Fixed Income	17,370,897	-	17,370,897			
Global All Assets	8,763,271	-	8,763,271			
Private Equity Funds	9,723,001	-	9,723,001			
Private Debt Funds	2,333,052	-	2,333,052			
Hedge Funds:						
Credit	8,044,810	-	8,044,810			
Event Driven	7,715,979	-	7,715,979			
Global Macro	5,614,091	-	5,614,091			
Long Short	2,324,676	-	2,324,676			
Long Short Credit	2,209,953	-	2,209,953			
Equity Linked	4,419,296	-	4,419,296			
Real Assets	739,600	-	739,600			
Total investments measured at the NAV	134,992,451	-	134,992,451			
Total investments	\$ 226,443,273	\$ 969,163	\$ 227,412,436			

All of the University's component units' recurring fair value measurements as of June 30, 2019, are valued using quoted market prices (Level 1 inputs), with the exception of equity investments valued quarterly by respective fund managers (Level 2 inputs) and real assets valued based on an appraisal utilizing recent sale and property comparisons of like assets (Level 3 inputs).

For the University's component units, the valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

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Investments measured at the net asset value (NAV)	University of Central Florida Foundation Inc.	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity - Domestic	\$ 13,018,181	\$ -	Immediate	
Equity - International	47,250,887	-	Monthly/Immediate	30 Days
Domestic - Fixed Income	5,464,757	-	Monthly/Immediate	30 Days
International Fixed Income	17,370,897	-	Monthly/Immediate	30 Days
Global All Assets	8,763,271	-	Immediate	
Private Equity Funds	9,723,001	7,108,845		
Private Debt Funds	2,333,052	4,157,818		
Hedge Funds:				
Credit	8,044,810	-	Monthly/Quarterly	30-90 Days
Event Driven	7,715,979	1,092,353	Monthly/Quarterly	60-90 Days
Global Macro	5,614,091	-	Monthly/Quarterly	30-62 Days
Long Short	2,324,676	-	Monthly	30 Days
Long Short Credit	2,209,953	-	Quarterly	30 Days
Equity Linked	4,419,296	-	Monthly/Quarterly	30-60 Days
Real Assets	739,600	3,080,937		
Total investments measured at the NAV	\$ 134,992,451	\$ 15,439,953		

Net Asset Value.

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

Domestic Equity and International Equity: These funds are operated by money managers and can be actively managed or passively managed to an index. These funds are privately placed, and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of both funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

Domestic Fixed Income: The fund is operated by a money manager and is passively managed to an index. The fund is privately placed, and its fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of the fund is provided by the money manager which uses a quoted price in the active markets for the underlying assets.

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

Global All Assets: The fund invests in a global strategy including domestic, international, and global companies and is privately placed, and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

Private Equity and Private Debt Funds: Private equity and private debt includes distinct limited partnerships or limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation

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of the underlying assets or notes of the fund. Private equity and private debt are not traded on a public, primary exchange. Private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. Private debt funds aim to take advantage of structural imbalances between demand and supply of credit for consumers, small and medium enterprises, and trade finance consisting of private notes and bonds with equity components. In this portfolio, private equity capital and private debt are invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

Credit and Long/Short Credit Hedge Funds: The credit linked class of hedge funds seeks to profit from the mispricing of related debt securities. Returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Event Driven Hedge Funds: The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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

Long/Short Hedge Funds: The equity long/short hedge fund class includes investments in hedge funds that invest both long and short stocks and equity indices. Management of the hedge funds has the ability to shift investments across a variety of stocks, equity indices, and to a lesser extent, other securities from a net long position to a net short position. In this portfolio, the managers are focused primarily on the United States, Europe and Asia. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Equity Linked Hedge Funds: The equity linked class of hedge funds includes investments in debt instruments and options on equities. The equities options provide investors with principal protection while providing exposure to equities. Returns are dependent on performance of the equities options. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Real Assets: Real assets include two investment vehicles consisting of a distinct limited liability company. The investments can never be redeemed with these funds. Instead, the nature of the investments in this

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type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Real assets consist of capital not traded on a public, primary exchange. For purposes of this portfolio, real assets include private holdings in domestic and international real estate. Real asset commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, real assets capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

External Investment Pools.

The University reported investments at fair value totaling \$284,115,629 at June 30, 2019, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years, and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. 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 \$1,411,528 at June 30, 2019, 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 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and 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, 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

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in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities, bond mutual funds, and debt related hedge funds, and their future maturities at June 30, 2019, 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	\$ 44,904,216	\$ 12,820,009	\$ 29,147,746	\$ 2,936,461
Federal Agency Obligations	31,210,420	-	13,899,240	17,311,180
Bonds and Notes	106,100,485	10,511,337	76,531,496	19,057,652
Mutual Funds - Bonds	16,153,001	700,387	8,132,952	7,319,662
Total	\$ 198,368,122	\$ 24,031,733	\$ 127,711,434	\$ 46,624,955

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)			Investment Not Directly Subject To Interest Rate Risk (1)
		Less Than 1	1 - 5	More Than 5	
Domestic Fixed Income	\$ 53,634,147	\$ -	\$ 46,654,475	\$ 1,514,915	\$ 5,464,757
International Fixed Income	17,370,897	-	-	-	17,370,897
Global All Assets	22,887,890	-	6,333,603	7,791,016	8,763,271
Private Debt	2,333,052	-	-	-	2,333,052
Hedge Funds	10,254,763	-	-	-	10,254,763
Total	\$ 106,480,749	\$ -	\$ 52,988,078	\$ 9,305,931	\$ 44,186,740

- (1) Certain UCF Foundation alternative investments are held in funds and are not directly subject to credit risk. Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The investments listed above with quality ratings reflect the credit risk related to debt-type securities that are directly held by the Foundation.

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, 2019, of the University's and its component units' debt instruments using Moody's and Standard and Poor's nationally recognized rating agencies:

DRAFT**University Debt Investments Quality Ratings**

Investment Type	Fair				
	Value	AAA	AA	A	Less Than A
Federal Agency Obligations	\$ 31,210,420	\$ 25,164,868	\$ 6,045,552	\$ -	\$ -
Bonds and Notes	106,100,485	33,233,650	20,774,346	49,285,467	2,807,022
Mutual Funds - Bonds	16,153,001	12,573,981	2,846,719	732,301	-
Total	\$ 153,463,906	\$ 70,972,499	\$ 29,666,617	\$ 50,017,768	\$ 2,807,022

Component Units' Debt Investments Quality Ratings

Investment Type	Fair					Investments Not Directly Subject To Credit Risk (1)
	Value	AAA	AA	A	Less Than A	
Domestic Fixed Income	\$ 53,634,147	\$ 5,125,254	\$ 38,478,724	\$ 151,072	\$ 4,414,340	\$ 5,464,757
International Fixed Income	17,370,897	-	-	-	-	17,370,897
Global All Assets	22,887,890	-	-	14,124,619	-	8,763,271
Private Debt	2,333,052	-	-	-	-	2,333,052
Hedge Funds	10,254,763	-	-	-	-	10,254,763
Total	\$ 106,480,749	\$ 5,125,254	\$ 38,478,724	\$ 14,275,691	\$ 4,414,340	\$ 44,186,740

- (1) Certain UCF Foundation alternative investments are held in funds and are not directly subject to credit risk. Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The investments listed above with quality ratings reflect the credit risk related to debt-type securities that are directly held by the Foundation.

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 investment policy states that not more than five 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 five percent of the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

DRAFT**5. Receivables**

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2019, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 34,262,516
Contracts and Grants	23,935,521
Other	<u>8,773,751</u>
Total Accounts Receivable	<u>\$ 66,971,788</u>

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.

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 \$2,658,399 and \$937,779, respectively, at June 30, 2019.

6. Due From State

The amount due from State primarily consists of \$36,308,112 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction or purchase of University facilities.

DRAFT**7. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 42,741,553	\$ 274,687	\$ -	\$ 43,016,240
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	90,060,443	103,018,913	79,561,384	113,517,972
Total Nondepreciable Capital Assets	\$ 133,019,996	\$ 103,293,600	\$ 79,561,384	\$ 156,752,212
Depreciable Capital Assets:				
Buildings	\$ 1,385,978,428	\$ 161,937,213	\$ 7,873,144	\$ 1,540,042,497
Infrastructure and Other Improvements	69,344,574	1,550,213	-	70,894,787
Furniture and Equipment	229,757,126	17,831,976	7,615,032	239,974,070
Library Resources	139,780,812	6,312,561	-	146,093,373
Leasehold Improvements	16,043,955	1,392,200	-	17,436,155
Works of Art and Historical Treasures	1,677,354	-	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Depreciable Capital Assets	1,850,432,684	189,024,163	15,488,176	2,023,968,671
Less, Accumulated Depreciation:				
Buildings	483,605,773	47,458,500	7,430,961	523,633,312
Infrastructure and Other Improvements	31,987,085	2,856,137	-	34,843,222
Furniture and Equipment	188,847,689	16,527,372	7,404,181	197,970,880
Library Resources	113,698,792	4,942,895	-	118,641,687
Leasehold Improvements	8,880,902	1,467,520	-	10,348,422
Works of Art and Historical Treasures	1,248,267	68,938	-	1,317,205
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Accumulated Depreciation	836,118,943	73,321,362	14,835,142	894,605,163
Total Depreciable Capital Assets, Net	\$ 1,014,313,741	\$ 115,702,801	\$ 653,034	\$ 1,129,363,508

8. Unearned Revenue

Unearned revenue at June 30, 2019, 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, 2019, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Auxiliary Prepayments	\$ 20,249,969
Grant and Contracts	5,770,986
Student Tuition and Fees	878,512
Total Unearned Revenue	\$ 26,899,467

9. Deferred Outflow / Inflow of Resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$135,441,412 and deferred inflows of resources related to pensions were \$21,554,701 for the year ended June 30, 2019. Note 11 includes a complete discussion of defined benefit pension plans.

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The deferred outflows and inflows related to Other Postemployment Benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program. Total deferred outflows of resources related to OPEB were \$6,219,000 and deferred inflows of resources related to OPEB were \$59,068,000 for the year ended June 30, 2019. Note 10 includes a complete discussion of Other Postemployment Benefits.

The total deferred outflows of resources related to the deferred loss on debt refunding's were \$12,256,040 for the year ended June 30, 2019. The deferred loss was created as a result of the UCF Finance Corp debt refinancing and will be amortized as a component of interest expense over the remaining life of the UCF Finance Corporation's series 2017 refunding term loan. Note 10 includes a complete discussion of the UCF Finance Corporation's debt refinancing.

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2019, include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2019, 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	\$117,242,210	\$ -	\$ 8,789,377	\$108,452,833	\$ 8,410,000
Loans and Notes Payable	63,359,000	-	2,498,000	60,861,000	2,559,000
Compensated Absences Payable	57,343,725	7,221,503	5,310,135	59,255,093	4,147,857
Other Postemployment Benefits Payable	300,512,000	14,474,709	21,653,709	293,333,000	3,446,000
Net Pension Liability	233,142,860	168,697,031	152,540,302	249,299,589	1,472,470
Other Noncurrent Liabilities	8,283,443	1,025,770	487,846	8,821,367	-
Total Long-Term Liabilities	<u>\$779,883,238</u>	<u>\$191,419,013</u>	<u>\$191,279,369</u>	<u>\$780,022,882</u>	<u>\$ 20,035,327</u>

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Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2019:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2012A - Housing	\$ 66,640,000	\$ 58,253,368	3 to 5	2042
2018A - Housing	23,255,000	25,609,010	4 to 5	2030
Total Student Housing Debt	89,895,000	83,862,378		
Student Health Center Debt:				
2004A	8,000,000	2,685,000	4.75 to 5	2024
Parking Garage Debt:				
2010B - Parking Garage VI	11,140,000	8,980,000	5.05 to 6.20	2029
2011A - Parking Garage	11,005,000	2,307,180	3 to 5	2022
2012A - Parking Garage	7,860,000	6,174,400	3 to 5	2032
2018A - Parking Garage	4,790,000	4,443,875	5	2024
Total Parking Garage Debt	34,795,000	21,905,455		
Total Capital Improvement Debt	\$ 132,690,000	\$ 108,452,833		

(1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental revenues, parking revenues, and health service facility fees based on credit hours to repay \$132,690,000 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, student health facilities, and student parking garages. The bonds are payable solely from housing rental revenues, parking and transportation fees, and student health fees and 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 \$139,810,109, and principal and interest paid for the current year totaled \$13,167,456. During the 2018-19 fiscal year, operating revenues generated from housing rentals, parking revenues, and student health fees totaled \$30,358,390, \$23,057,447, and \$17,919,743, respectively. During the 2018-19 fiscal year, the University paid the remaining principal balances for the Series 2002 and Series 2007A Housing capital improvement debt, which legally defeased both issuances.

In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the bonds are not subject to any acceleration clauses.

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Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,410,000	\$ 4,446,040	\$ 12,856,040
2021	8,225,000	4,034,658	12,259,658
2022	7,385,000	3,652,328	11,037,328
2023	7,195,000	3,286,563	10,481,563
2024	7,545,000	2,921,360	10,466,360
2025-2029	31,835,000	10,163,666	41,998,666
2030-2034	15,015,000	4,890,094	19,905,094
2035-2039	10,315,000	2,689,719	13,004,719
2040-2042	7,325,000	475,681	7,800,681
Subtotal	103,250,000	36,560,109	139,810,109
Net Discounts and Premiums	5,202,833	-	5,202,833
Total	<u>\$ 108,452,833</u>	<u>\$ 36,560,109</u>	<u>\$ 145,012,942</u>

Loans and Notes Payable. During the 2018 fiscal year, one of the University's blended component units, the UCF Finance Corporation (Corporation), issued a \$63,359,000 Refunding Term Loan, Series 2017, with a bank. The proceeds from the term loan were used to extinguish the Corporation's Series 2007 bonds and terminate an interest rate swap liability. The loan will mature on July 1, 2037, and bear interest at a fixed rate of 2.4 percent per annum with a 15-year interest put option. The loan is secured by the University's indirect cost revenues received by the University from Federal, State, and private grants.

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 whereby 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 term loan.

In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the loan is not subject to any acceleration clauses.

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Annual requirements to amortize the outstanding term loan as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 2,559,000	\$ 1,429,956	\$ 3,988,956
2021	2,621,000	1,367,796	3,988,796
2022	2,684,000	1,304,136	3,988,136
2023	2,750,000	1,238,928	3,988,928
2024	2,816,000	1,172,136	3,988,136
2025-2029	15,143,000	4,800,588	19,943,588
2030-2034	17,075,000	2,869,740	19,944,740
2035-2038	15,213,000	741,180	15,954,180
Total	\$ 60,861,000	\$ 14,924,460	\$ 75,785,460

On March 8, 2018, the Corporation entered into a note with a bank for up to \$20,000,000 to secure the construction commitments for a new University Downtown campus education facility. The note bears a variable rate of interest equal to a per annum rate of 81 percent multiplied by the sum of the LIBOR plus 0.50 percent and is subject to adjustment to reflect changes in the LIBOR Rate. The rate on June 30, 2019, was 2.28 percent. The balance of the note was \$0 as of June 30, 2019. Payments will be made on an annual basis on March 8th of each year beginning March 8, 2020, with a final maturity date of March 8, 2023. The note is secured by an assignment of philanthropic pledges received by the University of Central Florida Foundation, Inc. and the outstanding balance on the note cannot exceed the total pledges receivable. At June 30, 2019, the University of Central Florida Foundation, Inc. carried a pledge receivable balance of \$10,177,048.

In the event of default, no further draws would be permissible, and the Noteholder shall be entitled to sue for any amounts adjudged or decreed to be payable, and the interest rate shall increase to the lesser of the sum of the Prime Rate plus 4 percent, or the maximum lawful rate. The note is not subject to any acceleration clauses.

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, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$59,255,093. The current portion of the compensated absences liability, \$4,147,857 is the amount expected to be paid in the coming fiscal year and is based on actual payouts over the last 3 years calculated as a percentage of those years' total compensated absences liability.

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Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. 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. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of \$293,333,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. At June 30, 2019, the University's proportionate share, determined by its proportion of total benefit payments made, was 2.78 percent, which remained unchanged from its proportionate share measured as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.60 percent
Salary increases	3.25 percent
Discount rate	3.87 percent
Healthcare cost trend rates	
PPO Plan	8.8 percent for 2019, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
HMO Plan	6.2 percent for 2019, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the OPEB Plan, the actuarial assumptions that determined the total OPEB liability for the OPEB Plan were based on certain results of the most recent experience study for the FRS Plan.

The following changes have been made since the prior valuation:

- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.87 percent. The prior GASB Statement No. 75 report used 3.58 percent. The current GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 28, 2018.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University's proportionate share of the total OPEB liability	\$356,770,000	\$293,333,000	\$243,945,000

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

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	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	\$237,279,000	\$293,333,000	\$368,566,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the fiscal year ended June 30, 2019, the University recognized OPEB expense of \$14,290,000. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ -	\$ 59,068,000
Change in proportionate share	2,663,000	-
Transactions subsequent to the measurement date	3,556,000	-
Total	\$ 6,219,000	\$ 59,068,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$3,556,000 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (8,925,000)
2021	(8,925,000)
2022	(8,925,000)
2023	(8,925,000)
2024	(8,925,000)
Thereafter	(11,780,000)
Total	<u>\$(56,405,000)</u>

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2019, the University's proportionate share of the net pension liabilities totaled \$249,299,589. Note 11 includes a complete discussion of defined benefit pension plans.

Other Noncurrent Liabilities. Other noncurrent liabilities primarily consist of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. 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 \$6,478,008 as of June 30, 2019.

DRAFT**Certificate of Participation Payable and Bonds Payable – Component Units.****UCF Convocation Corporation**

During the 2013-14 and 2014-15 fiscal years, the UCF Convocation Corporation issued two refunding certificates of participation, Series 2014A for \$58,645,000 and Series 2014B for \$58,930,000 related to the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space during the 2004-05 and 2005-06 fiscal years. The refunding certificates were scheduled to mature on October 1, 2034, and October 1, 2035, respectively, and bore interest at a fixed rate of 3.61 and 3.80 percent, respectively, per annum.

In July 2018, the UCF Convocation Corporation issued a \$104,636,000 Refunding Revenue Bond, Series 2018 directly to a bank. The bond will mature on October 1, 2035 and bears interest at a fixed rate of 3.52 percent per annum. Proceeds of \$104,636,000 from the Refunding Revenue Bonds, plus an additional \$1,087,841 from the UCF Convocation Corporation's debt service accounts, were used to purchase \$105,723,838 of U.S. Treasury State and Local Government Series Securities. The securities were used to prepay the outstanding Series 2014A certificates of participation for \$51,823,629 and the 2014B certificates of participation for \$53,659,213, and fund \$241,000 related to cost of issuance expenses. As a result of the refunding, the UCF Convocation Corporation reduced its debt service requirement by \$5,916,949 over the next 17 years and obtained an economic gain of \$4,655,497. For the year ended June 30, 2019, \$231,432 related to the cost of issuance is included in interest expense.

The extinguishment of the defeased certificates terminated the ground lease between the UCF Convocation Corporation and the University. All related building and building improvement assets on the leased land transferred to the University.

During the 2015-16 fiscal year, the UCF Convocation Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B, related to the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure during the 2005-06 fiscal year. The 2015A bonds will mature on October 1, 2035 and bear interest at fixed rates ranging from 3 to 5 percent per annum and the 2015B bonds will mature on October 1, 2026, and bear interest at fixed rates ranging from 2.0 to 4.3 percent per annum.

The outstanding balance of UCF Convocation Corporation revenue bonds at June 30, 2019, was \$100,260,000 related to direct borrowings and was \$73,690,000 related to non-direct borrowings before an unamortized premium of \$919,483.

With the Refunding Revenue Bonds debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of thirty days following written notice from the other party, such failure shall constitute a default under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the Refunding Revenue Bonds are not subject to any acceleration clauses.

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The University entered into an operating agreement with the UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the convocation center and related facilities. The University assigned its rights, title, and interest in revenues generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the refunding revenue bonds. The University retained the right for priority use of the facilities for a period of at least 100 days annually. In exchange, the University agreed to pay UCF Convocation Corporation \$2,200,000 per year for the term of the agreement. The term of the agreement ends in 2036 and cannot be terminated prior to the time that all related bonds have been paid in full. Amounts paid to UCF Convocation Corporation for the fiscal year ended June 30, 2019, totaled \$2,200,000.

The University entered into a support agreement with the UCF Convocation Corporation such that it will fund certain deficiencies that may arise in the event the corporation is unable to make the minimum payments on the certificates or bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts. In the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to defer collecting certain expenditures to cover any such deficiencies. The University is obligated only to the extent that it has legally available revenues to cover the unpaid amounts.

In fiscal year 2019, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the trustee. The Corporation's governing board made the decision to remit a portion of these funds back to the University. Transfers to the University totaled \$1,264,574 for fiscal year ended June 30, 2019.

UCF Stadium Corporation

During the 2015-16 fiscal year, the UCF Stadium Corporation issued Series 2015A tax-exempt refunding revenue bonds for \$33,995,000 with a net premium of \$2,332,576, Series 2015B taxable refunding revenue bonds for \$10,250,000, and a Series 2015C non-taxable refunding revenue bond for \$3,810,000, to a bank, related to the construction of a football stadium on the campus at the University. The bonds include both term and serial bonds and are secured by a pledge from the UCF Athletics Association, Inc. of gross ticket revenues, rent, away game guarantees, conference distributions, and sponsorship revenues. The bonds bear fixed interest rates that range from 2.49 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The outstanding balance of all UCF Stadium Corporation revenue bonds at June 30, 2019, was \$41,877,000, before an unamortized premium of \$1,919,816.

The University entered into a support agreement with the UCF Stadium Corporation such that it will fund certain deficiencies that may arise in the event either corporation is unable to make the minimum payments on the bonds. In addition, if the Corporation has deficiencies for debt service coverage or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

With each of the UCF Stadium Corporation's debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of thirty days following written notice from the other party, such failure shall constitute a default

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under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the UCF Stadium Corporation's debt is not subject to any acceleration clauses.

Loans and Notes Payable – Component Units.**UCF Foundation, Inc.**

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for the purchase of land and buildings. The note is secured by the buildings valued at \$6,072,206 and lease revenues. In May 2017, the note was refinanced to a 3.34 percent fixed rate. The principal balance at the time of the refinance was \$7,535,000 with the note still maturing on April 1, 2029. As of June 30, 2019, the remaining outstanding principal was \$6,478,000.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for \$19,925,000. The note is comprised of a tax-exempt portion with a fixed rate of 4.96 percent and a taxable portion with a fixed rate of 5.83 percent which matures on October 1, 2025. The note is secured by buildings valued at \$12,264,572 and lease revenue. As of June 30, 2019, the taxable note was fully repaid and the remaining outstanding principal for the tax-exempt note was \$11,140,000. The taxable series was paid in full during fiscal year 2018.

In August 2018, the University of Central Florida Foundation, Inc. entered into a \$50,000,000 30-year interest free and tax-exempt note with Orange County, Florida for the purchase of a building and related land. The note is secured by a mortgage on the land, a building valued at \$46,689,000, and the lease revenue generated has been pledged for debt repayment. The maturity date of the loan is the thirtieth anniversary of the first principal payment date. As of June 30, 2019, the remaining outstanding principal was \$50,000,000.

In December 2018, the University of Central Florida Foundation, Inc. entered into a 20-year tax-exempt note with a bank for \$6,000,000 for the purchase of a building and related land. The note matures on October 1, 2038 at a fixed rate of 3.93 percent. The purchased property, valued at \$5,919,395, represents security for the loan, and lease revenues generated from this building have been pledged for debt repayment. As of June 30, 2019, the remaining outstanding principal was \$6,000,000.

In the event of default of the notes, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights.

UCF Athletics Association, Inc.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc. modified a construction line of credit with a local bank to a line of credit promissory note. The note matures June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. In July 2019, the UCF Athletics Association, Inc. renewed the agreement until July 2033, which carries interest at 67 percent of LIBOR plus 1.34 percent (2.97 percent at June 30, 2019). The note is secured by an amount not to exceed 5 percent of the prior year's collection

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of student athletic fees and conference payments from the American Athletics Conference. In the event of default, the Lender may declare the loan and all obligations to be fully due and payable in their aggregate amount, together with accrued interest and all prepayment premiums, fees, and charges. The note is subject to acceleration if the lender reasonably deems itself insecure for any reason. As of June 30, 2019, the amount outstanding on the note was \$5,654,999.

In June 2018, the UCF Athletics Association, Inc. renewed an operating line of credit agreement with a local bank for \$5,000,000. The line carries an interest rate of LIBOR plus 2 percent (4.43 percent at June 30, 2019). The line is secured by all contract royalties under multimedia rights agreements, as well as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2019, there was \$2,218,608 outstanding, leaving \$2,781,392 available on the operating line of credit.

Due to University – Component Units.

Four of its component units reported moneys due to the University totaling \$7,612,390. The UCF Athletics Association, Inc. received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. A payment of \$500,000 was made during the 2018-19 fiscal year with future years' payments ranging from \$750,000 to \$1,200,000. The loan matures in fiscal year 2025 and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return (1.66 percent at June 30, 2019). In the event of a default, after 30 days the entire principal sum and accrued interest becomes due at the option of the University and the interest rate shall increase to the highest rate allowable under Florida law. As of June 30, 2019, the amount outstanding, including interest, totaled \$5,813,484.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer

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defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled \$46,169,646 for the fiscal year ended June 30, 2019.

FRS Pension Plan.

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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 creditable 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 creditable 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 creditable service. Employees enrolled in the Plan may include up to 4 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 to eligible participants.

The 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-participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and

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survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled \$20,289,186 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of \$192,942,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30,

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2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.640568432 percent, which was an increase of 0.043853357 from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$40,462,049. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,345,133	\$ 593,251
Change of assumptions	63,044,236	-
Net difference between projected and actual earnings on FRS Plan investments	-	14,907,163
Changes in proportion and differences between University contributions and proportionate share of contributions	19,617,625	-
University FRS contributions subsequent to the measurement date	20,289,186	-
Total	<u>\$ 119,296,180</u>	<u>\$ 15,500,414</u>

The deferred outflows of resources totaling \$20,289,186, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 32,065,053
2021	21,834,433
2022	5,347,279
2023	13,553,745
2024	9,100,175
Thereafter	1,605,895
Total	<u>\$ 83,506,580</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.10 percent to 7.00 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
University's proportionate share of the net pension liability	\$352,128,214	\$192,942,532	\$60,729,413

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

DRAFT**HIS Pension Plan.**

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$2,992,328 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of \$56,357,057 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, and update procedures were used to determine liabilities as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.532468436 percent, which was an increase of 0.002763049 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of \$5,707,597. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 862,802	\$ 95,748
Change of assumptions	6,267,601	5,958,539
Net difference between projected and actual earnings on HIS Plan investments	34,018	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	5,988,483	-
University HIS contributions subsequent to the measurement date	2,992,328	-
Total	<u>\$ 16,145,232</u>	<u>\$ 6,054,287</u>

The deferred outflows of resources totaling \$2,992,328 resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 2,289,556
2021	2,286,688
2022	1,906,411
2023	1,059,937
2024	(226,818)
Thereafter	(217,157)
Total	<u>\$ 7,098,617</u>

Actuarial Assumptions. The total pension liability at July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was

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adopted as the applicable municipal bond index. The discount rate used in the 2018 valuation was updated from 3.58 percent to 3.87 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University's proportionate share of the net pension liability	\$64,187,386	\$56,357,057	\$49,830,024

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$4,592,064 for the fiscal year ended June 30, 2019.

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 the FRS for 8 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 an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 percent, and 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.

The University's contributions to the Program totaled \$22,163,797, and employee contributions totaled \$12,390,695 for the 2018-19 fiscal year.

DRAFT**13. Construction Commitments**

The University's major construction commitments at June 30, 2019, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
UCF Downtown Academic Building	\$ 57,538,621	\$ 48,434,955	\$ 9,103,666
John C. Hitt Library Renovations	22,648,209	15,978,409	6,669,800
UCF Downtown Parking Garage	16,066,775	8,170,018	7,896,757
UCF Downtown Central Energy Plant	12,252,204	10,268,291	1,983,913
Student Union Expansion	10,724,345	1,729,594	8,994,751
UCF Downtown Infrastructure	8,174,557	5,076,491	3,098,066
UCF Downtown Center for Emerging Media Renovations	4,309,416	2,838,489	1,470,927
UCF Downtown Student Center	3,704,740	2,151,629	1,553,111
Roth Athletic Center	2,987,846	1,576,081	1,411,765
Subtotal	<u>138,406,713</u>	<u>96,223,957</u>	<u>42,182,756</u>
Other Projects (1)	<u>21,684,244</u>	<u>17,294,015</u>	<u>4,390,229</u>
Total	<u>\$ 160,090,957</u>	<u>\$ 113,517,972</u>	<u>\$ 46,572,985</u>

(1) Individual projects with current balance committed of less than \$1 million at June 30, 2019.

14. Operating Lease Commitments

The University leased buildings under operating leases, which expire in fiscal year 2054. 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 these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 13,414,248
2021	15,579,268
2022	15,981,288
2023	15,534,844
2024	15,156,371
2025-2029	23,180,279
2030-2034	14,219,093
2035-2039	14,045,993
2040-2044	6,317,438
2045-2049	5,000,005
2050-2054	1,250,005
Total Minimum Payments Required	<u>\$ 139,678,832</u>

The University of Central Florida Foundation, Inc. (Foundation) 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, 2019, were \$9,205,615.

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The University has also entered into rental agreements with the UCF Convocation Corporation for use of various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year needed June 30, 2019, totaled \$1,355,438.

The University has entered into a 40-year lease for the use of a research and development center, with base rent of \$1 per year, and is responsible for all operating and maintenance charges for the center. The University has entered into a 5-year management services agreement with another entity to manage and operate the center. The entity will be responsible for payment of all operating and maintenance costs with some allowable costs reimbursed by the University.

15. State Self-Insurance Program

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, and employment discrimination liability. During the 2018-19 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 \$78 million for named windstorm and flood through February 14, 2019, and decreased to \$68.5 million starting February 15, 2019. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, 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 3 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.

16. 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

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the University of Central 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 Professions and Sciences (previously included in the 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. The Program is distinct from and entirely independent of the self-insurance programs administered by the State described in Note 15.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Program also provides \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$200,000 for a claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of \$1,000,000.

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 2017-18 and 2018-19 fiscal years are presented in the following table:

<u>Fiscal Year</u>	<u>Claims Liabilities Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claims Liabilities End of Year</u>
June 30, 2018	\$ 233,578	\$ 368,940	\$ (1,023)	\$ 601,495
June 30, 2019	601,495	245,169	(10,622)	836,042

17. 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.

18. 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. For example, activities of an academic department 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:

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 394,016,780
Research	155,678,291
Public Services	15,790,697
Academic Support	94,521,573
Student Services	56,082,523
Institutional Support	101,218,817
Operation and Maintenance of Plant	69,635,409
Scholarships, Fellowships, and Waivers	144,648,993
Depreciation	73,321,362
Auxiliary Enterprises	96,011,123
Loan Operations	281,805
Total Operating Expenses	\$ 1,201,207,373

19. 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, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing, Parking, and Health Service facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	<u>Housing Capital Improvement Debt</u>	<u>Parking Capital Improvement Debt</u>	<u>Health Services Capital Improvement Debt</u>
Assets			
Current Assets	\$ 11,094,391	\$ 9,979,453	\$ 11,411,469
Capital Assets, Net	86,252,242	64,596,568	9,810,776
Other Noncurrent Assets	12,711,389	18,392,184	6,992,032
Total Assets	110,058,022	92,968,205	28,214,277
Liabilities			
Current Liabilities	9,418,279	7,540,092	1,249,596
Noncurrent Liabilities	78,832,378	19,015,455	2,195,000
Total Liabilities	88,250,657	26,555,547	3,444,596
Net Position			
Net Investment in Capital Assets	2,389,864	39,944,046	7,125,776
Restricted - Expendable	12,414,629	14,344,708	6,988,846
Unrestricted	7,002,872	12,123,904	10,655,059
Total Net Position	\$ 21,807,365	\$ 66,412,658	\$ 24,769,681

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

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Services Capital Improvement Debt
Operating Revenues	\$ 30,390,490	\$ 23,057,447	\$ 22,835,669
Depreciation Expense	(4,351,913)	(2,869,300)	(564,635)
Other Operating Expenses	(18,720,355)	(12,336,507)	(18,339,744)
Operating Income	7,318,222	7,851,640	3,931,290
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	1,581,971	1,921,074	1,029,360
Interest Expense	(3,277,682)	(1,007,359)	(152,118)
Other Nonoperating Expense	-	(34,819)	-
Net Nonoperating Revenue (Expenses)	(1,695,711)	878,896	877,242
Other Revenues, Expenses, Gains and Losses	(6,355,937)	(1,616,696)	(3,150,281)
Increase (Decrease) in Net Position	(733,426)	7,113,840	1,658,251
Net Position, Beginning of Year	22,540,791	59,298,818	23,111,430
Net Position, End of Year	\$ 21,807,365	\$ 66,412,658	\$ 24,769,681

Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Services Capital Improvement Debt
Net Cash Provided (Used) by:			
Operating Activities	\$ 11,912,720	\$ 10,356,746	\$ 3,969,948
Noncapital Financing Activities	(3,754,469)	(2,419,394)	(3,004,332)
Capital and Related Financing Activities	(11,849,934)	(9,872,088)	(837,186)
Investing Activities	5,398,411	4,043,062	1,362,283
Net Increase in Cash and Cash Equivalents	1,706,728	2,108,326	1,490,713
Cash and Cash Equivalents, Beginning of Year	1,918,885	2,183,305	1,214,788
Cash and Cash Equivalents, End of Year	\$ 3,625,613	\$ 4,291,631	\$ 2,705,501

DRAFT**20. Blended Component Units**

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

Condensed Statement of Net Position

	Blended Component Units		Total Blended Component Units	University	Eliminations	Total Primary Government
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program				
Assets:						
Other Current Assets	\$ 3,291,936	\$ 7,375,034	\$ 10,666,970	\$ 590,413,431	\$ -	\$ 601,080,401
Capital Assets, Net	-	-	-	1,286,115,720	-	1,286,115,720
Due From University / Blended CU	46,184,955	-	46,184,955	-	(46,184,955)	-
Other Noncurrent Assets	-	-	-	128,597,468	-	128,597,468
Total Assets	49,476,891	7,375,034	56,851,925	2,005,126,619	(46,184,955)	2,015,793,589
Deferred Outflows of Resources	12,256,040	-	12,256,040	141,660,412	-	153,916,452
Liabilities:						
Other Current Liabilities	3,289,332	837,547	4,126,879	137,671,819	-	141,798,698
Due To University / Blended CU	-	-	-	46,184,955	(46,184,955)	-
Noncurrent Liabilities	58,302,000	-	58,302,000	701,685,555	-	759,987,555
Total Liabilities	61,591,332	837,547	62,428,879	885,542,329	(46,184,955)	901,786,253
Deferred Inflows of Resources	-	-	-	80,622,701	-	80,622,701
Net Position:						
Net Investment in Capital Assets	-	-	-	1,133,171,168	-	1,133,171,168
Restricted - Expendable	141,599	6,537,487	6,679,086	141,175,949	-	147,855,035
Unrestricted	-	-	-	(93,725,116)	-	(93,725,116)
Total Net Position	\$ 141,599	\$ 6,537,487	\$ 6,679,086	\$ 1,180,622,001	\$ -	\$ 1,187,301,087

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

	Blended Component Units		Total Blended Component Units	University	Eliminations	Total Primary Government
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program				
Operating Revenues	\$ -	\$ 1,947,211	\$ 1,947,211	\$ 558,895,899	\$ (1,947,211)	\$ 558,895,899
Depreciation Expense	-	-	-	(73,321,362)	-	(73,321,362)
Other Operating Expenses	(16,595)	(785,696)	(802,291)	(1,127,084,194)	474	(1,127,886,011)
Operating Income (Loss)	(16,595)	1,161,515	1,144,920	(641,509,657)	(1,946,737)	(642,311,474)
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	2,158,150	295,807	2,453,957	670,086,525	(2,136,323)	670,404,159
Interest Expense	(2,141,555)	-	(2,141,555)	(4,536,106)	-	(6,677,661)
Other Nonoperating Expense	-	-	-	(40,377,209)	4,083,060	(36,294,149)
Net Nonoperating Revenues	16,595	295,807	312,402	625,173,210	1,946,737	627,432,349
Other Revenues	-	-	-	104,394,149	-	104,394,149
Increase in Net Position	-	1,457,322	1,457,322	88,057,702	-	89,515,024
Net Position, Beginning of Year	141,599	5,080,165	5,221,764	1,092,564,299	-	1,097,786,063
Net Position, End of Year	\$ 141,599	\$ 6,537,487	\$ 6,679,086	\$ 1,180,622,001	\$ -	\$ 1,187,301,087

DRAFT**Condensed Statement of Cash Flows**

	Blended Component Units			University	Eliminations	Total Primary Government
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units			
Net Cash Provided (Used) by:						
Operating Activities	\$ (16,595)	\$ 1,501,968	\$ 1,485,373	\$ (524,107,459)	\$ (1,947,211)	\$ (524,569,297)
Noncapital Financing Activities	-	-	-	596,091,523	5,962,817	602,054,340
Capital and Related Financing Activities	26,966	-	26,966	(96,314,895)	(4,015,606)	(100,303,535)
Investing Activities	22,301	(1,090,149)	(1,067,848)	26,376,691	-	25,308,843
Net Increase in Cash and Cash Equivalents	32,672	411,819	444,491	2,045,860	-	2,490,351
Cash and Cash Equivalents, Beginning of Year	3,259,264	1,793,704	5,052,968	20,731,028	-	25,783,996
Cash and Cash Equivalents, End of Year	\$ 3,291,936	\$ 2,205,523	\$ 5,497,459	\$ 22,776,888	\$ -	\$ 28,274,347

21. 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:

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Condensed Statement of 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	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organizations, Inc.	
Assets:								
Current Assets	\$ 24,134,039	\$ 17,542,730	\$ 4,912,909	\$ 20,192,767	\$ 3,574,200	\$ 70,356,645	\$ 4,877,328	\$ 75,233,973
Capital Assets, Net	129,530,445	-	23,831,786	759,211	-	154,121,442	221,364	154,342,806
Other Noncurrent Assets	244,108,413	969,163	-	2,860,470	-	247,938,046	258,804	248,196,850
Total Assets	397,772,897	18,511,893	28,744,695	23,812,448	3,574,200	472,416,133	5,357,496	477,773,629
Deferred Outflows of Resources	-	-	-	4,198,602	637,908	4,836,510	-	4,836,510
Liabilities:								
Current Liabilities	4,224,477	11,677,509	9,496,687	14,094,603	4,713,329	44,206,605	1,484,981	45,691,586
Noncurrent Liabilities	71,849,663	-	10,846,485	167,114,483	41,933,816	291,744,447	-	291,744,447
Total Liabilities	76,074,140	11,677,509	20,343,172	181,209,086	46,647,145	335,951,052	1,484,981	337,436,033
Net Position:								
Net Investment in Capital Assets	55,912,445	-	18,176,787	(169,911,670)	(43,158,908)	(138,981,346)	221,364	(138,759,982)
Restricted Nonexpendable	139,179,939	-	-	-	-	139,179,939	-	139,179,939
Restricted Expendable	102,835,175	1,144,876	2,241,732	13,310,428	222,930	119,755,141	-	119,755,141
Unrestricted	23,771,198	5,689,508	(12,016,996)	3,403,206	500,941	21,347,857	3,651,151	24,999,008
Total Net Position	\$ 321,698,757	\$ 6,834,384	\$ 8,401,523	\$ (153,198,036)	\$ (42,435,037)	\$ 141,301,591	\$ 3,872,515	\$ 145,174,106

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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	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organizations, Inc.	
Operating Revenues	\$ 48,040,983	\$ 12,782,633	\$ 63,152,362	\$ 33,018,250	\$ 4,173,555	\$ 161,167,783	\$ 7,262,469	\$ 168,430,252
Depreciation Expense	(2,714,496)	-	(1,054,780)	(79,064)	-	(3,848,340)	(55,882)	(3,904,222)
Operating Expenses	(57,124,390)	(12,630,768)	(61,620,400)	(17,673,278)	(146,229)	(149,195,065)	(2,843,302)	(152,038,367)
Operating Income	(11,797,903)	151,865	477,182	15,265,908	4,027,326	8,124,378	4,363,285	12,487,663
Net Nonoperating Revenues (Expenses):								
Nonoperating Revenues	13,300,239	384,103	1,295,702	167,124	64,620	15,211,788	-	15,211,788
Interest Expense	-	-	(420,057)	(6,895,751)	(1,736,757)	(9,052,565)	-	(9,052,565)
Other Nonoperating Expenses	(33,995)	-	(596,238)	(1,264,574)	(264,323)	(2,159,130)	(7,947,253)	(10,106,383)
Net Nonoperating Revenues (Expenses)	13,266,244	384,103	279,407	(7,993,201)	(1,936,460)	4,000,093	(7,947,253)	(3,947,160)
Other Revenues, Expenses, Gains, and Losses	3,052,849	-	-	(78,269,300)	-	(75,216,451)	-	(75,216,451)
Increase (Decrease) in Net Position	4,521,190	535,968	756,589	(70,996,593)	2,090,866	(63,091,980)	(3,583,968)	(66,675,948)
Net Position, Beginning of Year	317,177,567	6,298,416	7,644,934	(82,201,443)	(44,525,903)	204,393,571	7,456,483	211,850,054
Net Position, End of Year	\$ 321,698,757	\$ 6,834,384	\$ 8,401,523	\$ (153,198,036)	\$ (42,435,037)	\$ 141,301,591	\$ 3,872,515	\$ 145,174,106

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of \$153,198,036 and \$42,435,037, respectively, as of June 30, 2019. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015, December 2015, and July 2018 debt refunding's which terminated the ground leases between the UCF Convocation Corporation and the University, and the UCF Stadium Corporation and the University. The Corporations' debts related to the refunding were previously included as a component of the Net Investment in Capital Assets net position but are now included as component of unrestricted net position on their stand-alone financial statements. The University has reclassified the amounts to Net Investment in Capital Assets in the Statement of Net Position. As the UCF Convocation Corporation and the UCF Stadium Corporation continue to reduce its outstanding long-term debt obligations, the deficit net position will decrease.

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In September 2019, the University provided a notice of redemption for the Student Health Center Revenue Bonds, Series 2004A, maturing in the years 2020 through 2024. The University transferred funds to the State Board of Administration of \$2,727,290 to cover the outstanding principal and accrued interest through the redemption date. These funds were held by the State Board of Administration, as the bond trustee, until the bonds were called for redemption on October 30, 2019.

In October 2019, the UCF Athletics Association entered into a direct borrowing loan from a financial institution in the amount of \$8,550,000 to complete the buildout of a new 37,288 Square foot Athletics facility. This facility will serve as the home of the UCF Athletics Association administrative units, select head coaches, and will include additional office and meeting space for various sports programs. Principal payments are required by September 1st each year to reduce the loan balance to an agreed-upon amount negotiated annually. Interest on the loan is payable semi-annually at a fixed interest rate of 2%. The loan matures on September 1, 2024 and is secured by pledged donations to the Association.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION**Schedule of the University's Proportionate Share
of the Total Other Postemployment Benefits Liability**

	<u>2018</u>	<u>2017</u>
University's proportion of the total other postemployment benefits liability	2.78%	2.78%
University's proportionate share of the total other postemployment benefits liability	\$ 293,333,000	\$ 300,512,000
University's covered-employee payroll	\$ 418,056,891	\$ 396,397,337
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	70.17%	75.81%

**Schedule of the University's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan**

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the FRS net pension liability	0.640568432%	0.596715076%	0.559865856%	0.538161499%	0.484303900%	0.360374086%
University's proportionate share of the FRS net pension liability	\$ 192,942,532	\$ 176,504,316	\$ 141,366,568	\$ 69,510,775	\$ 29,549,662	\$ 62,036,419
University's covered payroll (2)	\$ 418,056,891	\$ 396,397,337	\$ 364,535,289	\$ 333,695,268	\$ 305,107,256	\$ 289,894,138
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	46.15%	44.53%	38.78%	20.83%	9.69%	21.40%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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**Schedule of University Contributions –
Florida Retirement System Pension Plan**

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 20,289,186	\$ 18,255,686	\$ 15,533,963	\$ 13,653,222	\$ 13,120,834	\$ 10,608,311
FRS contributions in relation to the contractually required contribution	<u>(20,289,186)</u>	<u>(18,255,686)</u>	<u>(15,533,963)</u>	<u>(13,653,222)</u>	<u>(13,120,834)</u>	<u>(10,608,311)</u>
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 439,921,546	\$ 418,056,891	\$ 396,397,337	\$ 364,535,289	\$ 333,695,268	\$ 305,107,256
FRS contributions as a percentage of covered payroll	4.61%	4.37%	3.92%	3.75%	3.93%	3.48%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of the University's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.532468436%	0.529705387%	0.499690735%	0.469662225%	0.430757459%	0.415357381%
University's proportionate share of the HIS net pension liability	\$ 56,357,057	\$ 56,638,544	\$ 58,236,885	\$ 47,898,159	\$ 40,276,874	\$ 36,162,321
University's covered payroll (2)	\$ 167,400,707	\$ 166,665,368	\$ 153,090,572	\$ 140,702,712	\$ 127,489,508	\$ 122,964,996
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.67%	33.98%	38.04%	34.04%	31.59%	29.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

DRAFT

**Schedule of University Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 2,992,328	\$ 2,887,590	\$ 2,803,354	\$ 2,561,234	\$ 1,795,341	\$ 1,475,630
HIS contributions in relation to the contractually required HIS contribution	<u>(2,992,328)</u>	<u>(2,887,590)</u>	<u>(2,803,354)</u>	<u>(2,561,234)</u>	<u>(1,795,341)</u>	<u>(1,475,630)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 167,822,905	\$ 167,400,707	\$ 166,665,368	\$ 153,090,572	\$ 140,702,712	\$ 127,489,508
HIS contributions as a percentage of covered payroll	1.78%	1.72%	1.68%	1.70%	1.28%	1.16%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.

ITEM: INFO-4

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Direct Support Organizations' 2019-20 First-Quarter Financial Reports

Background:

This item is provided to the trustees quarterly for information purposes only. The first-quarter financial statements for the university direct support organizations and the Central Florida Clinical Practice Organization are attached.

Issues to be Considered:

UCF Academic Health:

- Fiscal year 2020 is the first year of financial activity for UCF Academic Health.

UCF Athletic Association and Stadium Corporation:

- Athletic event income is higher than the prior year primarily due to increased football ticket sales.
- University allocations are higher than the prior year primarily due to increased waivers provided by the university.
- Sponsorship income is higher than the prior year due to the Association now managing all sponsorship sales directly, compared to previously receiving sponsorship distributions from the University's Knights Partnership Alliance program.
- Other expenses are higher than the prior year primarily due to additional costs associated with the Roth Athletics Center construction project.

UCF Convocation Corporation:

- Housing revenues are tracking as projected.
- Housing expenses are better than expected due to savings from anticipated expenses in several areas.
- Retail income and expenses are performing as expected for the first quarter.
- Arena event income is slightly above projections primarily due to more facility rental income than budgeted.
- Arena operating expenses are slightly under budget primarily due to position vacancies.

UCF Finance Corporation:

- Revenues and expenses are in line with budgeted expectations for the first quarter of fiscal year 2020.

- Beginning in Q2, the Finance Corp will transfer up to \$7 million from its UCF Downtown construction note to the university to cover construction costs. The Finance Corporation will then begin receiving transfers from the UCF Foundation pledges received on a monthly basis to cover interest costs and principal on the note.
- The principal budget for fiscal year 2020 includes an estimated repayment on the UCF Downtown construction note of \$3 million.

UCF Foundation:

- The first quarter was consistent with expectations.
- The quarter ended with an endowment of \$161 million and \$1.1 million in contributions to the endowment during the quarter.

UCF Limbitless Corporation:

- Limbitless Solutions sponsorship revenue was received sooner than projected.
- Research and development costs are lower than expected due to the launch of clinical trials.

UCF Research Foundation:

- Operating revenues and expenses are trending higher than the prior year due to increases in contribution funding and other agreement proceeds along with an increase in incubator costs that are being paid with excluded prerecorded residual income.

Central Florida Clinical Practice Organization:

- Certain amounts and report lines have been updated from the prior fiscal year BOT report to align with the revised budget format for fiscal year 2020.

Alternatives to Decision:

N/A

Fiscal Impact and Source of Funding:

N/A

Recommended Action:

For information only.

Authority for Board of Trustees Action:

Specific trustee request.

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Attachment A: UCF Academic Health

Attachment B: UCF Athletic Association and Stadium Corporation

Attachment C: UCF Convocation Corporation

Attachment D: UCF Finance Corporation

Attachment E: UCF Foundation

Attachment F: UCF Limbitless Solutions

Attachment G: UCF Research Foundation

Attachment H: Central Florida Clinical Practice Organization

Facilitators/Presenters:

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer

Bert Francis, Assistant Vice President for Debt Management

Attachment A

UCF Academic Health, Inc.
Statement of Operations
For the quarter ended September 30, 2019

	2019-20 ¹			
	Actual	Budget	Variance Favorable (Unfavorable)	
Revenues				
Real Estate ²	25,742	7,098	18,644	262.7 %
Other	8,430	2,957	5,473	185.1 %
Total Revenues	34,172	10,055	24,117	239.9 %
Operating Expenses				
Professional Services	3,750	3,750	-	-
Facility Expense	6,435	2,957	(3,478)	(117.6)%
Information Technology	1,750	1,750	-	-
Other Operating Expense	2,076	5,800	3,724	64.2 %
Total Operating Expense	14,011	14,257	246	1.7 %
Net increase (decrease) ³	20,161	(4,202)	24,363	579.8 %

Notes:

¹ 2019-20 is the first year of financial activity

² Amicus lease began in July 2019, versus budgeted to begin in September 2019

³ Q1 budget is negative, but YTD and annual budget is positive starting in Q2

Finance and Facilities Committee Meeting - New Business

Attachment B

UCF Athletic Association and The UCF Stadium Corporation
Consolidated Statement of Operations
For the quarter ended September 30, 2019

	UCF Athletic Association			UCF Stadium Corporation			Combined			Variance to Budget		UCF Athletic Association			UCF Stadium Corporation			Combined			Variance to Prior Year	
	Actual			Actual			Actual			Favorable (Unfavorable)		Actual			Actual			Actual			Favorable (Unfavorable)	
	2019-2020	2019-2020	2019-2020	Budget	Budget	Budget	2018-2019	2018-2019	2018-2019			2018-2019	2018-2019	2018-2019								
Operating revenues																						
Athletic events, including premium seating	\$ 4,720,271	\$ 2,265,414	\$ 6,985,685	\$ 4,682,537	\$ 2,143,865	\$ 6,826,402	\$ 3,600,968	\$ 2,040,899	\$ 5,641,867	\$ 159,283	2.33 %	\$ 3,600,968	\$ 2,040,899	\$ 5,641,867	\$ 1,343,818	23.82 %						
University allocations	14,109,296	-	14,109,296	14,039,649	-	14,039,649	12,759,344	-	12,759,344	69,647	0.50 %	12,759,344	-	12,759,344	1,349,952	10.58 %						
Sponsorship	2,265,513	750,000	3,015,513	2,249,657	750,000	2,999,657	822,600	750,000	1,572,600	15,856	0.53 %	822,600	750,000	1,572,600	1,442,913	91.75 %						
Contributions	986,996	1,500	988,496	974,407	-	974,407	132,673	-	132,673	14,089	1.45 %	132,673	-	132,673	855,823	645.06 %						
Other	143,655	-	143,655	143,810	-	143,810	242,978	-	242,978	(155)	(0.11)%	242,978	-	242,978	(99,323)	(40.88)%						
Total operating revenues	22,225,731	3,016,914	25,242,645	22,090,060	2,893,865	24,983,925	17,558,563	2,790,899	20,349,461	258,720	1.04 %	17,558,563	2,790,899	20,349,461	4,893,183	24.05 %						
Operating expenses																						
Scholarships	3,876,004	-	3,876,004	3,904,081	-	3,904,081	3,702,632	-	3,702,632	28,077	0.72 %	3,702,632	-	3,702,632	(173,372)	(4.68)%						
Employee compensation	6,449,853	-	6,449,853	6,445,337	-	6,445,337	5,685,629	-	5,685,629	(4,516)	(0.07)%	5,685,629	-	5,685,629	(764,224)	(13.44)%						
Sport operations	2,279,143	-	2,279,143	2,313,488	-	2,313,488	2,289,657	-	2,289,657	34,345	1.48 %	2,289,657	-	2,289,657	10,514	0.46 %						
Support operations	2,824,420	-	2,824,420	2,769,518	-	2,769,518	2,604,992	-	2,604,992	(54,902)	(1.98)%	2,604,992	-	2,604,992	(219,428)	(8.42)%						
Other	1,995,649	268,007	2,263,656	1,156,893	300,000	1,456,893	958,253	15,301	973,554	(806,763)	(55.38)%	958,253	15,301	973,554	(1,290,102)	(132.51)%						
Total operating expenses	17,425,069	268,007	17,693,076	16,589,317	300,000	16,889,317	15,241,163	15,301	15,256,464	(803,759)	(4.76)%	15,241,163	15,301	15,256,464	(2,436,612)	(15.97)%						
Net operating income	4,800,662	2,748,907	7,549,569	5,500,743	2,593,865	8,094,608	2,317,400	2,775,598	5,092,997	(545,039)	(6.73)%	2,317,400	2,775,598	5,092,997	2,456,571	48.23 %						
Nonoperating revenues (expenses)																						
Net transfers (to Stadium Corp) / from UCFAA	(401,624)	401,624	-	(404,754)	404,754	-	(631,504)	631,504	-	-	-	(631,504)	631,504	-	-	-						
Interest income	-	31,047	31,047	-	15,000	15,000	-	20,405	20,405	16,047	106.98 %	-	20,405	20,405	10,642	52.15 %						
Interest (expense)	(67,024)	(881,444)	(948,468)	(68,000)	(881,444)	(949,444)	(64,816)	(921,819)	(986,635)	(976)	0.10 %	(64,816)	(921,819)	(986,635)	38,167	3.87 %						
Capital project donations - Athletics	120,190	-	120,190	119,298	-	119,298	-	-	-	892	0.75 %	-	-	-	120,190	100.00 %						
Restricted accounts revenue	11,482	-	11,482	10,000	-	10,000	343,684	-	343,684	1,482	14.82 %	343,684	-	343,684	(332,202)	(96.66)%						
Restricted accounts outlay	(287,725)	-	(287,725)	(290,000)	-	(290,000)	(381,804)	-	(381,804)	2,275	0.78 %	(381,804)	-	(381,804)	94,079	24.64 %						
Capital projects outlay	(43,513)	-	(43,513)	(45,000)	-	(45,000)	(318,703)	-	(318,703)	1,487	3.30 %	(318,703)	-	(318,703)	275,190	86.35 %						
Total nonoperating revenues (expenses)	(668,214)	(448,773)	(1,116,987)	(678,456)	(461,690)	(1,140,146)	(1,053,144)	(269,910)	(1,323,053)	21,207	1.86 %	(1,053,144)	(269,910)	(1,323,053)	206,066	(15.58)%						
Net increase (decrease) from operations	\$ 4,132,448	\$ 2,300,134	\$ 6,432,582	\$ 4,822,287	\$ 2,132,175	\$ 6,954,462	\$ 1,264,256	\$ 2,505,688	\$ 3,769,944	\$ (523,833)		\$ 1,264,256	\$ 2,505,688	\$ 3,769,944	\$ 2,662,637							
Debt service:																						
Principal	\$ 280,000	\$ -	\$ 280,000	\$ 280,000	\$ -	\$ 280,000	\$ -	\$ 245,000	\$ 245,000	\$ -	0.00 %	\$ -	\$ 245,000	\$ 245,000	\$ (35,000)	(14.29)%						
Interest	67,024	881,444	948,468	68,000	881,444	949,444	64,817	921,819	986,636	976	0.10 %	64,817	921,819	986,636	38,168	3.87 %						
Total Debt Service	\$ 347,024	\$ 881,444	\$ 1,228,468	\$ 348,000	\$ 881,444	\$ 1,229,444	\$ 64,817	\$ 1,166,819	\$ 1,231,636	\$ 976	0.08 %	\$ 64,817	\$ 1,166,819	\$ 1,231,636	\$ 3,168	0.26 %						

Attachment C

UCF Convocation Corporation
Statement of Operations
For the quarter ended September 30, 2019

	2019-2020				2018-2019			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Housing Operations								
Revenues								
Apartment rentals	\$ 8,716,889	\$ 8,712,500	\$ 4,389	0.1 %	\$ 8,607,821	\$ 8,712,500	\$ (104,679)	(1.2)%
Parking	259,097	259,097	-	-	259,097	259,097	-	-
Other	81,950	37,752	44,198	117.1 %	27,890	18,750	9,140	48.7 %
Total revenues	<u>9,057,936</u>	<u>9,009,349</u>	<u>48,587</u>	0.5 %	<u>8,894,808</u>	<u>8,990,347</u>	<u>(95,539)</u>	(1.1)%
Total expenses	<u>2,087,050</u>	<u>2,248,151</u>	<u>161,101</u>	7.2 %	<u>1,953,364</u>	<u>2,055,539</u>	<u>102,175</u>	5.0 %
Net increase from housing operations	<u>6,970,886</u>	<u>6,761,198</u>	<u>209,688</u>	3.1 %	<u>6,941,444</u>	<u>6,934,808</u>	<u>6,636</u>	0.1 %
Retail Operations								
Total revenues	470,829	468,399	2,430	0.5 %	480,581	479,793	788	0.2 %
Total expenses	128,705	138,024	9,319	6.8 %	130,725	152,119	21,394	14.1 %
Net increase from retail operations	<u>342,124</u>	<u>330,375</u>	<u>11,749</u>	3.6 %	<u>349,856</u>	<u>327,674</u>	<u>22,182</u>	6.8 %
Arena Operations								
Revenues								
Event related	1,337,024	1,179,253	157,771	13.4 %	479,628	1,054,225	(574,597)	(54.5)%
Premium seating and sponsorship	145,963	183,504	(37,541)	(20.5)%	252,555	212,255	40,300	19.0 %
Rental Income	2,333,750	2,333,750	-	-	2,333,750	2,333,750	-	-
Other	60,376	37,781	22,595	59.8 %	44,956	35,170	9,786	27.8 %
Total revenues	<u>3,877,113</u>	<u>3,734,288</u>	<u>142,825</u>	3.8 %	<u>3,110,889</u>	<u>3,635,400</u>	<u>(524,511)</u>	(14.4)%
Expenses								
Direct event	966,709	832,692	(134,017)	(16.1)%	287,281	799,293	512,012	64.1 %
Operating and indirect event	1,404,203	1,445,491	41,288	2.9 %	929,738	972,429	42,691	4.4 %
Direct premium seating	-	-	-	-	76,340	76,340	-	-
Total expenses	<u>2,370,912</u>	<u>2,278,183</u>	<u>(92,729)</u>	(4.1)%	<u>1,293,359</u>	<u>1,848,062</u>	<u>554,703</u>	30.0 %
Net increase (decrease) from arena operations	<u>1,506,201</u>	<u>1,456,105</u>	<u>50,096</u>	3.4 %	<u>1,817,530</u>	<u>1,787,338</u>	<u>30,192</u>	1.7 %
Net increase from total operations	<u>\$ 8,819,211</u>	<u>\$ 8,547,678</u>	<u>\$ 271,533</u>		<u>\$ 9,108,830</u>	<u>\$ 9,049,820</u>	<u>\$ 59,010</u>	
Debt Service								
Total Debt Service	<u>\$ -</u>				<u>\$ -</u>			

Attachment D

**UCF Finance Corporation
Statement of Operations
For quarter ended September 30, 2019**

	2019-2020				2018-2019			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
University transfers	\$ 716,995	\$ 733,468	\$ (16,473)	(2.2)%	\$ 760,373	\$ 766,557	\$ (6,184)	(0.8)%
Interest	<u>29,587</u>	<u>12,500</u>	<u>17,087</u>	136.7 %	<u>12,435</u>	<u>8,750</u>	<u>3,685</u>	42.1 %
Total revenues	<u>746,582</u>	<u>745,968</u>	<u>614</u>	0.1 %	<u>772,808</u>	<u>775,307</u>	<u>(2,499)</u>	(0.3)%
Expenses								
Operating	16,250	15,636	(614)	(3.9)%	12,500	14,500	2,000	13.8 %
Interest	<u>730,332</u>	<u>730,332</u>	<u>-</u>	-	<u>760,308</u>	<u>760,807</u>	<u>499</u>	0.1 %
Total expenses	<u>746,582</u>	<u>745,968</u>	<u>(614)</u>	(0.1)%	<u>772,808</u>	<u>775,307</u>	<u>2,499</u>	0.3 %
Net change from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
 Debt Service								
Principal	2,559,000				\$ 2,498,000			
Interest	<u>730,332</u>				<u>760,308</u>			
Total Debt Service	<u>\$ 3,289,332</u>				<u>\$ 3,258,308</u>			

¹ Transfers to the university to cover UCF Downtown construction costs are scheduled to begin in the second quarter of 2019-20. The UCF Foundation will then begin transferring to the UCF Finance Corporation any UCF Downtown pledges that are received.

Finance and Facilities Committee Meeting - New Business

Attachment E
UCF Foundation
Unrestricted Operations
For the quarter ended September 30, 2019

	2019 - 20				2018 - 19			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Unrestricted revenues								
University and other related support	\$ 4,149,970	\$ 4,179,209	\$ (29,239)	(0.7)%	\$ 4,155,421	\$ 4,160,920	\$ (5,499)	(0.1)%
Gifts, fees, and investment earnings	1,408,245	1,385,813	22,432	1.6 %	1,596,603	1,677,500	(80,897)	(4.8)%
Real estate operations	492,339	492,339	-	-	492,339	492,339	-	-
Total unrestricted revenue	<u>6,050,554</u>	<u>6,057,361</u>	<u>(6,807)</u>	<u>(0.1)%</u>	<u>6,244,363</u>	<u>6,330,759</u>	<u>(86,396)</u>	<u>(1.4)%</u>
Unrestricted expenses								
Academic and university support	171,841	303,646	131,805	43.4 %	233,873	267,748	33,875	12.7%
Development, alumni relations, and operations	5,018,289	5,402,128	383,839	7.1 %	4,777,741	5,020,978	243,237	4.8%
Total unrestricted expenses	<u>5,190,130</u>	<u>5,705,774</u>	<u>515,644</u>	<u>9.0 %</u>	<u>5,011,614</u>	<u>5,288,726</u>	<u>277,112</u>	<u>5.2%</u>
Net increase from unrestricted operations	<u>\$ 860,424</u>	<u>\$ 351,587</u>	<u>\$ 508,837</u>	<u>144.7 %</u>	<u>\$ 1,232,749</u>	<u>\$ 1,042,033</u>	<u>\$ 190,716</u>	<u>18.3 %</u>
Debt Service								
Principal	\$ -				\$ -			
Interest	-				-			
Total Debt Service	<u>\$ -</u>				<u>\$ -</u>			

The information provided above is a reflection of the Foundation's unrestricted activity only. The balances do not include income distributions from endowments, or revenue from current operations with donor designations and/or restrictions.

For the period ending September 30, 2019, the foundation dispersed **\$5 million** on behalf of the university in support of programs, scholarships, and other university priorities. Resources for these expenditures comes in the form of spendable distributions from endowed funds as well as restricted and unrestricted gifts for current operations, provided as follows:

Unrestricted	\$ 171,841
Restricted (including endowment)	4,747,912
Total Dispersed	\$ 4,919,753

Attachment F

Limbitless Solutions Inc.
Statement of Operations
For the quarter ended September 30, 2019

	2019-20				2018-19			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Donations	\$ 83,674	\$ 87,500	\$ (3,826)	(4.4)%	\$ 86,168	\$ 187,500	\$ (101,332)	(54.0)%
Sponsorships	14,400	-	14,400	100.0 %	-	-	-	-
Other	2,970	5,000	(2,030)	(40.6)%	766	6,700	(5,934)	(88.6)%
Total revenues	<u>101,044</u>	<u>92,500</u>	<u>8,544</u>	<u>9.2 %</u>	<u>86,934</u>	<u>194,200</u>	<u>(107,266)</u>	<u>(55.2)%</u>
Expenses								
Operating expenses	<u>43,624</u>	<u>73,257</u>	<u>29,633</u>	<u>40.5 %</u>	<u>23,837</u>	<u>86,218</u>	<u>62,381</u>	<u>72.4 %</u>
Total expenses	<u>43,624</u>	<u>73,257</u>	<u>29,633</u>	<u>40.5 %</u>	<u>23,837</u>	<u>86,218</u>	<u>62,381</u>	<u>72.4 %</u>
Net change from operations	<u>\$ 57,420</u>	<u>\$ 19,243</u>	<u>\$ 38,177</u>		<u>\$ 63,097</u>	<u>\$ 107,982</u>	<u>\$ (44,885)</u>	

Attachment G

**UCF Research Foundation
Statement of Operations
For the quarter ended September 30, 2019**

	2019-20				2018-19			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Operating revenue ¹	\$ 3,089,323	\$ 2,907,500	\$ 181,823	5.9%	\$ 2,613,432	\$ 2,557,500	\$ 55,932	2.1%
Management fees and other	213,436	200,000	13,436	6.3%	139,290	138,750	540	0.4%
Total revenues	<u>3,302,759</u>	<u>3,107,500</u>	<u>195,259</u>	<u>5.9%</u>	<u>2,752,722</u>	<u>2,696,250</u>	<u>56,472</u>	<u>2.1%</u>
Expenses								
Total operating expenses	<u>3,194,776</u>	<u>3,042,500</u>	<u>(152,276)</u>	<u>(4.8)%</u>	<u>2,622,015</u>	<u>2,591,500</u>	<u>(30,515)</u>	<u>(1.2)%</u>
Net increase from operations	<u>\$ 107,983</u>	<u>\$ 65,000</u>	<u>\$ 42,983</u>	<u>39.8%</u>	<u>\$ 130,707</u>	<u>\$ 104,750</u>	<u>\$ 25,957</u>	<u>19.9%</u>

¹ Operating revenue includes contracts, grants, royalties, contributions, rents, conferences, unit residuals, and consortiums

Attachment H

Central Florida Clinical Practice Organization
Statement of Operations
For the quarter ended September 30, 2019

	2019-20				2018-19 ¹			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Patient Care	1,805,997	1,614,933	191,064	11.8 %	1,307,178	1,561,178	(254,000)	(16.3)%
Other	210,544	209,393	1,151	0.5 %	210,686	251,546	(40,860)	(16.2)%
Total Revenues	2,016,541	1,824,326	192,215	10.5 %	1,517,864	1,812,724	(294,860)	(16.3)%
Operating Expenses								
Professional Services	190,407	165,875	(24,532)	(14.8)%	111,559	124,950	13,391	10.7 %
Supplies and Repairs	255,156	234,107	(21,049)	(9.0)%	293,034	220,876	(72,158)	(32.7)%
Facility Expense	63,288	58,583	(4,705)	(8.0)%	49,976	63,717	13,741	21.6 %
Information Technology	140,244	125,254	(14,990)	(12.0)%	91,196	103,008	11,812	11.5 %
Other Operating Expense	29,424	32,276	2,852	8.8 %	23,442	49,321	25,879	52.5 %
Total Operating Expense	678,519	616,095	(62,424)	(10.1)%	569,207	561,872	(7,335)	(1.3)%
Nonoperating Expense								
Transfers Out								
Faculty Salaries and Benefits	454,459	535,023	80,564	15.1 %	562,401	567,761	5,360	0.9 %
Staff Salaries and Benefits	1,066,470	1,360,853	294,383	21.6 %	1,007,416	1,261,319	253,903	20.1 %
Facility Rent	43,914	43,000	(914)	(2.1)%	-	304,254	304,254	100.0 %
Other	12,399	13,272	873	6.6 %	152	42,560	42,408	99.6 %
Total Non-Operating Expenses	1,577,242	1,952,148	374,906	19.2 %	1,569,969	2,175,894	605,925	27.8 %
Total Expenses	2,255,761	2,568,243	312,482	12.2 %	2,139,176	2,737,766	598,590	21.9 %
Net increase (decrease)	(239,220)	(743,917)	504,697	67.8 %	(621,312)	(925,042)	303,730	32.8 %

¹ Certain amounts and report lines have been updated from the prior fiscal year BOT report to align with the revised budget format for fiscal year 2020.

ITEM: INFO-5

UCF BOARD OF TRUSTEES
Finance and Facilities Committee
December 11, 2019

Title: Facilities Process Improvements Recommendation Update

Background:

In 2016, Hill International, Inc. performed an external review of the Facilities Planning and Construction Department's organizational structure, policies, procedures, roles, responsibilities, and project controls, with the objective of improving performance by implementing recommended improvements. The Hill consultant presented their recommendations at the April 19, 2017, Finance and Facilities Committee meeting.

The company conducted a follow-up assessment in September 2017 and presented their findings at the December 13, 2017, Finance and Facilities Committee meeting.

At the September 18, 2019, Finance and Facilities Committee meeting, Chair Alex Martins requested an update on the progress of implementing the recommendations.

Issues to be Considered:

N/A

Alternatives to Decision:

N/A

Fiscal Impact and Source of Funding:

N/A

Recommended Action:

For information only.

Authority for Board of Trustees Action:

Specific trustee request.

Committee Chair or Chair of the Board approval:

Approved by Chair Alex Martins.

Submitted by:

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer

Supporting Documentation:

Attachment A: Facilities Presentation

Facilitators/Presenters:

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer
Duane Siemen, Interim Associate Vice President for Facilities and Safety



Facilities Planning & Construction Update on Hill Report Recommendations

Facilities Planning & Construction

Hill Report Update – Status of Recommendations

Program Area	Recommendation	2017 Status	2019 Status	Barriers to Implementation
A. Capital Program Development	1. Develop Project Manager’s Manual	●	●	○ None
	2. Develop enhanced process for planning and programming <u>minor</u> projects	◐	◑	● Lack of top-down mandate from senior leaders (Offices of President & Provost)
	3. Develop standardized reporting requirements	◐	◑	◐ Time and resources to implement software solution
	4. Develop framework for capturing lessons learned	●	●	○ None
	5. Integrate project management software	◐	◑	◐ Time and resources to implement software solution
B. Organizational Structure	1. Address PM workload situation	◐	◑	● Funding constraints
	2. Support career development of PM staff	●	●	○ None
	3. Conduct training	●	●	○ None
	4. Ensure partner departments are adequately staffed	◐	◑	◐ Funding constraints



Facilities Planning & Construction

Hill Report Update – Status of Recommendations

Program Area	Recommendation	2017 Status	2019 Status	Barriers to Implementation
C. Procurement & Contract Management	1. Formalize the delivery method selection process	●	●	○ None
	2. Ensure objective evaluation of proposals	●	●	◐ Time and resources to regularly train selection committee members
	3. Refine the GC Quotes process	◐	●	◐ Time and resources to implement electronic bidding module
	4. Develop a detailed process for contract closeout and transition to operations	●	◐	○ None
D. Project Development & Scope Mgmt	1. Develop guidance to address project development and change management	●	●	○ None
	2. Continue outreach efforts to campus clients	◐	◐	◐ Time needed to embed culture change regarding minor project programming



Facilities Planning & Construction


Hill Report Update – Status of Recommendations

Program Area	Recommendation	2017 Status	2019 Status	Barriers to Implementation
E. Cost Management	1. Develop/enhance in-house cost estimating capabilities			Time and resources to implement software solution & refine templates
	2. Develop a standard process for evaluating contractor developed cost estimates			None
	3. Integrate financial accounting system with PM software			Lack of full integration of PM software solution with PeopleSoft
	4. Improve capture and use of historical project cost data			Time and resources to develop and maintain database
	5. Develop standard process for verifying field progress as part of payment application approval			None
F. Schedule Management	1. Develop a scalable scheduling specification			Time and resources to develop a specification
	2. Develop a standard process for evaluating contractor developed schedules			Comprehensive training of CPM scheduling techniques needed
	3. Track schedule progress of key milestones			None
	4. Improve capture and use of historical project schedule data			Time and resources to develop and maintain database



Facilities Planning & Construction

Hill Report Update – E Builder Tools




Project Charter - Schedule

18088003 Replace/repair Trane AHUs
 Project Manager: Patrick Smith
 Building Name: Recreation & Wellness Center
 Project Description: Room 210 - replace two (AHU2-5 & AHU2-4) of nine AHUs with new Trane units.

Date: 2019-04-19 08:36:16
 Building Number: 088

PROJECT TIME	Duration	Start Date	Finish Date	Master Tasks	
1	Overall Project	411d	04/19/19	11/13/20	Overall Project
2	Project Startup	15d	04/19/19	05/09/19	Project Startup
3	Project Assigned to PM	0d	04/19/19	04/19/19	
4	Project Charter Development	5d	04/19/19	04/25/19	
5	Project Charter Approval	15d	04/26/19	05/09/19	
6	OPR Development	5d	04/26/19	05/02/19	
7	Bidding	5.20w	04/19/19	05/24/19	Construction Procurement
8	*** Justified/Rotation***	5.20w	04/19/19	05/24/19	
9	Scope issued to GC	1d	04/19/19	04/19/19	
10	GC Scope Walk	15d	04/22/19	05/03/19	
11	GC Proposal Development	15d	05/06/19	05/24/19	
12	Construction Funding Approval	14d	04/19/19	05/09/19	Construction Funding Approval
13	MPP Sent to Requester	3d	04/19/19	04/23/19	
14	Requester MPP Approval (CFA)	5d	04/24/19	04/30/19	
15	AD Recommendation	2d	05/01/19	05/02/19	
16	GCQ Recommendation	2d	05/03/19	05/05/19	
17	AVP Approval	2d	05/07/19	05/08/19	
18	Project Award	0d	05/09/19	05/09/19	
19	Construction Commitment Approval	16d	05/01/19	05/23/19	Construction Commitment Approval
20	Funding Received (CCA)	0d	05/01/19	05/01/19	
21	GC Requisition/PO Process	10d	05/09/19	05/22/19	
22	PO Received	0d	05/23/19	05/23/19	
23	Construction	14w	05/23/19	08/28/19	Construction
24	Kickoff Meeting	5d	05/23/19	05/29/19	
25	Construction Activities	30d	05/30/19	07/10/19	
26	Final Inspections	5d	07/11/19	07/17/19	
27	Commissioning	38d	07/18/19	08/28/19	
28	Closeout	10d	08/29/19	09/11/19	Closeout
29	Final Payment	5d	08/29/19	09/04/19	
30	Final Signoff	10d	08/29/19	09/11/19	
ESTIMATED PROJECT TIME		20.56mo			



Project Charter - Cost

18088003 Replace/repair Trane AHUs
 Project Manager: Patrick Smith
 Building Name: Recreation & Wellness Center
 Project Description: Room 210 - replace two (AHU2-5 & AHU2-4) of nine AHUs with new Trane units.

Date: 2019-04-19 07:59:42
 Building Number: 088

Budget Line Item Description	
01.01.01 - Summary Cost	
01.01.02 - Concept Design	
01.01.03 - A/E Fees	\$20,000.00
01.01.10 - Energy Model	
Subtotal	\$20,000.00
01.02.24 - Misc. Contingency	
Subtotal	
01.03.25 - Division 1 - General Requirements	
01.03.26 - Division 2 - Existing Conditions	\$23,000.00
01.03.37 - Division 11 - Equipment	
01.03.40 - Division 14 - Conveying Equipment	
01.03.41 - Division 21 - Fire Suppression	
01.03.42 - Division 22 - Plumbing	
01.03.43 - Division 23 - Hvac	\$180,000.00
01.03.44 - Division 26 - Electrical	
01.03.49 - Division 33 - Utilities	
01.03.51 - General Liability	
01.03.52 - General Conditions	
01.03.53 - Contractor's Fee	
01.03.54 - Payment & Performance Bond	
01.03.55 - Construction Contingency	\$21,000.00
01.03.56 - Other Construction Cost	
Subtotal	\$224,000.00
01.04.57 - Utilities / Infrastructure	
01.04.58 - UEG	
01.04.59 - UEG Connection Fee	
01.04.60 - UEG CX	\$5,000.00
01.04.61 - Commissioning	
01.04.64 - OIR	
01.04.65 - FO Allowance	\$1,200.00
01.04.66 - UCF Contingency	
Subtotal	\$6,200.00
01.05.71 - Building Permit	\$2,000.00
01.05.72 - State Fire Marshal	\$600.00
01.05.73 - Permitting Contingency	
Subtotal	\$2,600.00
01.06.75 - Building Accessories	
01.06.81 - FF&E Contingency	
Subtotal	
01.07.82 - FP&C PM Services	\$7,800.00
01.07.83 - FP&C Project Contingency	
Subtotal	\$7,800.00
	\$240,600.00



Facilities Planning & Construction

Hill Report Update – E Builder Tools



Print Date: 05/16/19

College of Sciences Project Priorities

Project ID Number	Description	Project Manager	Status	Original Budget	
19020001	Upgrade fire rating of labs 105, 108, 110, 110A & 112 for code compliance based on assessment performed under MP 13020009	Jay Malcolm	Active	\$637,250.00	
<p>Latest status: 03/21/2019: PM and client group are still working through design options to stay within budget. Expecting 50% CDs mid-May 2019</p> <p>02/05/2019: Sent the ASD to campus constituents for comment. Due on 02/12/2019. Will distribute to RLF by end of the week.</p> <p>02/05/2019: Advanced Schematic Design presentation to end user by RLF. There seems to still be concern about the control zones and the amount of flammable storage each can contain.</p> <p>01/25/2019: Project reassigned from Ben Fauser to Jay Malcolm</p>					
17012007	TF 2017-18 Room 153 - Create new MALL (Math Assistance & Learning Lab) and 2 breakout rooms with space for 73 students. Match rooms 240/241/242	Joanne Toole	Active	\$717,021.02	
<p>Latest status: 2019.03.18: Construction started today. Kickoff meeting to be held 3/25/19.</p> <p>2019.02.25: Project Priority elevated to 1 at COS and Bill Martin's request</p> <p>2018.01.23: PM received some feedback from ECFL, Signature Systems, and OIR. OIR is unable to do this work until October 2019. Forwarded OIR's email onto the requester to see how they'd like to proceed.</p> <p>2018.01.22: PM sent out an email to all parties involved in this project to get duration's of installations/work.</p>					
19198601	Install permanent sign for Marine Turtle and Coastal Research Station at Archie Carr NWR	Jay Malcolm	Active		
<p>Latest status: 05/06/2019: PM spoke with Outdoor Images and regarding our desire to get something similar to AC Signs - Option 4. It was communicated that the rounded pedestal will require custom fabrication, increasing the cost and lead time needed. However, they said if we would just go with a rectangular base (remove the pedestal similar to the rough sketch attached), the cost will remain in the range of \$4,500. Emailed requester with our various options.</p> <p>1.Remove the rounded pedestal and move forward with Outdoor Images. Provided we can get a PO cut this week, they would have a good chance at meeting the June 11th target date;</p> <p>2.Wait for the updated proposal from Outdoor Images that will include the rounded pedestal and then make a decision between Outdoor Images and AC Signs, but will make the June 11th target date a challenge;</p> <p>3.Move forward with AC signs. AC Signs communicated that provided a PO is issued by Wednesday, meeting the target date of June 11th is feasible.</p> <p>4.I can reach out CTI Signs to request a quote. This will eliminate the potential of meet the June 11th target date.</p> <p>05/03/2019: PM met with Jenny Steele, Millie Erichson, Kate Mansfield, Erin Seney and representative from USFWS. It was determined that AC Signs Option 4 was the design most likely accepted by USFWS. PM reached out to Outdoor Image to see if they could make a simpler sign base.</p> <p>04/30/2019: The proposal from Johnson-Laux came back very high and out of budget. I worked with Maria to identify two sign companies to reach out to directly (AC Signs and Outdoor Images). They each have committed to submitting a proposal by the end of the week (May 3rd). Outdoor Images provided a proposal for a basic installation of \$2,170.25. We should be able to make a decision by May</p>					
1 - Emergency	2 - Urgent (basic human needs projects)	3 - Expedite (education/improvements)	4 - Expedite (non-education/improvements)	5 - Routine	6 - Close-out / Hold



Facilities Planning & Construction

Hill Report Update – E Builder Tools



Print Date: 05/16/19

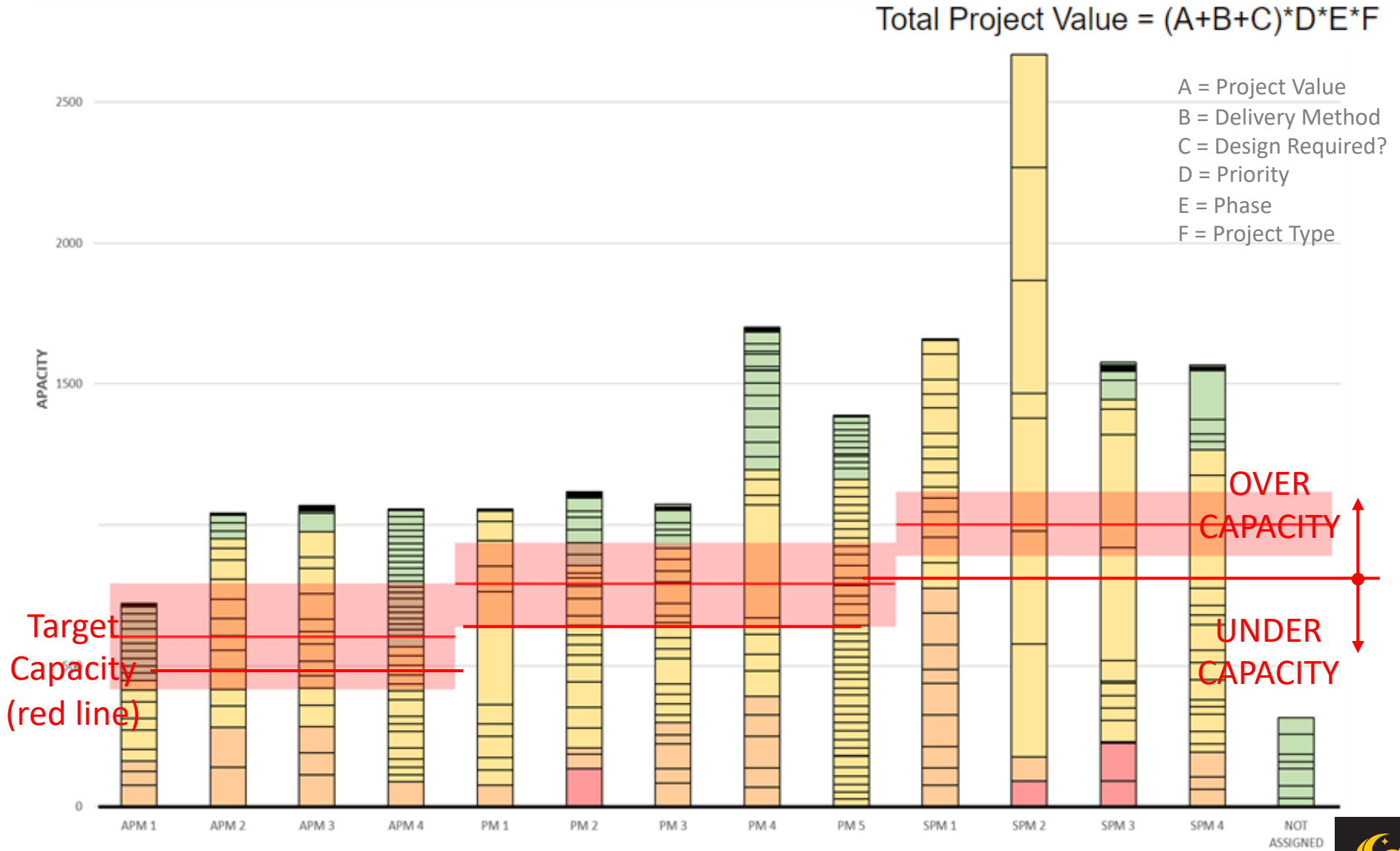
Scope of Work Report

Project ID Number	Project Manager	Description	A/C or HVAC	Chilled Water	Controls (Lighting and/or BAS)	Electrical	Exhaust Air / Makeup Air	Fume Hood / Research Equipment	Generator	Lab Ventilation	Lighting	Natural Gas	Reclaimed Water	Sanitary	SURWMD or DEP Permit Required	Storm water	Utility Meters Construction / Rental	Utility Outage Required	Water Use
16077003	Carl Kelly	Construct building (shell only) at rear of building 77 for administrative personnel;...	X	X	X	X	X				X	X	X	X	X	X	X	X	X
172N2004	Carl Kelly	Relocate utilities in area of Bldg 77 expansion (New bldg no. 165)		X		X						X	X	X		X	X	X	X
18198601	Carl Kelly	Feasibility Study and Pre-construction estimate with schematic design and renderings...	X		X	X	X	-	X		X	X		X	X	X	X	X	X
19077002	Carl Kelly	Switch to LED lighting, replace floor, add fueling area, install med ball wall				X													
19125001	Carl Kelly	Install shade structure over seating						-											
19125002	Carl Kelly	Clear some land, create more parking on the back of softball stadium				X					X		X		X	X	X		
19125003	Carl Kelly	Install practice tennis courts			X	X		-			X		X		X	X			X
19128001	Carl Kelly	Install permanent AC for Nicholson Field House; to be completed by 7/2/19	X		X	X	X							X				X	
19128002	Carl Kelly	Install resort style walk way through athletics village				X					X		X						
19135002	Carl Kelly	Extend loge seating on north of Roth Tower (eplicate loge seating from Summer 2018)																	
19135004	Carl Kelly	Building a lazy river at parking lot E6 (Recovery Cove)	X		X	X	X				X	X	X	X	X	X	X	X	X



Facilities Planning & Construction

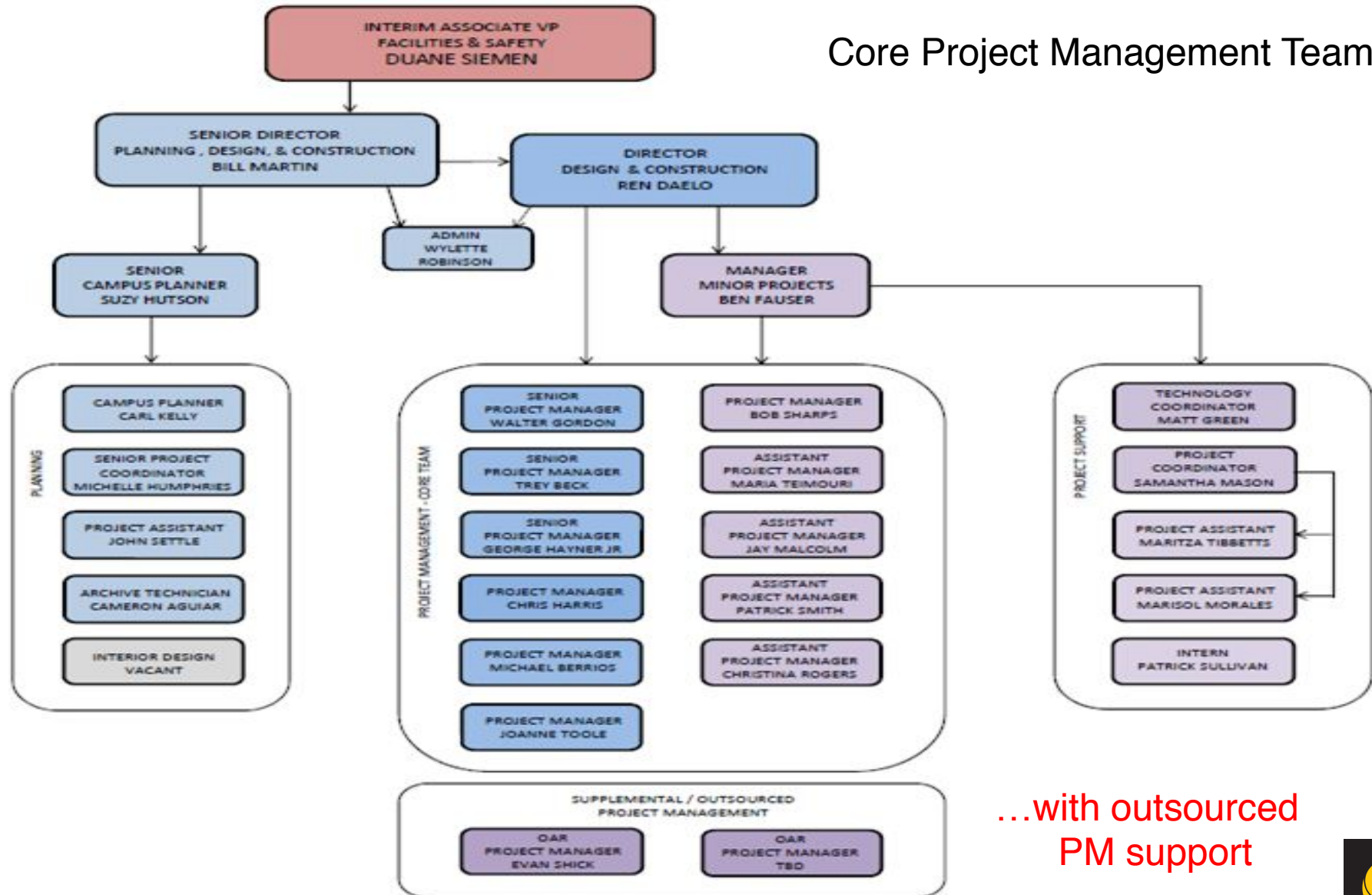
Hill Report Update – Workload Management



Facilities Planning & Construction

Hill Report Update – Workload Management

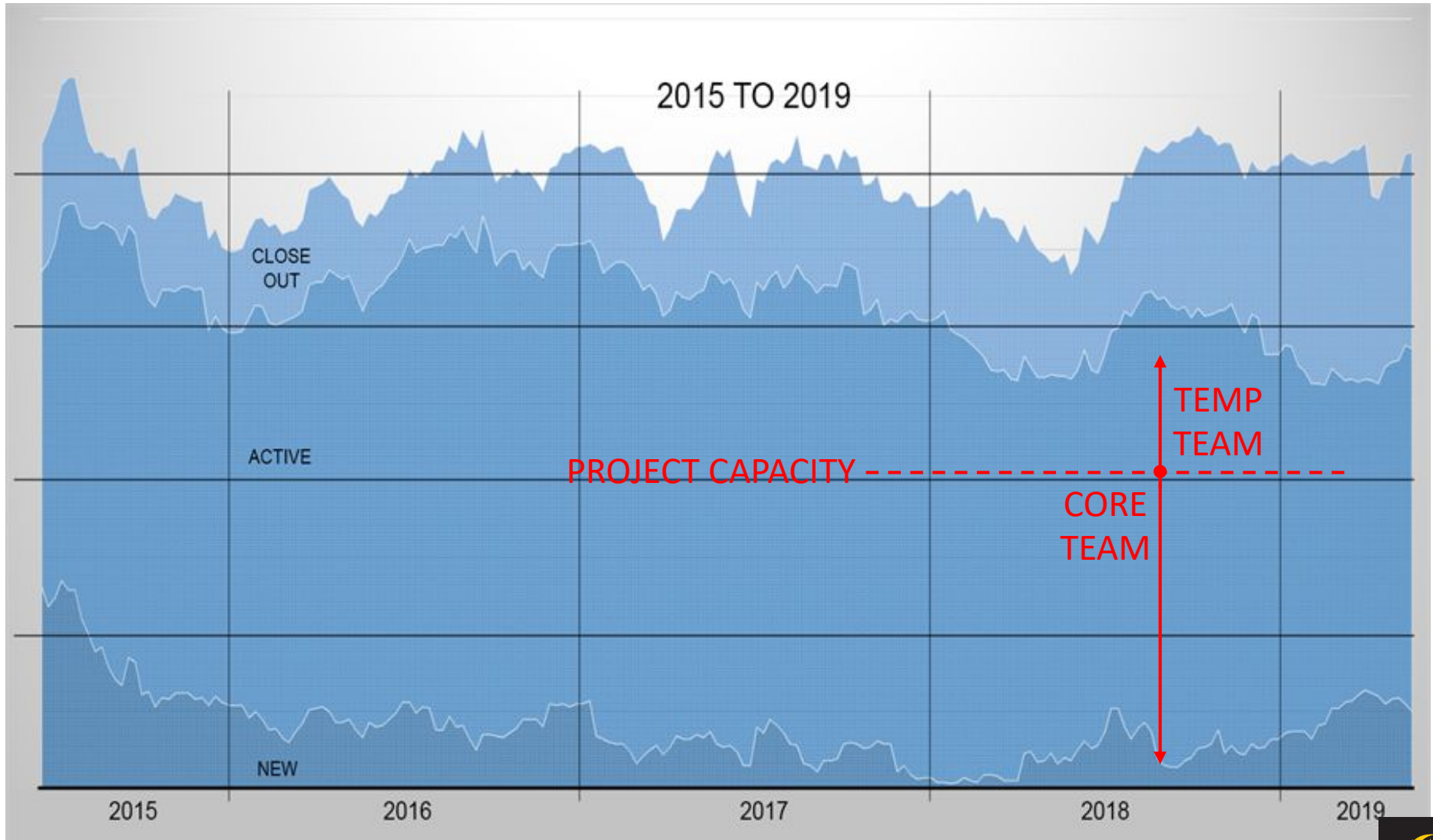
Core Project Management Team



...with outsourced PM support

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Hill Report Update – Workload Management



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Hill Report Update – Close Out Process

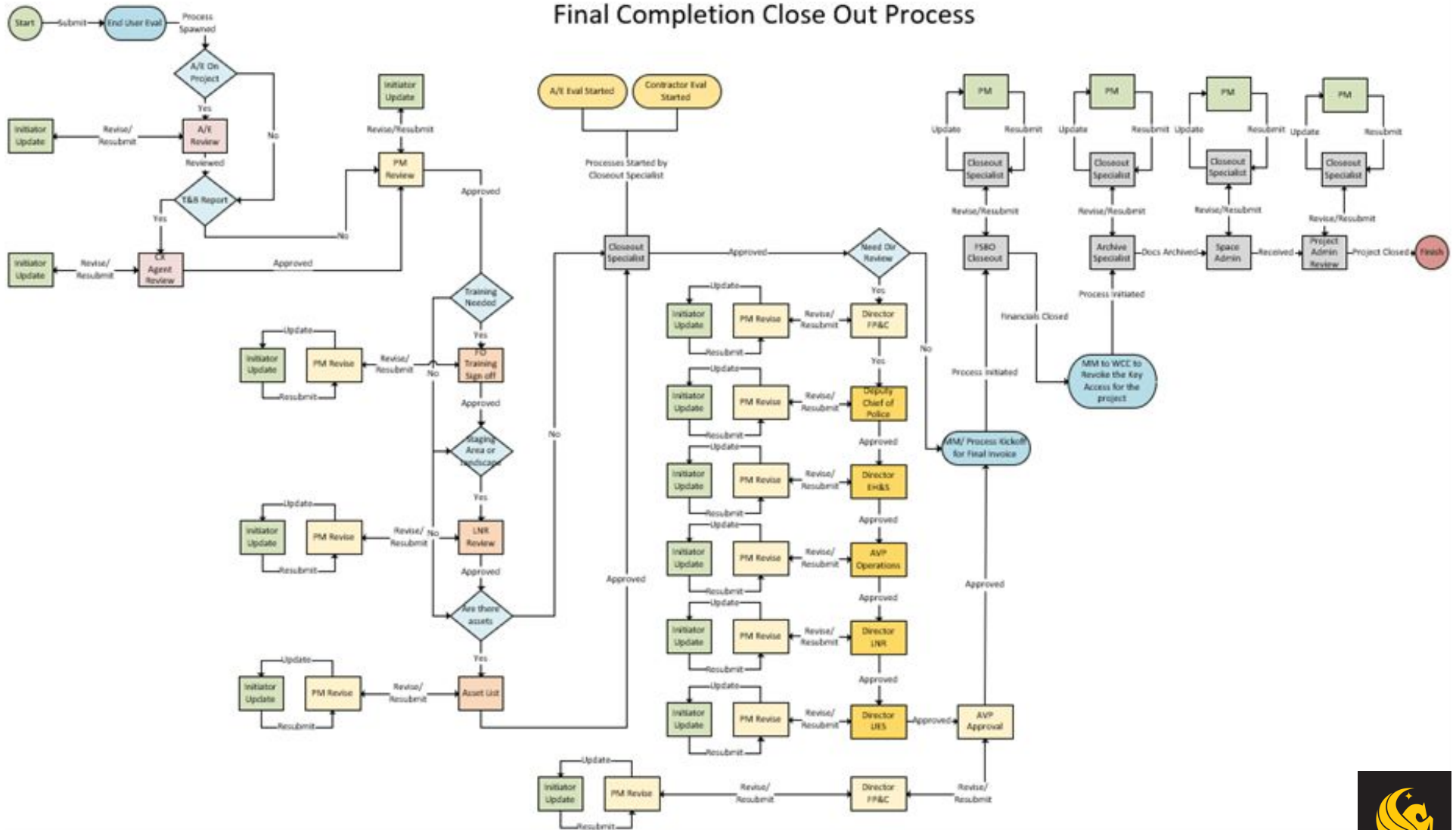
- Certificate of Occupancy or Completion issued
- Punchlist, CxA complete
- Stakeholder sign-off
- Asset list
- Warranties
- As-builts and Record Documents
- Architect, Contractor, and all other Invoices
- Financial Reconciliation
- Purchase Orders closed out
- Contingency returned to funding source



Facilities Planning & Construction

Hill Report Update – Close Out Process

FCCO Final Completion Close Out Process



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Hill Report Update

- Planning, Planning, Planning
- Right sized staffing
- Project Close-out process
- Reporting and metrics

