November 16, 2021 Budget and Finance Committee
Board of Trustees
UCF Main Campus, Neptune Community Multipurpose Room 195 | Virtual Option
Nov 16, 2021 2:00 PM - 3:00 PM EST

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Board of Trustees Meeting
Budget and Finance Committee
November 16, 2021, 2:00-3:00 p.m. *(Or Upon Adjournment of Previous Meeting)*
UCF Main Campus
Neptune Community Multipurpose Room 195

Livestream: https://ucf.zoom.us/j/92141225777?pwd=MzFpNkF3VjZ5bGtNQStUcy9xZE5BUT09
Webinar ID: 921 4122 5777

Conference call number: 1-929-205-6099; Meeting ID: 921 4122 5777

AGENDA

1. Call to Order and Welcome		Harold Mills, *Chair, Budget and Finance Committee*
2. Roll Call		Elizabeth Hamilton, *Assistant Vice President, Strategic Planning*
3. Minutes of the September 22, 2021, meeting		Chair Mills
4. Reports		Chair Mills
	DISC – 1	SVP Update Gerald Hector, *Senior Vice President for Administration and Finance*
5. Discussion		
	DISC – 2	Draft University Audited Financial Statements Report, Composite Financial Index Report, and Unrestricted Net Assets Exclusive of Plant Assets and Plant-Related Debt (UNAEP) Gerald Hector Danta White, *Assistant Vice President for Administrative Affairs and University Controller*
	DISC – 3	University Treasurer Update Gerald Hector Bert Francis, *Assistant Vice President for Debt Management and University Treasurer*

6. Information

INFO – 1	Direct Support Organizations' (DSO) Financial Reports – 4th Quarter, Ended June 30, 2021 Gerald Hector Christina Tant, *Assistant Vice President for DSO Accounting and Reporting*
INFO – 2	Auxiliary Financial Reports – 4th Quarter, Ended June 30, 2021 Gerald Hector Danta White
INFO – 3	Knight Vision/SET Budget Update Gerald Hector Matthew Hall, *Vice President for Information Technology and Chief Information Officer* Michael Sink, *Associate Vice President and Chief Operating Officer for UCFIT*

7. New Business — Chair Mills

8. Adjournment — Chair Mills

UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Budget and Finance Committee Meeting
September 22, 2021
Live Oak Center | Virtual Option

MINUTES

CALL TO ORDER

Trustee Harold Mills, chair of the Budget and Finance Committee, called the meeting to order at 3:17 p.m. Committee members Tiffany Altizer, Bill Christy, Jeff Condello, Joseph Conte, and Michael Okaty were present.

Other trustees attending the meeting included Joseph Harrington, Board Chair Alex Martins (ex officio), Caryl McAlpin, and Beverly Seay.

MINUTES

Trustee Christy made a motion to approve the minutes from the June 16, 2021, Finance and Facilities Committee meeting. Trustee Okaty seconded the motion.

The committee unanimously approved the minutes of the June 16, 2021, Finance and Facilities Committee meeting as submitted.

REPORTS

Gerald Hector, Senior Vice President for Administration and Finance, provided the committee with an update. Hector began by reporting that the auxiliary internal loan repayment plan has been executed and $32.5 million has been offset. The loans and cash balances have been realigned. He is still looking at ways to accelerate the repayment of the remaining $17.7 million over the next four years. Repayment of the research overhead internal loans has been accelerated with $27.2 million addressed by sweeping research overhead funds from units.

Hector also shared that the CFO Council has been established and Trustee Altizer attends these monthly meetings. The goal is that this council will help drive change throughout the university.

Hector shared that the new responsibility-centered management (RCM) budget model is approximately 85 to 90 percent complete. The remaining work to be done is cleaning up some past practices. The current fiscal year will see operations continue in the current PeopleSoft system. The new budget model goes live for fiscal year 2022-23, and colleges and units will be held harmless during this first year of operation. The Adaptive Planning budget tool was launched in March 2021. This tool will help streamline budgeting across the colleges and units of the university. The Service Enhancement Transformation (SET) project is developing a framework for the establishment of shared human resources and financial services. Huron Consulting is working alongside the university Human Resources and Finance personnel to manage the transition and changes to current business processes.

Hector stated that he is also working on how best to communicate directly to more of the campus. President Cartwright approved a forum series to be called "Dollars & $ense" where the SVP will address the campus quarterly to answer questions about finance and administrative matters. An SVP blog is being created as an additional method of communicating directly with the campus. The blog will focus on informing campus constituents of projects and developments in the Division of Administration and Finance that will impact the entire campus.

The new RCM budget model brings greater transparency and accountability to budgeting. It delegates responsibility and accountability to deans by providing incentives for deans to be entrepreneurial and to find ways to generate additional cash flow. The most important figure in this type of model is the Provost, who is the chief budget officer of the university. This is a huge structural and cultural change for UCF.

Hector gave an update on what the draft budget model means for resource allocation planning going forward. A recasting of the current economics of the budget for the 2021-22 fiscal year reveals that the university is $44 million in the black on a budgeted basis. That increase is due to two things: (1) the carve out for the President's Strategic Fund, and (2) the delta between the prior year's tuition spending authority set at $304 million but increased to $318 million for the current year. In UCF's most recent Legislative Budget Request, UCF asked for the tuition spending authority to be increased to $328.9 million as it is better to have the authority even if it's unspent than to not have the authority to spend tuition that is collected and miss an opportunity that arises. Hector explained that in the prior year, the university collected close to $330 million in tuition revenues, but only had spending authority approved from the Board of Governors (BOG) at $304 million. The unspent delta of approximately $26 million primarily closed out to carryforward at the end of the fiscal year. Revenues for the university are basically flat, while expenses continue to increase. The Sources and Uses document is now sorted by college which permits viewing the financial status of each college. It was shared with the deans and their budget directors and is now a living document for this fiscal year. The colleges and units have been provided with the underlying metrics to review the allocation of student credit hours so that when the model is fully launched for the 2022-23 fiscal year, there will be a clear understanding of how the budget for each college is built.

In other matters, Hector shared that the university is still working through the delivery of a complete financial dashboard. There are issues that are still being sorted regarding DSO report timelines, including when the local DSO boards meet and their ability to generate quarterly reports to match the flow and cadence of Board of Trustees (BOT) meetings. Some of the issues are systems-related, while others are resource-related. Discussions have started around providing the quarterly reports of DSOs when ready and posting them to either a secure website for viewing or making them a part of a monthly dashboard with the possibility of questions from trustees at a subsequent BOT meeting.

Hector discussed a request to formulate a revised carryforward schedule by designating $11.6 million from the university's carryforward reserve to be used to address immediate IT needs. He requested that the Budget and Finance offices be allowed to work with Chair Mills and Board Chair Martins to fine-tune this request. He requested approval of the flexibility to complete this task. A recent campuswide outage of IT services prompted a review of critical systems. That review highlighted some immediate system needs that must be addressed in the current fiscal year.

Trustees had the following comments:

- Trustees Seay and Conte asked if deans will receive any training due to their new responsibilities with the RCM budget model. Provost Johnson stated that deans have always been fully responsible for managing their own budgets. Hector stated that yes, deans will be trained in how to manage and construct a budget as well as prioritizing the color of money being spent by the organization to maximize the efficiency and management of working capital and cash flow. President Cartwright also stated that yes, training will be critical.
- Trustee Harrington asked how the new budget model impacts the heads of the non-academic units. Hector stated that this will impact everyone. It is a major cultural shift in how the financial resources are managed at the university.
- Trustee Conte asked whether UCF has exhausted all discounts in the credit facilities it uses and in its contracts and leases, and whether there has been a deep dive in all capital areas where banks and institutions are giving discounts. Hector stated that UCF has not done that in a holistic way. Deep dives are occurring in understanding how money leaves the institution. UCF is doing some things on the capital market side by lowering interest payments and refinancing bonds. UCF also is looking at other ways to save money by being more efficient. In the future, the university will look at its current procurement practices to get it closer to what other R1 institutions employ. Examples include strategic sourcing and procurement protocols that allows for managing spend, and cost avoidance going forward.
- Chair Mills asked how much inefficiencies have cost the university since last year due to the management of inflows from the endowment spending and the difference between investment vehicles at the UCF Foundation. Hector stated about $15 million based on the returns seen by the long-term portfolio and the investments held outside. That is a practice that is currently being worked on with the Foundation team. Invested assets will not be drawn at the start of the fiscal year but will remain invested until the funds are needed by the university. President Cartwright stated that UCF must begin to think and make decisions for the long term, not just cost cutting, to be more effective and efficient.
- Trustee Seay asked whether there may be a need to subsidize units based upon the Sources and Uses document, and if so, whether that decision would be made collectively. Hector answered that it will be decided primarily by the provost and accomplished via subvention of those units. It's unclear how long the subvention will last after the model is rolled out. That discussion will continue as the budget model matures and the entrepreneurial aspects of the operations of colleges and units are known and implemented.

NEW BUSINESS

BUDC-1 2021-22 Carryforward Spending Plan with the Amendment Previously Discussed

Misty Shepherd, Senior Associate Vice President for Financial Affairs, introduced the 2021-22 Carryforward Spending Plan and provided the committee with a brief overview. She also described the process in place for obtaining and vetting spending plans from each college and division and compiling these plans into the BOG-prescribed format for submission to the state.

Trustees had the following questions/statements:

- Trustee Harrington stated that in the table, two percentages appear to be swapped in the President's Strategic Fund. Chair Mills stated that this will be corrected.
- Chair Mills also pointed out that the university non-recurring reserve is $33 million and from that, the $11.6 million will be used to address the IT security issues previously discussed.

Trustee Altizer made a motion to approve the 2021-22 Carryforward Spending Plan with the amendment. Trustee Conte seconded the motion. The motion was approved unanimously.

BUDC-2 2021-22 Fixed Capital Outlay Budget

Jonathan Varnell, Vice President for Facilities and Business Operations, introduced the 2021-22 Fixed Capital Outlay Budget and provided the committee a brief overview, as it was discussed earlier in the Facilities and Infrastructure Committee meeting.

Trustee Altizer made a motion to approve the 2021-22 Fixed Capital Outlay Budget. Trustee Conte seconded the motion. The motion was approved unanimously.

Trustees had the following questions:

- Trustee Christy would like Hector to address, at a future time, failing systems that are critical. Hector stated that currently there is inadequate funding for all projects and there are limited funds available to tackle deferred maintenance, as the correct type of funding is required for these projects. Hector stated that this will be addressed by way of prioritizing projects and sharing the possible source of funds that can be utilized. There are limitations based on BOG regulations and state statutes.
- Trustee Altizer asked Board Chair Martins if he sees any changes in the future regarding this topic. Martins stated that this is becoming a high priority for the board and staff has been asked to research how this can be addressed. This is an issue for universities and buildings throughout the state.
- Chair Mills asked Hector or Varnell to clarify whether this maintenance is done using any of the federal CARES Act funding received by the university. Hector stated that there are multiple sources of funding. Of the $24 million in new requests, $18.4 million was for the four HVAC projects funded by CARES funds. Other sources include Capital Improvement Trust Funds for the Library and continued use of E&G carryforward funds within BOG and state guidelines for renovation and remodeling.
- Chair Mills asked how far the current phase of the Performing Arts Complex takes the project. Hector stated that Phase 2.7 takes us to a preliminary stage that consists of design and conceptual work. A funding source still must be identified for the final construction of the building.

DISC-2 University Operating Budget Update

Chair Mills introduced the topic and reminded the board that this was discussed in detail earlier.

Trustees had no comments.

DISC-3 Townes Institute Science and Technology Experimentation Facility (TISTEF)

Elizabeth Klonoff, Vice President for Research and Dean of the College of Graduate Studies, introduced the Townes Institute Science and Technology Experimentation Facility (TISTEF) and provided the committee with an overview.

Trustees had the following comments:

- Board Chair Martins voiced his concern that UCF will be solely responsible for repairs and restoration and whether there was any sense of what a catastrophic event, not covered by insurance could mean. Rhonda Bishop, Vice President for Compliance and Risk, stated that in addition to insurance that is funded through the state's risk management trust fund, we have excess liability up to $10 million that was purchased on the private market.
- Trustee Altizer asked how well the risks were mitigated. Sandra Sovinski, Deputy General Counsel, stated that while some terms of the contract had been negotiated, the ability to negotiate the terms further is not possible, but there are operational waivers that flow to third parties. We are required to waive our ability to pursue damages from Space Florida and NASA. There is significant oversight of safety operations at the site, which has been increased even more with NASA operational changes.
- Trustee Christy asked how the disposal and return of equipment will be handled and at whose expense. Sovinski stated that in the Memorandum of Agreement (MOA), there is a disposal clause. It is not UCF's equipment, but UCF will manage it according to the MOA. There is no requirement for UCF to replace equipment. Trustee Christy requested to defer the question of who is responsible for the costs of disposing of equipment until more is known.
- Trustees Mills and Conte asked whether UCF owns this equipment. Klonoff stated that, in addition to the equipment owned by TISTEF, UCF has a substantial amount of equipment there.
- Board Chair Martins inquired whether due to the magnitude of the potential exposure, this item should be voted on by the BOT. Youndy Cook stated that this is not a procurement but a consultation, so it is being presented as a discussion item, but the board can move it to an approval item.
- Chair Mills would like to consider opening this up to the board for a vote of approval given the assumption of risk. The mechanism to make a motion to table this until later is needed. Cook stated that if the board would like to table this, they need to express this.
- Klonoff commented on the degree to which all research is risky. This project involves lasers and so it seems riskier, but in reality, much of all of the research UCF does is risky. If the BOT wants to review all research activities that are potentially risky, they would probably have to review each grant and contract. It would be impossible to draw a line, and that is why in the delegation of authority research was exempted. It is up to the Office of Research to ensure that every effort is being made to mitigate the risk.

- Board Chair Martins then agreed that this was probably not a path the BOT wanted to go down.
- Klonoff and Sovinski then agreed to provide the two trustees who had concerns information that would hopefully mitigate some of the concerns.

President Cartwright assured the board that there will be follow-up and clarification of these items directly with Trustees Mills, Christy, and Altizer.

DISC-4 University Investment Report – 4th Quarter, Ended June 30, 2021

Bert Francis, Assistant Vice President for Debt Management and University Treasurer, introduced the University Investment Report – 4th Quarter, Ended June 30, 2021, and provided a brief overview.

Francis stated that this quarter's investment document format was redesigned to answer questions previously raised by the trustees. In addition, allocation percentages for both the Special Purpose Investment Account (SPIA) and the Bank of New York (BNY) portfolio are detailed. Investment management fees are now also included. The fiscal year to date return on SPIA was 1.85 percent. The fiscal year to date return on the BNY portfolio was 12.25 percent, resulting in $38 million in net gains for fiscal year 2020-21. An investment subcommittee that was discussed at a previous meeting is still forming.

Trustees had the following comments:

- Chair Mills suggested that Francis consider diversity and inclusion when pursuing the next competitive bid for investment services.

INFO-1 FY 22 Work Plan and Charter Review

Chair Mills introduced the FY 22 Work Plan and Charter Review.

There were no comments.

INFO-2 University and Direct Support Organizations Debt Report

Francis provided the committee with information regarding the University and Direct Support Organizations Debt Report and stated that all obligations for the year were met. In addition, the university completed refinancing of the UCF Housing Series 2012A bonds in August at an All in True Interest Cost (TIC) rate of 1.75 percent rate with a gross savings of $11.4 million and net present value savings $9.8 million. The annual rating surveillance of both the university and DSOs' debt resulted in no ratings changes.

There were no comments.

INFO-3 2020-21 Fixed Capital Outlay Budget Update

This item was covered during the SVP Update.

There were no comments.

INFO-4 University Banking Service Agreement

Francis provided a short briefing on the University Banking Services Agreement. UCF was able to piggyback on the City of Orlando's banking services contract with Bank of America which resulted in a savings to UCF of 20 to 30 percent.

Trustees had the following comments:

- Trustees Altizer and Conte commended Francis for his hard work and amazing results.
- Chair Mills asked about the impacts of the Workday implementation. Francis stated that the transition to Workday will go live on July 1, 2022, which will free up resources without resulting in substantial outsourcing costs.

OTHER BUSINESS

The committee had no other business to discuss.

ADJOURNMENT

Chair Mills adjourned the Budget and Finance Committee meeting at 4:59 p.m.

Reviewed by: ______________________________________

Harold Mills Date
Chair, Budget and Finance Committee

Respectfully submitted: ______________________________________

Mike Kilbride Date
Associate Corporate Secretary

Board of Trustees

Agenda Memo

Board of Trustees
Budget and Finance Committee | November 16, 2021

DISC-1: SVP Update

☐ **Information** ☒ **Discussion** ☐ **Action**

Meeting Date for Upcoming Action: ______________________

Purpose and Issues to be Considered:
The Senior Vice President provides updates to the Board of Trustees of items that are of importance to both the financial and administrative operations of the university. This update is a continuation of topics raised in prior meetings earlier in the fiscal year, and keeps members of the board apprised of successes, works in progress, and continued challenges/opportunities where they present themselves.

In this update, trustees will hear updates on (i) Service Enhancement Transformation efforts, (ii) Employee Termination and the effects of the "Great Resignation" on personnel, and the intersection with SET and Knight Vision as a whole, (iii) Inquiry into Educational Broadband Services unsolicited offer, (iv) an overview of strategic initiatives and thoughts as a result of the June 30, 2021 draft financial statements (i.e. a 2022-2023 housing rate increase), and (v) an overview of the administration's continued education of trustees and the campus around key financial variables (for this meeting it is the debt portfolio and its impact on future decisions).

Background Information:
To address the Board of Trustees desire to have greater frequency and detail of financial and operational matters, the Senior Vice President of Administration and Finance created an update template of key functions and matters occurring at the university as it undertakes an ambitious change management process. The creation of dashboards, and soon to be monthly finance and administrative packages uploaded to a secured website, the idea is to make sure that the board is kept apprised at all times.

Recommended Action:
For discussion only

Alternatives to Decision:
N/A

Fiscal Impact and Source of Funding:
N/A

Authority for Board of Trustees Action:
N/A

Contract Reviewed/Approved by General Counsel ☐ **N/A** ☒

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:
Gerald Hector, Senior Vice President for Administration and Finance

Supporting Documentation:
Attachment A: SVP Update Presentation

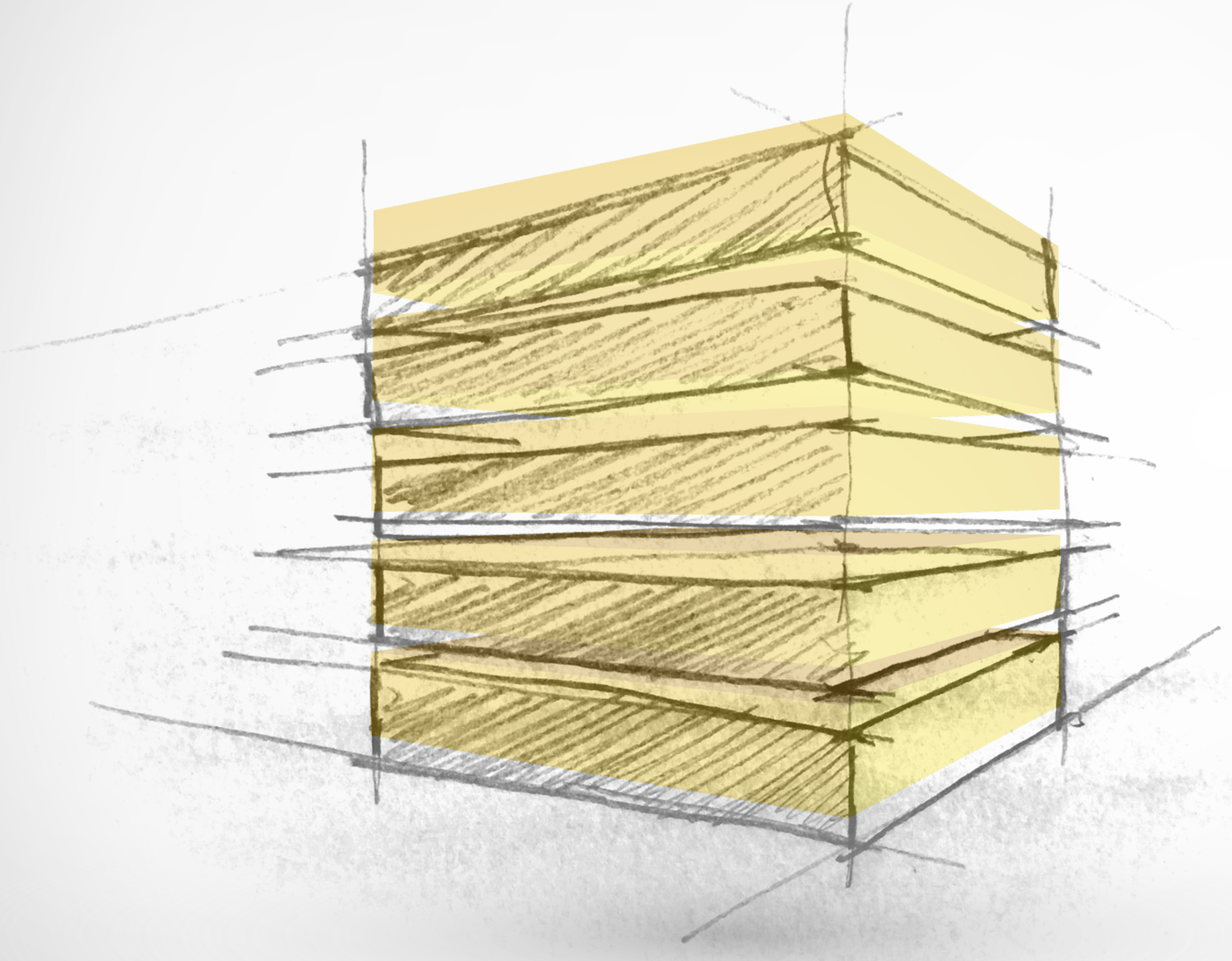
Facilitators/Presenters:
Gerald Hector, Senior Vice President for Administration and Finance

SVP Update

UCF Board of Trustees Budget and Finance Committee
November 16, 2021

Gerald L. Hector
Senior Vice President for Administration and Finance

Topics for Discussion



- Accomplishments
- Working Capital Advisory Group
- Composite Financial Index
- Turnover Analysis
- Questions and Answers

Accomplishments

Updates since September 2021 BOT Meeting

- ✓ Draft Audited Financial Statements submitted
- ✓ Convocation Corp, Finance Corp & Stadium Corp audits completed
- ✓ Special Deferred Maintenance summary submitted to the Board of Governors
- ✓ Special Board of Governors DSO review process has commenced

Accomplishments

Updates since September 2021 BOT Meeting

- ✓ Inaugural “Dollars and $ense” campus meeting completed with excellent reviews and feedback
- ✓ “From the CFO” launched as a monthly communication from the Division of Finance and Administration to the campus
- ✓ Preliminary conversations around “How Much It Costs to Educate a Knight” have started
- ✓ Advisory Group on Working Capital portfolio has been formed and inaugural meeting hosted on November 2, 2021

UCF

Working Capital Advisory Group Members

Carrie Daanen

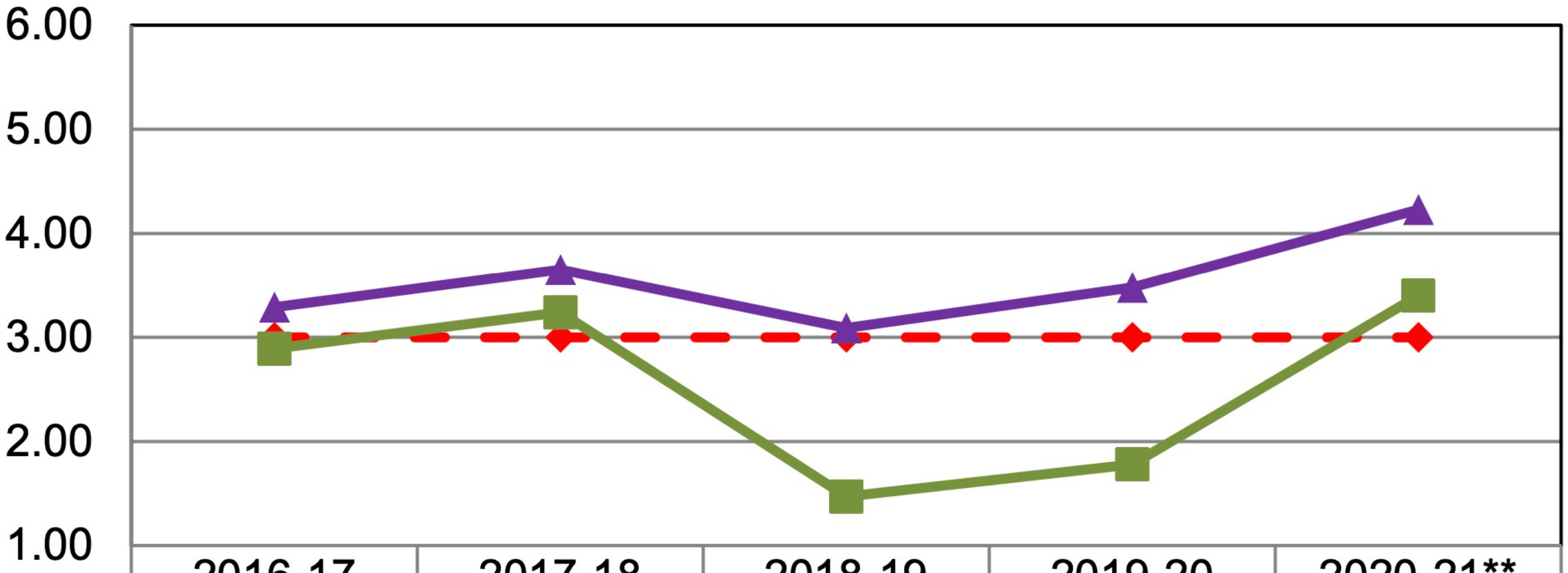
Gerald Chen-Young

Bill Christy

Barry Miller

Composite Financial Index

Measurement of Financial Health



	2016-17	2017-18	2018-19	2019-20	2020-21**
Target	3.00	3.00	3.00	3.00	3.00
Actual - University and Component Units	2.89	3.24	1.47	1.78	3.40
Actual - University*	3.29	3.65	3.09	3.48	4.23

Composite Financial Index
Measurement of Financial Health

CFI Score Range	Strategic/Mission Objective
8 to 10	Deploy resources to achieve robust mission
6 to 9	Allow experimentation with new initiatives
4 to 7	Focus resources to compete in future state
2 to 5	Direct resources to allow transformation
0 to 3	Re-engineer the institution
-1 to 1	Consider substantive programmatic adjustments
-2 to 0	Assess debt and Department of Education compliance and remediation
-3 to -1	Consider structured programs to conserve cash
-2 to -4	Consider whether financial exigency is appropriate

UCF

UCF Turnover Analysis

Week of 11/10

UCF Turnover Analysis

The Great Resignation & UCF

Nationally we are witnessing turnover rates that are unprecedented throughout history

- 65% of employees across the nation say they are currently seeking new jobs
- 15 million+ employees have resigned since April 2021
- Employee engagement rates are at 20%
- 88% of employers are experiencing higher turnover than normal
- Burnout is cited as the #1 cause of turnover nationally

Historically, UCF has seen an average turnover rate of 9.3%

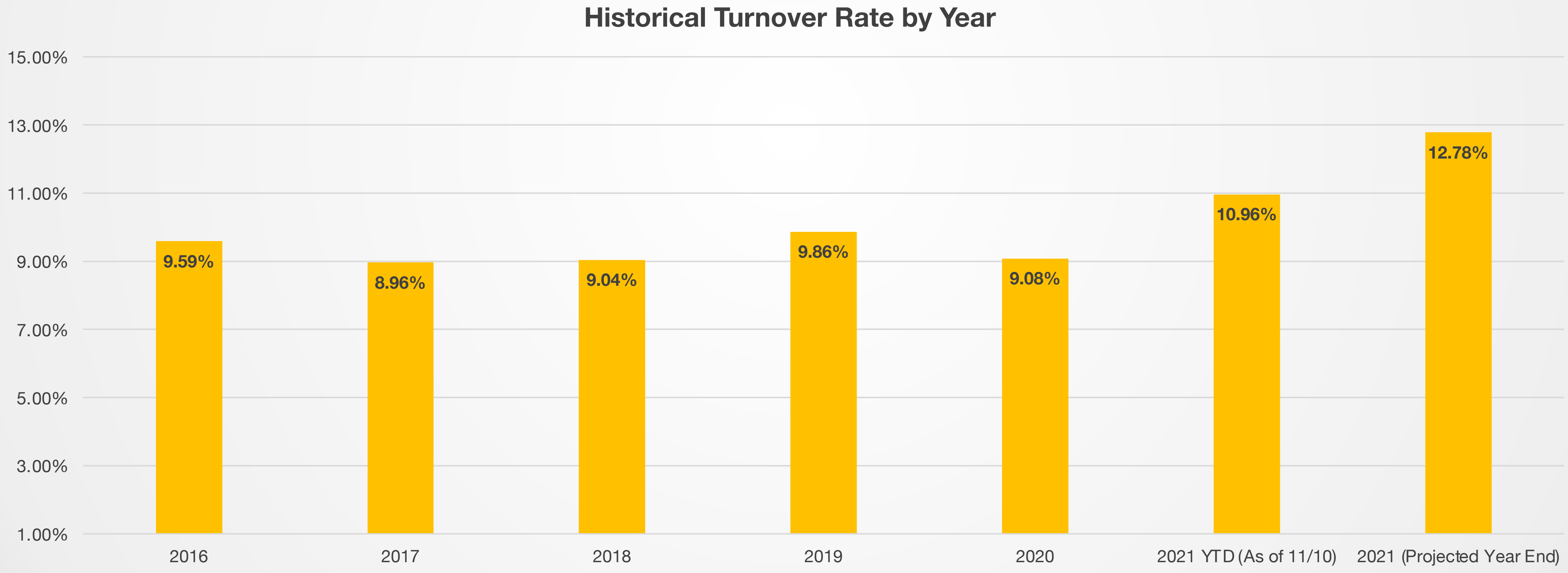
- This aligns with average rates amongst similar higher education institutions

UCF's 2021 Year-to-Date turnover rate has grown from 8.24% (468 separations) as of August 25th to 10.96% (622 separations) as of November 10th

- ~83% of separations in 2021 are voluntary
- The turnover rate has grown every week for 9 consecutive weeks as of November 11th
- We are currently projecting that UCF's 2021 Turnover Rate will reach 12.78% (725 separations) by December 31, 2021
- If projections are accurate, UCF will average 60 separations per month throughout 2021

UCF Turnover Analysis
The Great Resignation & UCF

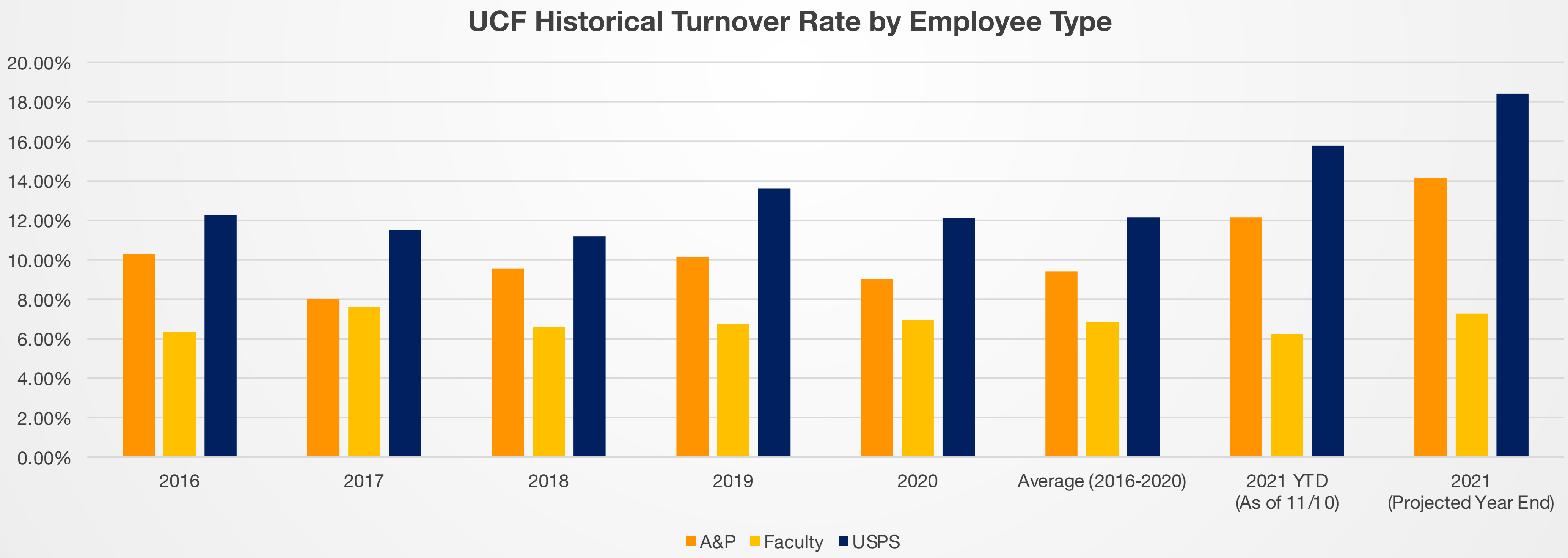
- UCF's turnover rate has reached an all time high in 2021, reaching 10.96% as of 11/10 with a projected year end rate of 12.78%



UCF Turnover Analysis

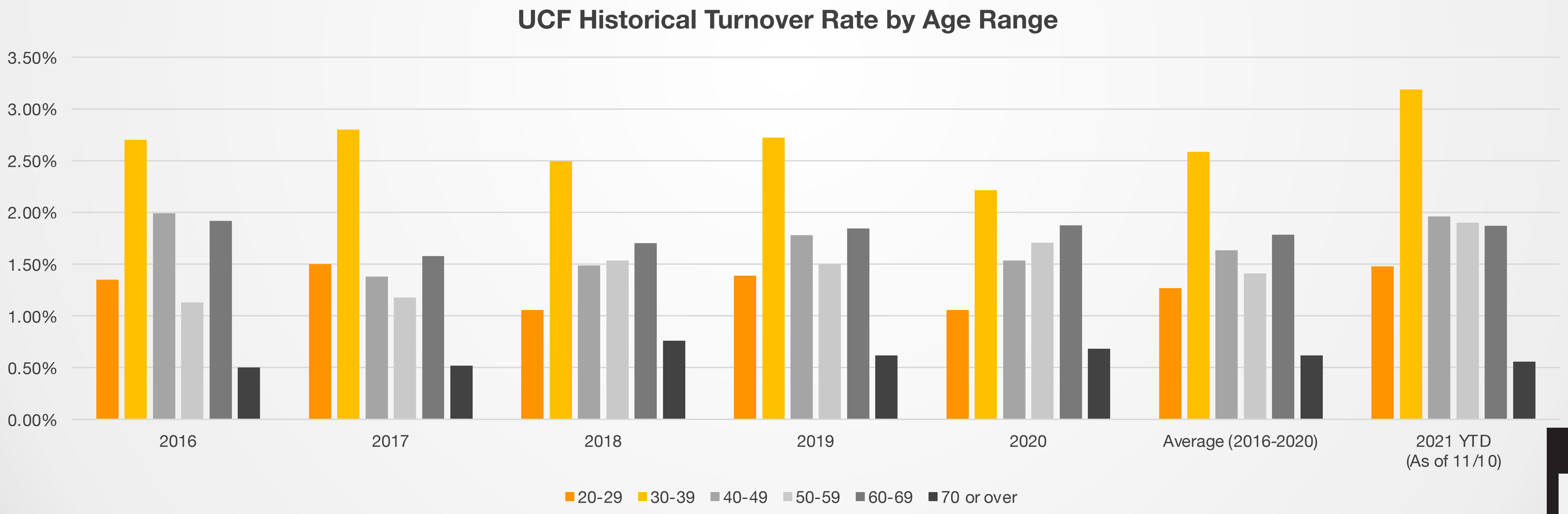
Historical Turnover Rate by Employee Type

- On average, USPS employees have the highest turnover rate at 12.14% over the past 5 years, followed by A&P (9.42%), and Faculty (6.85%)
- Turnover rates for all employee categories are projected to surpass historical averages in 2021



UCF Turnover Analysis
Turnover Rate by Age Range

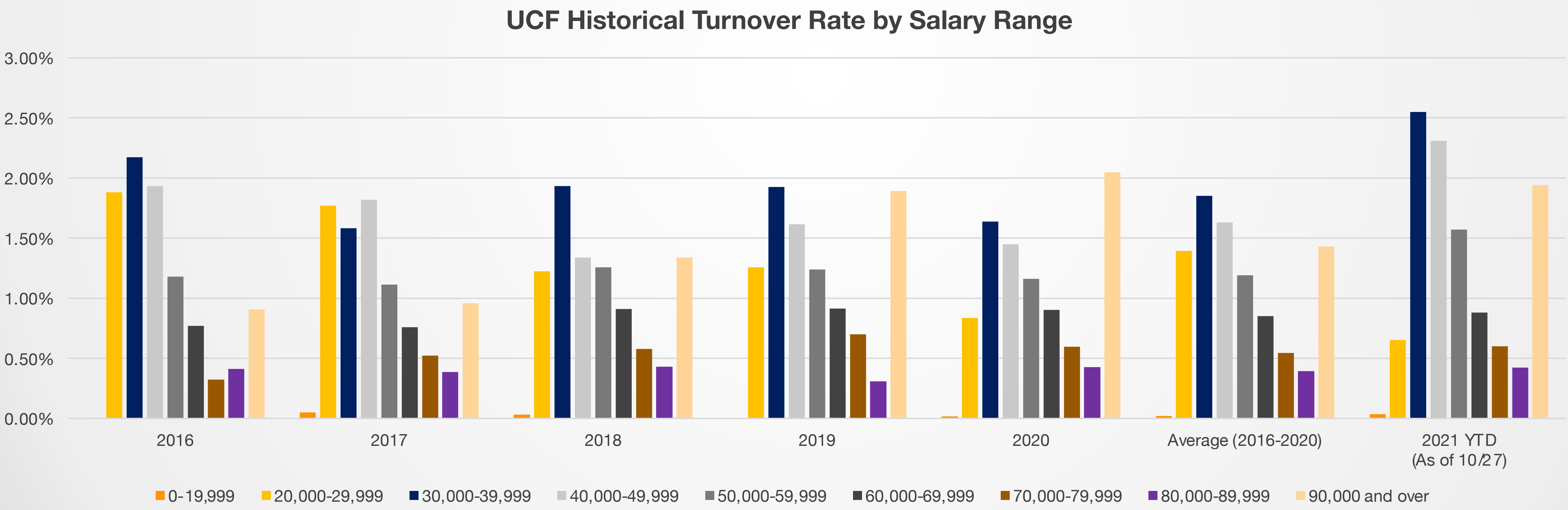
- 30–39 year-olds make up the largest percentage of UCF's turnover rate in 2021 at 3.19%
- Employees that are 30-39 or 50-59 have seen the greatest increase in turnover in 2021 when compared to historical averages



UCF Turnover Analysis

Turnover Rate by Salary Range

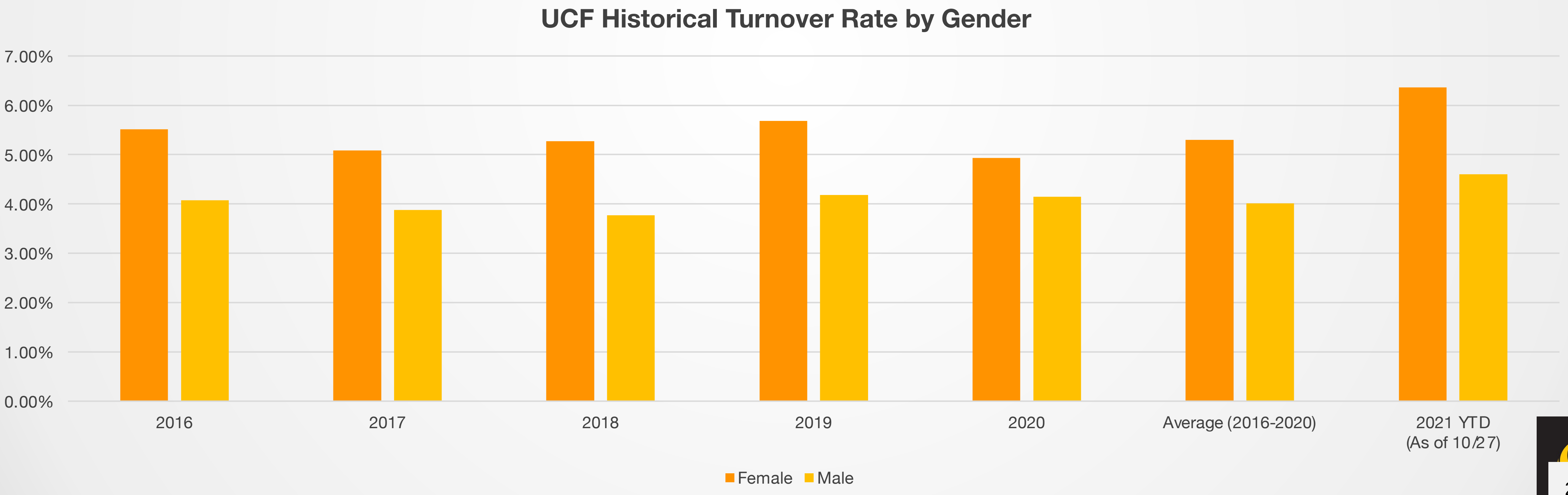
- In 2021, employees who make $30-50K, and those who make over $90K make up the largest percentage of UCF's turnover rate and have seen the greatest increase in turnover when compared to historical averages



UCF

UCF Turnover Analysis
Turnover Rate by Gender

- Women on average represent 5.3% of UCF's turnover from 2016-2020, and currently represent 6.36% of UCF's 2021 turnover rate
- Men on average represent 4.01% of UCF's turnover from 2016-2020 and currently represent 4.6% of UCF's 2021 turnover rate



Questions?

Thank you.

Board of Trustees
Budget and Finance Committee | November 16, 2021

DISC-2: Draft University Audited Financial Statements Report, Composite Financial Index Report, and Unrestricted Net Position Exclusive of Plant Assets and Plant-Related Debt (UNAEP)

☐ **Information** ☒ **Discussion** ☐ **Action**

Meeting Date for Upcoming Action: ____________________

Purpose and Issues to be Considered:
This item is provided to the trustees to discuss the draft financial results of the University for fiscal year 2020-2021.

Background Information:
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, 2021. The audit is expected to be completed and report issued between January – March 2021. The final report will be provided to this committee for review.

Total assets were $2.05 billion an increased $29.6 million compared to prior year. University current assets increased $66.0 million primarily due to increases in current investments. Capital assets decreased $26.7 million primarily related to increases in accumulated depreciation as a result of additions placed in service. Deferred outflows of resources increased by $72.5 million to a total $307.2 million due to increases in deferred outflows related to pension and OPEB liabilities.

Total liabilities are $1.05 billion, an increase of $34.3 million or 3.4 percent. Additionally, deferred inflows of resources increased by $91.6 million, or 107.0 percent. These changes were primarily related to annual changes in actuarial determined amounts for other postemployment benefits and pensions.

Total net position decreased $23.8 million to a total $1.1 billion, including unrestricted net position of negative $159.6 million. The 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. Unrestricted net position before recognition of certain long-term liabilities and deferred outflows and inflows is positive $525.3 million or an increase of $45.3 million or 9.4%. The change was primarily due to increases in current investments.

University operating revenues increased $4.0 million to total $570 million. Grants and contracts increased $29.1 million primarily due to grants received for the Florida Space Institute operations related to the Puerto Rico Observatory. Other operating revenues decreased $7.0 million mainly due to a decrease in revenues received for ICAMR payroll due to termination of the project. Net student tuition and fees decreased $4.9 million primarily due to a 7.2% increase in tuition scholarship allowances.

Overall, enrollment increased 3.4% with the student count of approximately 71,913. Sales and services of auxiliary enterprises decreased by $13.3 million primarily due to reduced revenues in housing, parking, bookstore, sponsorships, and student government ticket sales.

Operating expenses increased $41.8 million. Services and supplies increased $27.0 million primarily due to the Puerto Rico Arecibo telescope demolition clean-up efforts. Scholarships, fellowships, and waivers increased $13.8 million resulting from increased awards for the Florida Bright Futures Scholarship Program, Federal Higher Education Emergency Relief (HEERF) student emergency financial aid, and Federal Supplemental Educational Opportunity Grant (FSEOG) awards.

Net nonoperating revenues and expenses increased $49.1 million primarily due to a rise in Federal and State student financial aid of $37 million. The University received Federal HEERF student emergency financial aid, as well as additional funds for Florida Bright Futures Scholarship Program.

Beginning in fiscal year 2021-22, the University will implement new accounting standards that will affect our reporting of lease liabilities and expenses. Currently, certain multi-year leases are accounted for as operating leases and not accrued as long-term liabilities on the balance. The new standards will require recognition and full accrual of the value of these leases over the life of the lease period. At June 30, 2021, in the notes to the financial statements, the University disclosed operating lease commitments totaling $115.9 million which expires in fiscal year 2054-2055.

The Composite Financial Index (CFI) is a single measure of the overall financial health of the University. It is derived from four core ratios that help answer these key questions:

- Primary Reserve Ratio – Are resources sufficient and flexible enough to support the mission?
- Net Operating Revenues Ratio – Does operating results indicate the institution is living within available resources?
- Return on Net Assets Ratio – Does financial asset performance support the strategic direction of the university?
- Viability Ratio – Is debt managed strategically to advance the university's mission?

When combined, these four ratios deliver a single measure (the CFI) of the overall financial health of the university.

For fiscal year end 2021, draft ratios and CFI (excluding pension and OPEB liabilities and deferrals) are as follows:

	Primary Reserve Ratio	**Net Operating Revenues Ratio**	**Return on Net Assets Ratio**	**Viability Ratio**	**CFI**
University & Component Units	0.39	9.07%	5.70%	1.32	3.40
University**	0.40	2.82%	0.15%	3.52	4.23

**Includes Blended Component Units

Unrestricted Net Position Exclusive of Plant Assets and Plant-Related Debt (UNPEP) represents net assets available to the University for any lawful purpose of the University. As of June 30, 2021, NPEP, before recognition of certain long-term liabilities and deferred outflows and inflows, is positive $525.3 million or an increase of $45.3 million or 9.4%. The change was primarily due to increases in current investments.

Recommended Action:
For discussion only.

Alternatives to Decision:
N/A

Fiscal Impact and Source of Funding:
N/A

Authority for Board of Trustees Action:
N/A

Contract Reviewed/Approved by General Counsel ☐ **N/A** ☒

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:
Gerald Hector, Senior Vice President for Administration and Finance
Danta White, Assistant Vice President for Administrative Affairs and University Controller

Supporting Documentation:
Attachment A: Draft University Audited Financial Report
Attachment B: Key Financial Ratios and Expendable Net Assets

Facilitators/Presenters:
Gerald Hector, Senior Vice President for Administration and Finance
Danta White, Assistant Vice President for Administrative Affairs and University Controller

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

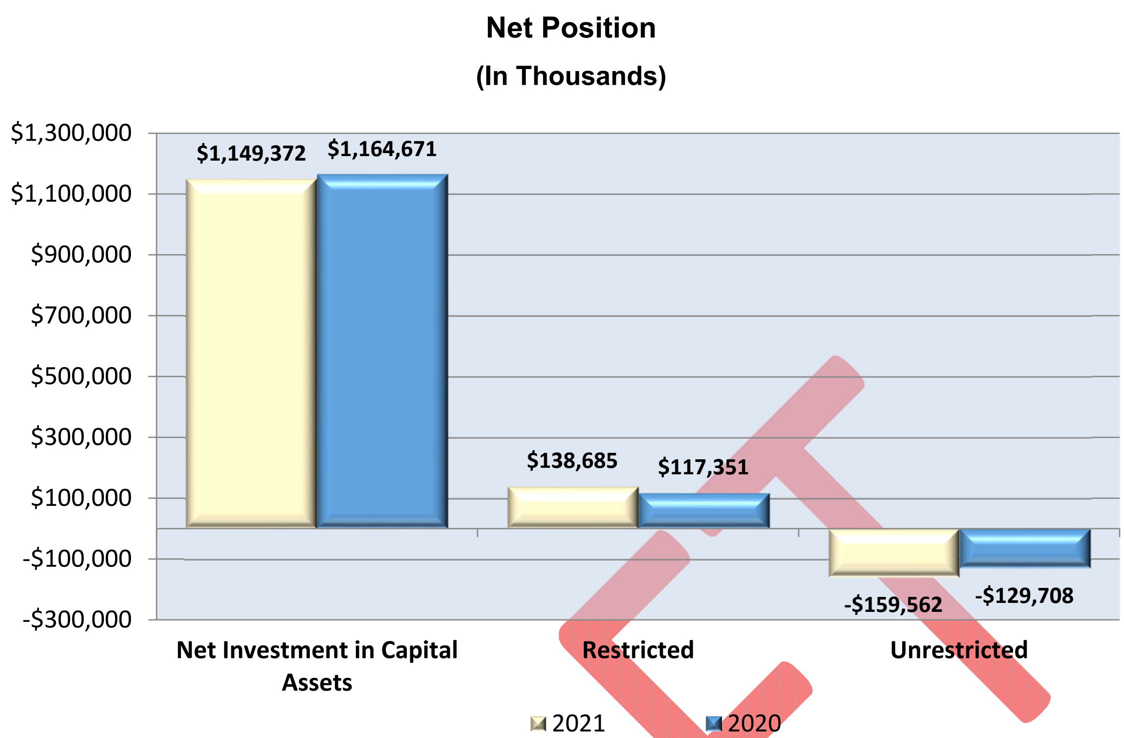
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2021, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2021, and June 30, 2020.

FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled $2.4 billion at June 30, 2021. This balance reflects a $102.1 million, or 4.5 percent, increase as compared to June 30, 2020 resulting primarily from an increase of deferred outflows related to postemployment benefits. Liabilities and deferred inflows of resources increased by $125.9 million, or 11.4 percent, totaling $1.2 billion at June 30, 2021, resulting primarily from the annual change in actuarial determined amounts for other postemployment benefits and pensions. As a result, the University's net position decreased by $23.8 million, resulting in a year-end balance of $1.1 billion.

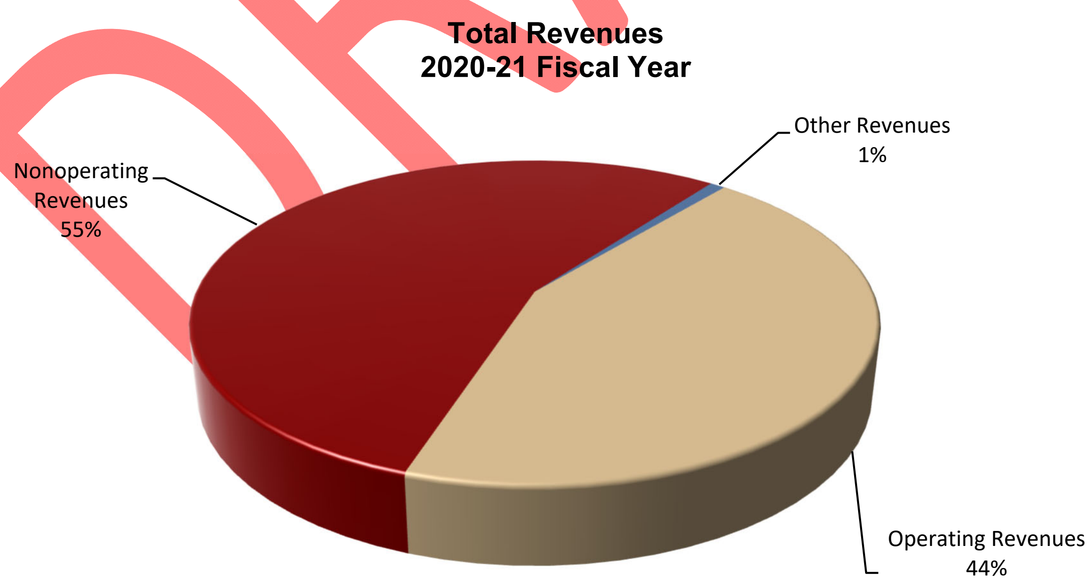
The University's operating revenues totaled $570.3 million for the 2020-21 fiscal year, representing a 0.7 percent increase compared to the 2019-20 fiscal year. Operating expenses totaled $1.3 billion for the 2020-21 fiscal year, representing an increase of 3.3 percent as compared to the 2019-20 fiscal year due mainly to increases in compensation and employee benefits and scholarships, fellowships and waivers.

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, 2021, and June 30, 2020, is shown in the following graph:



The deficit unrestricted net position for 2021 and 2020 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 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 2020-21 fiscal year:



Overview of Financial Statements

Pursuant to the Governmental Accounting Standards Board (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.
  - UCF Academic Health, 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 unit(s). 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:

Condensed Statement of Net Position at June 30

(In Thousands)

	2021	2020
Assets		
Current Assets	$ 689,248	$ 623,245
Capital Assets, Net	1,275,970	1,302,709
Other Noncurrent Assets	81,797	91,445
Total Assets	2,047,015	2,017,399
Deferred Outflows of Resources	307,212	234,747
Liabilities		
Current Liabilities	117,375	124,556
Noncurrent Liabilities	931,190	889,696
Total Liabilities	1,048,565	1,014,252
Deferred Inflows of Resources	177,166	85,580
Net Position		
Net Investment in Capital Assets	1,149,372	1,164,671
Restricted	138,685	117,351
Unrestricted	(159,562)	(129,708)
Total Net Position	$ 1,128,495	$ 1,152,314

Total liabilities as of June 30, 2021, increased by $34.3 million, or 3.4 percent. Deferred outflows of resources increased by $72.5 million, or 30.9 percent. Deferred inflows of resources increased by $91.6 million, or 107.0 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 2020-21 and 2019-20 fiscal years:

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

(In Thousands)

	2020-21	**2019-20**
Operating Revenues	$ 570,257	$ 566,256
Less, Operating Expenses	1,320,272	1,278,481
Operating Loss	(750,015)	(712,225)
Net Nonoperating Revenues	715,239	666,127
Loss Before Other Revenues	(34,776)	(46,098)
Other Revenues	10,957	11,111
Net Decrease In Net Position	(23,819)	(34,987)
Net Position, Beginning of Year	1,152,314	1,187,301
Net Position, End of Year	$ 1,128,495	$ 1,152,314

(1) For the 2020-21 fiscal year, the University's beginning net position was decreased…

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 2020-21 and 2019-20 fiscal years:

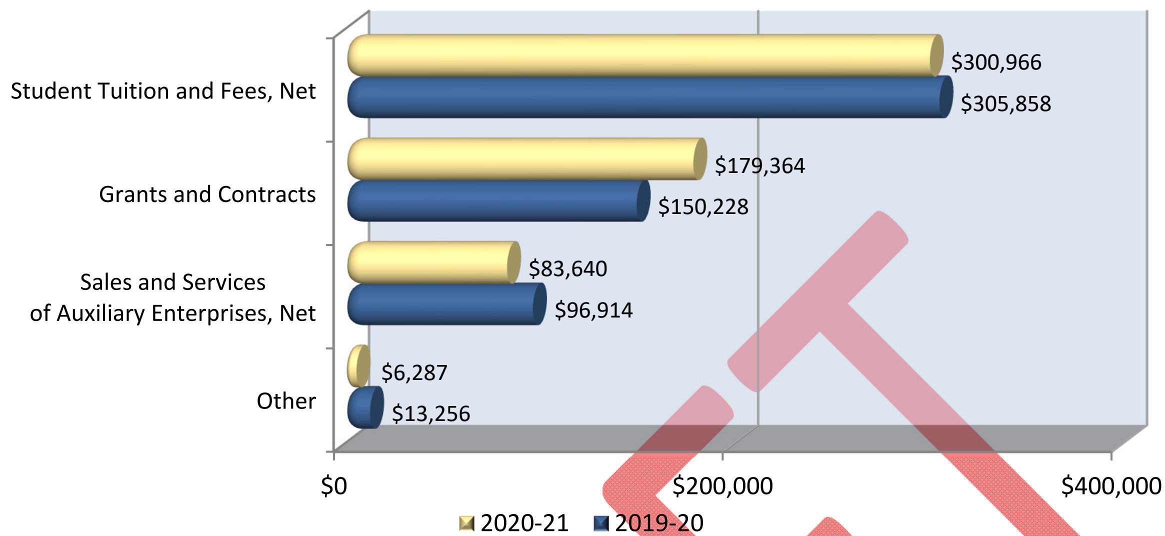
Operating Revenues
For the Fiscal Years

(In Thousands)

	2020-21	**2019-20**
Student Tuition and Fees, Net	$ 300,966	$ 305,858
Grants and Contracts	179,364	150,228
Sales and Services of Auxiliary Enterprises, Net	83,640	96,914
Other	6,287	13,256
Total Operating Revenues	$ 570,257	$ 566,256

The following chart presents the University's operating revenues for the 2020-21 and 2019-20 fiscal years:

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 2020-21 and 2019-20 fiscal years:

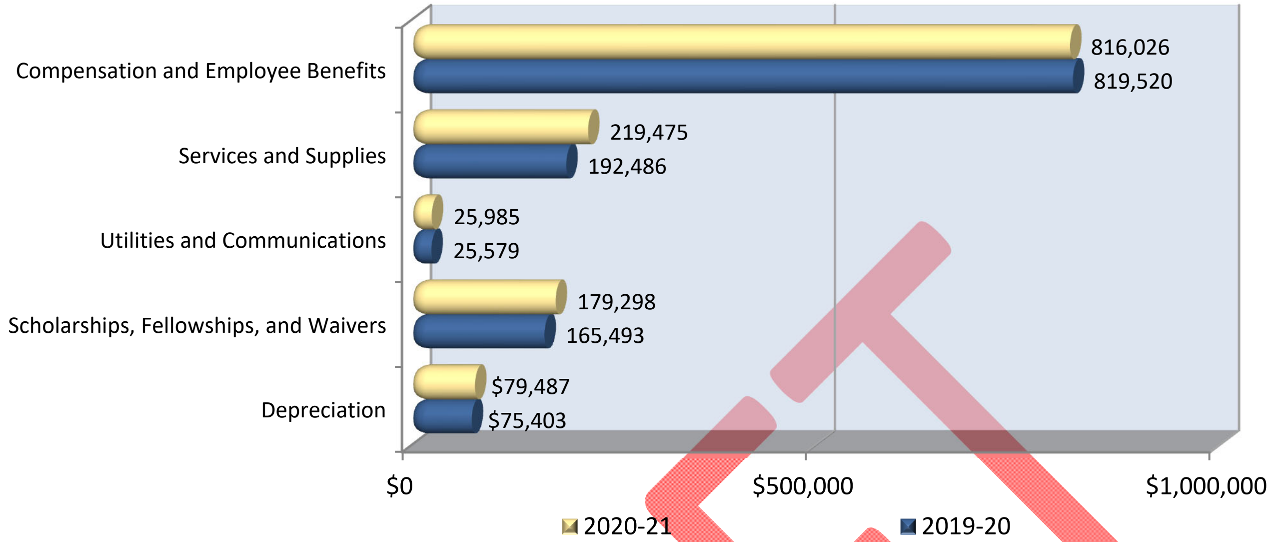
Operating Expenses
For the Fiscal Years
(In Thousands)

	2020-21	**2019-20**
Compensation and Employee Benefits	$ 816,026	$ 819,520
Services and Supplies	219,475	192,486
Utilities and Communications	25,985	25,579
Scholarships, Fellowships, and Waivers	179,298	165,493
Depreciation	79,487	75,403
Total Operating Expenses	$ 1,320,271	$ 1,278,481

The following chart presents the University's operating expenses for the 2020-21 and 2019-20 fiscal years:

Operating Expenses

(In Thousands)



Operating expenses increased $ 41.8 million, or 3.3 percent, over the 2019-20 fiscal year. Services and supplies increased by $27.0 million, or 14.0 percent, primarily due to the Puerto Rico Arecibo telescope demolition clean up efforts. Scholarships, fellowships, and waivers increased by $13.8 million, or 8.3 percent, resulting from increased awards for the Florida Bright Futures Scholarship Program, Federal Higher Education Emergency Relief (HEERF) awards, Federal Supplemental Educational Opportunity Grant (FSEOG) awards.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2020-21 and 2019-20 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2020-21	**2019-20**
State Noncapital Appropriations	$368,981	$378,429
Federal and State Student Financial Aid	301,376	264,065
Investment Income	32,412	28,695
Other Nonoperating Revenues	49,315	40,405
Loss on Disposal of Capital Assets	(491)	(323)
Interest on Capital Asset-Related Debt	(5,247)	(5,952)
Other Nonoperating Expenses	(31,107)	(39,192)
Net Nonoperating Revenues	$715,239	$666,127

Net nonoperating revenues increased by $49.1 million, or 7.4 percent, primarily due to a rise in Federal and State student financial aid of $37.3m. The University received Federal HEERF funding for emergency student financial aid awards in response to the COVID-19 pandemic and additional funds for the Florida Bright Futures Scholarship Program.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2020-21 and 2019-20 fiscal years:

Other Revenues, Expenses, Gains, or Losses
For the Fiscal Years

(In Thousands)

	2020-21	2019-20
State Capital Appropriations	$ 10,651	$ 9,338
Capital Grants, Contracts, Donations, and Fees	306	1,773
Total	$ 10,957	$ 11,111

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2020-21 and 2019-20 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2020-21	2019-20
Cash Provided (Used) by:		
Operating Activities	$ (588,215)	$ (587,238)
Noncapital Financing Activities	673,763	632,128
Capital and Related Financing Activities	(63,070)	(82,972)
Investing Activities	(82,097)	75,155
Net Increase (Decrease) in Cash and Cash Equivalents	(59,619)	37,073
Cash and Cash Equivalents, Beginning of Year	65,347	28,274
Cash and Cash Equivalents, End of Year	$ 5,728	$ 65,347

Cash and cash equivalents decreased $59.6m. Cash inflows from noncapital financing activities $41.6m primarily due to an increase in cash received from Federal and State student financial aid and HEERF funding. Cash used for capital and related financing activities decreased $19.9m primarily due to decreased construction activities and reduced debt service payments as a result of recent debt refunding. Cash used by investing activities increased $157.3m primarily due to an increase in the purchase of investments.

Major sources of funds came from State noncapital appropriations ($370 million), net student tuition and fees ($299.7 million), Federal and State student financial aid ($301.4 million), grants and contracts ($178.5 million), and sales and services of auxiliary enterprises ($89.1 million). Major uses of funds were for payments to employees totaling $736.6 million; payments to suppliers for goods and services totaling $248.6 million; and payments to students for scholarships and fellowships totaling $179.3 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the University had $2.3 billion in capital assets, less accumulated depreciation of $1.0 billion, for net capital assets of $1.2 billion. Depreciation charges for the current fiscal year totaled $79.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2021	**2020**
Land	$ 43,016	$ 43,016
Construction in Progress	11,326	34,516
Buildings	1,098,923	1,100,552
Infrastructure and Other Improvements	42,917	44,199
Furniture and Equipment	37,627	39,974
Library Resources	30,534	28,768
Leasehold Improvements	11,180	11,173
Works of Art and Historical Treasures	447	511
Capital Assets, Net	$ 1,275,970	$ 1,302,709

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2021, were incurred on projects completed: Roth Athletic Center and Student Union Expansion, and projects currently in progress: Partnership IV and V, Millican Hall and College of Science HVACs, Visual Arts. The University's (major) construction commitments at June 30, 2021, are as follows:

	Amount (In Thousands)
Total Committed	$ 16,730
Completed to Date	(11,326)
Balance Committed	$ 5,404

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

Debt Administration

As of June 30, 2021, the University had $145.3 million in outstanding capital improvement debt payable, loans and notes payable, representing a decrease of $13.2 million, or 8.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2021	2020
Capital Improvement Debt	$ 88,025	$ 96,126
Loans and Notes Payable	57,273	62,347
Total	$ 145,298	$ 158,473

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, only a modest increase in State funding is anticipated in the 2021-22 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 2021-22 fiscal year provided a $203.4 million increase in base funding for State universities of which the University received $10.1 million. Further, the University's performance funding was reduced by $2.3m.

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 1.6 percent from 2019-20 to 2020-21. The decrease was primarily due to a 7.2% increase in tuition scholarship allowance. Overall, enrollment increased 3.4 percent with a student count of approximately 71,913. The change was primarily due to a 1,643 headcount increase in undergraduate students entering college for the first time and a 384 headcount increase in graduate Master's 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 Danta White, CPA, Assistant Vice President and University Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2021

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ (1,417,820)	$ 32,471,864
Restricted Cash and Cash Equivalents	3,360,383	51,918,031
Investments	577,664,418	-
Accounts Receivable, Net	72,582,876	17,629,953
Loans and Notes Receivable, Net	122,176	-
Due from State	26,006,583	-
Due from Component Units	1,080,571	7,872,884
Due from University	-	30,866,187
Inventories	2,682,923	-
Other Current Assets	7,166,056	2,000,579
Total Current Assets	689,248,166	142,759,498
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,785,293	5,664,207
Restricted Investments	65,581,321	290,914,479
Loans and Notes Receivable, Net	2,318,210	9,472,279
Depreciable Capital Assets, Net	1,221,409,646	98,989,447
Nondepreciable Capital Assets	54,560,586	66,795,474
Due from Component Units	5,363,336	-
Other Noncurrent Assets	4,748,194	438,653
Total Noncurrent Assets	1,357,766,586	472,274,539
Total Assets	2,047,014,752	615,034,037
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	168,085,215	-
Pensions	128,232,341	-
Deferred Amount on Debt Refundings	10,894,258	4,243,210
Total Deferred Outflows of Resources	307,211,814	4,243,210
LIABILITIES		
Current Liabilities:		
Accounts Payable	12,567,043	10,118,933
Construction Contracts Payable	3,452,318	-
Salary and Wages Payable	11,734,693	-
Deposits Payable	5,309,653	-
Due to Component Units	30,866,187	7,872,884
Due to University	-	1,080,571
Unearned Revenue	28,988,116	21,669,411
Other Current Liabilities	2,666,085	2,088,236
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	6,600,000	-
Bonds Payable	-	10,317,000
Loans and Notes Payable	2,684,000	6,734,000
Compensated Absences Payable	5,416,264	103,759
Other Postemployment Benefits Payable	6,352,381	-
Net Pension Liability	738,293	-
Total Current Liabilities	117,375,033	59,984,794

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	81,424,530	-
Bonds Payable	-	188,422,754
Loans and Notes Payable	54,589,193	74,987,000
Compensated Absences Payable	59,156,624	551,951
Other Postemployment Benefits Payable	385,159,704	-
Net Pension Liability	347,177,728	-
Unearned Revenue	-	28,101
Due to University	-	5,363,336
Other Noncurrent Liabilities	3,682,483	276,117
Total Noncurrent Liabilities	931,190,262	269,629,259
Total Liabilities	1,048,565,295	329,614,053
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	171,961,431	-
Pensions	5,204,461	-
Total Deferred Inflows of Resources	177,165,892	-
NET POSITION		
Net Investment in Capital Assets	1,149,372,195	84,164,699
Restricted for Nonexpendable:		
Endowment	-	147,386,322
Restricted for Expendable:		
Debt Service	4,313	-
Loans	2,574,762	-
Capital Projects	88,074,906	7,902,193
Other	48,030,965	144,705,249
Unrestricted	(159,561,762)	(94,495,269)
TOTAL NET POSITION	$ 1,128,495,379	$ 289,663,194

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, 2021

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $237,499,738 (Pledged for Capital Improvement Debt: $15,499,424 for Parking)	$ 300,965,898	$ -
Federal Grants and Contracts	135,753,236	-
State and Local Grants and Contracts	13,785,057	-
Nongovernmental Grants and Contracts	29,826,051	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: $22,218,959 for Housing and $2,627,928 for Parking)	83,639,813	-
Gifts and Donations	-	64,052,865
Interest on Loans and Notes Receivable	130,019	-
Other Operating Revenues (Pledged for Capital Improvement Debt: $230,091 for Housing and $413,470 for Parking)	6,156,901	175,621,746
Total Operating Revenues	570,256,975	239,674,611
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	816,026,009	23,998,617
Services and Supplies	219,474,817	109,270,628
Utilities and Communications	25,985,401	-
Scholarships, Fellowships, and Waivers	179,298,295	-
Depreciation	79,487,077	4,763,560
Total Operating Expenses	1,320,271,599	138,032,805
Operating Income (Loss)	(750,014,624)	101,641,806
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	368,981,380	-
Federal and State Student Financial Aid	301,376,462	-
Investment Income	32,411,479	872,429
Other Nonoperating Revenues	49,314,773	14,852,064
Loss on Disposal of Capital Assets	(491,269)	-
Interest on Capital Asset-Related Debt	(5,246,943)	(8,187,567)
Other Nonoperating Expenses	(31,106,965)	(2,875,373)
Net Nonoperating Revenues	715,238,917	4,661,553
Income (Loss) Before Other Revenues	(34,775,707)	106,303,359
State Capital Appropriations	10,650,891	-
Capital Grants, Contracts, Donations, and Fees	306,252	-
Additions to Permanent Endowments	-	3,236,453
Increase (Decrease) in Net Position	(23,818,564)	109,539,812
Net Position, Beginning of Year	1,152,313,943	180,123,382
Adjustment to Beginning Net Position	-	-
Net Position, Beginning of Year, as Restated	1,152,313,943	180,123,382
Net Position, End of Year	$ 1,128,495,379	$ 289,663,194

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

UNIVERSITY NAME
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 299,741,635
Grants and Contracts	178,544,136
Sales and Services of Educational Departments	-
Sales and Services of Auxiliary Enterprises, Net	89,113,187
Interest on Loans and Notes Receivable	134,489
Payments to Employees	(736,613,008)
Payments to Suppliers for Goods and Services	(248,574,539)
Payments to Students for Scholarships and Fellowships	(179,298,295)
Collection on Loans to Students	1,119,897
Other Operating Receipts (Disbursements)	7,617,258
Net Cash Used by Operating Activities	(588,215,240)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	368,981,380
Federal and State Student Financial Aid	301,376,462
Federal Direct Loan Program Receipts	197,672,869
Federal Direct Loan Program Disbursements	(197,672,869)
Net Change in Funds Held for Others	(3,980,064)
Other Nonoperating Receipts (Disbursements)	7,385,654
Net Cash Provided (Used) by Noncapital Financing Activities	673,763,432
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	-
State Capital Appropriations	9,270,850
Capital Grants, Contracts, Donations and Fees	246,370
Capital Subsidies and Transfers	-
Proceeds from Sale of Capital Assets	-
Other Receipts for Capital Projects	10,607,968
Purchase or Construction of Capital Assets	(64,282,831)
Principal Paid on Capital Debt and Leases	(13,705,361)
Interest Paid on Capital Debt and Leases	(5,207,359)
Net Cash Provided (Used) by Capital and Related Financing Activities	(63,070,363)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	900,789,668
Purchases of Investments	(998,203,139)
Investment Income	15,316,711
Net Cash Provided (Used) by Investing Activities	(82,096,760)
Net Increase (Decrease) in Cash and Cash Equivalents	(59,618,931)
Cash and Cash Equivalents, Beginning of Year	65,346,787
Cash and Cash Equivalents, End of Year	$ 5,727,856

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (750,014,624)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	79,487,077
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,221,415
Inventories	734,571
Other Assets	(790,999)
Accounts Payable	(928,621)
Salaries and Wages Payable	9,862,451
Retirement Plan(s) Payable	-
Deposits Payable	(150,573)
Compensated Absences Payable	2,879,286
Unearned Revenue	(2,433,588)
Other Liabilities	(312,527)
Other Postemployment Benefits Payable	(8,485,889)
Net Pension Liability	62,276,403
Deferred Outflows of Resources Related to Other Postemployment Benefits	(68,302,952)
Deferred Inflows of Resources Related to Other Postemployment Benefits	103,990,034
Deferred Outflows of Resources Related to Pensions	(4,842,230)
Deferred Inflows of Resources Related to Pensions	(12,404,474)
NET CASH USED BY OPERATING ACTIVITIES	$ (588,215,240)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains (losses) on investments were recognized as a(n) increase (reduction) 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.	$ 17,927,106
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.	$ (491,269)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

<u>Reporting Entity</u>. 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.

<u>Blended Component Unit(s)</u>. 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 unit(s) are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

<u>Discretely Presented Component Unit(s)</u>. 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) 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 in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. Florida 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.
- 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.
- 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.

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 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 follows 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.

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, using a ratio of total aid to 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 $17,477,132 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 $3,360,383 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

Component Unit	Cash in Bank	Money Market Funds	Total
University of Central Florida Foundation, Inc.	$ 10,863,966	$ 42,351,032	$ 53,214,998
University of Central Florida Research Foundation, Inc.	419,472	-	419,472
UCF Athletics Association, Inc.	12,651,358	-	12,651,358
UCF Convocation Corporation	1,563,104	15,107,481	16,670,585
UCF Stadium Corporation	-	22,947	22,947
UCF Academic Health, Inc.	584,963	-	584,963
Central Florida Clinical Practice Organization, Inc.	6,489,779	-	6,489,779
Total Component Units	$ 32,572,642	$ 57,481,460	$ 90,054,102

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 $23,450,036, $4,901,312, and $1,344,536, 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, 2021, approximately $10,227,754 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, 2021, no part of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **UCF Convocation Corporation** – At June 30, 2021, the Convocation Corporation held $15,107,481 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. Additionally, at June 30, 2021, the Convocation Corporation held $1,563,104 in cash deposits at a financial banking institution. These funds are collateralized with securities held by the pledging financial institution, but not in the depositor's name.
- **UCF Stadium Corporation** – At June 30, 2021, the Stadium Corporation held $22,947 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, 2021, The Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling $6,260,047, was in excess of the Federal deposit insurance limit as of June 30, 2021.
- **UCF Academic Health, Inc.** – At June 30, 2020, UCF Academic Health, Inc. had deposits in a banking institution. A portion of the deposits, totaling $334,963, was in excess of the Federal deposit insurance limit as of June 30, 2021.

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 lessor of the remaining lease term, or the estimated useful life of the improvement

- 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 positions 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 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(s)

Governmental Accounting Standards Board Statement No. 84. The University implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities of state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The University considers its custodial funds to meet the criteria for reporting as fiduciary funds. As such, beginning net position related to custodial funds was increased by $__________.

3. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below.

Fund	Net Position
Current Funds - Unrestricted	$ (277,304,742)
Auxiliary Funds	117,742,980
Total	$ (159,561,762)

As shown below, 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.

	Amount
Total Unrestricted Net Position Before Recognition of Certain Long-Term Liabilities, Deferred Outflows and Deferred Inflows of Resources	$ 525,287,568
Amount Expected to be Paid in Future Years:	
Compensated Absences Payable	64,572,888
Other Postemployment Benefits Payable and Related Deferred Outflows and Deferred Inflows of Resources	395,388,301
Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources	224,888,141
Total Amount Expected to be Paid in Future Years	684,849,330
Total Unrestricted Net Position	$ (159,561,762)

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, 2021, 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 deposit which are valued using a matrix pricing model 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, 2021, are reported as follows:

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	$ 299,457,414	$ -	$ -	$ 299,457,414
SBA Debt Service Accounts	4,313	4,313	-	-
Cerificates of Deposit	-	-	-	-
Obligations of United States Government				
Agencies and Instrumentalities	71,690,079	71,690,079	-	-
Federal Agency Obligations	27,960,993	-	27,960,993	-
Bonds and Notes	89,422,348	200,454	89,221,894	-
Mutual Funds				
Equities	131,522,206	131,522,206	-	-
Bonds	23,188,386	23,188,386	-	-
Total investments by fair value level	$ 643,245,739	$ 226,605,438	$ 117,182,887	$ 299,457,414

Investments held by the University's component units at June 30, 2021, are reported as follows:

Investments by fair value level	University of Central Florida Foundation Inc.	University of Central Florida Research Foundation Inc.	University of Central Florida Academic Health, 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	$ 6,946,635	$ 49,036	$ -	$ 6,995,671	$ 6,946,635	$ 49,036	$ -
Equity - International	29,603,665		-	29,603,665	29,603,665	-	-
Domestic - Fixed Income	46,045,066		-	46,045,066	46,045,066	-	-
Global All Assets	-		-	-	-	-	-
Real Assets	5,527,000		-	5,527,000	-	-	5,527,000
Total investments by fair value level	88,122,366	49,036	-	88,171,402	$ 82,595,366	$ 49,036	$ 5,527,000
Investments measured at the net asset value (NAV)							
Equity - Domestic	27,842,514	-	-	27,842,514			
Equity - International	75,787,392	-	-	75,787,392			
Domestic - Fixed Income	17,899,735	-	-	17,899,735			
International Fixed Income	15,295,517	-	-	15,295,517			
Private Equity Funds	13,232,730	-	-	13,232,730			
Private Debt Funds	10,082,680	-	-	10,082,680			
Hedge Funds:				-			
Credit	8,758,678	-	-	8,758,678			
Event Driven	9,003,817	-	-	9,003,817			
Global Macro	5,476,100	-	-	5,476,100			
Equity Linked	2,230,761	-	-	2,230,761			
Real Assets	1,996,153	-	-	1,996,153			
Total investments measured at the NAV	187,606,077	-		187,606,077			
Investments measured using the equity method	-	-	15,137,000	15,137,000			
Total investments	$ 275,728,443	$ 49,036	$ 15,137,000	$ 290,914,479			

All of the University's component units' recurring fair value measurements as of June 30, 2020, 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:

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	$ 27,842,514	$ -	Immediate	
Equity - International	75,787,392	-	Monthly	Immediate
Domestic - Fixed Income	17,899,735	-	Immediate	
International Fixed Income	15,295,517	-	Monthly	30 Days
Private Equity Funds	13,232,730	11,431,307		
Private Debt Funds	10,082,680	3,870,335		
Hedge Funds:				
Credit	8,758,678	-	Monthly/Quarterly	30-90 Days
Event Driven	9,003,817	-	Monthly/Quarterly	30-90 Days
Global Macro	5,476,100	-	Monthly/Quarterly	30-62 Days
Equity Linked	2,230,761	-	Quarterly	60 Days
Real Assets	1,996,153	3,864,119		
Total investments measured at the NAV	$ 187,606,077	$ 19,165,761		

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: The fund is operated by a money manager that is actively managed. The fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. The funds is privately placed and the 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 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 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 Hedge Funds: The credit class of hedge funds seeks to profit from the mispricing of related debt securities. Returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. 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.

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 three investment vehicles consisting of distinct limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. 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 $299,457,414 at June 30, 2021, 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 2.60 years, and fair value factor of 0.9840 at June 30, 2021. 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 $4,313 at June 30, 2021, 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 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, 2021, are as follows:

University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years) Less Than 1	1 - 5	More Than 5
United States Government and				
Federally-Guaranteed Obligations	$ 71,690,079	$ 12,170,111	$ 51,675,503	$ 7,844,465
Federal Agency Obligations	27,960,993	649,140	13,947,264	13,364,589
Bonds and Notes	89,422,348	8,495,637	62,430,382	18,496,329
Mutual Funds - Bonds	23,188,386	(246,377)	11,697,134	11,737,629
Total	$ 212,261,806	$ 21,068,511	$ 139,750,283	$ 51,443,012

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years) Less Than 1	1 - 5	More Than 5	Investments Not Directly Subject To Interest Rate Risk (1)
Domestic Fixed Income	$ 63,944,801	$ -	$ 31,976,047	$ 14,069,019	$ 17,899,735
International Fixed Income	15,295,517	-	-	-	15,295,517
Private Debt	10,082,680	-	-	-	10,082,680
Hedge Funds	8,758,678	-	-	-	8,758,678
Total	$ 98,081,676	$ -	$ 31,976,047	$ 14,069,019	$ 52,036,610

(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, 2021, of the University's and its component units' debt instruments using Moody's and Standard & Poor's nationally recognized rating agencies:

University Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A
Federal Agency Obligations	$ 27,960,993	$ 22,225,128	$ 5,735,865	$ -	$ -
Bonds and Notes	89,422,348	26,911,898	17,207,039	42,157,114	3,146,297
Mutual Funds - Bonds	23,188,386	-	5,695,419	17,492,967	-
Total	$ 140,571,727	$ 49,137,026	$ 28,638,323	$ 59,650,081	$ 3,146,297

Component Units' Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A	Investments Not Directly Subject To Credit Risk (1)
Domestic Fixed Income	$ 63,944,801	$ 27,817,443	$ 13,874,819	$ 173,819	$ 4,178,985	$ 17,899,735
International Fixed Income	15,295,517					15,295,517
Private Debt	10,082,680					10,082,680
Hedge Funds	8,758,678					8,758,678
Total	$ 98,081,676	$ 27,817,443	$ 13,874,819	$ 173,819	$ 4,178,985	$ 52,036,610

(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 in 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.

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, 2021, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 38,746,262
Contracts and Grants	26,612,102
Other	7,224,512
Total Accounts Receivable	$ 72,582,876

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 $2,480,086 and $1,113,198, respectively, at June 30, 2021.

6. Due From State

The amount due from State primarily consists of $26,006,583 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 43,016,240	$ -	$ -	$ -	$ 43,016,240
Works of Art and Historical Treasures	218,000	-	-	-	218,000
Construction in Progress	34,515,580	-	25,892,798	49,082,032	11,326,346
Total Nondepreciable Capital Assets	$ 77,749,820	$ -	$ 25,892,798	$ 49,082,032	$ 54,560,586
Depreciable Capital Assets:					
Buildings	$1,672,498,605	$ -	$ 51,250,322	$ -	$1,723,748,927
Infrastructure and Other Improvements	82,062,447	-	1,422,685	-	83,485,132
Furniture and Equipment	248,826,409	-	14,900,630	5,051,693	258,675,346
Library Resources	152,440,516	-	6,730,930	-	159,171,446
Leasehold Improvements	23,113,833	-	2,131,452	-	25,245,285
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	2,188,469,599	-	76,436,019	5,051,693	2,259,853,925
Less, Accumulated Depreciation:					
Buildings	571,946,885	-	52,879,199		624,826,084
Infrastructure and Other Improvements	37,863,516	-	2,704,406	-	40,567,922
Furniture and Equipment	208,852,576	-	16,749,015	4,552,773	221,048,818
Library Resources	123,672,604	-	4,964,742	-	128,637,346
Leasehold Improvements	11,940,628	-	2,124,172	-	14,064,800
Works of Art and Historical Treasures	1,383,331	-	65,543	-	1,448,874
Computer Software and Other	-	-	-	-	-
Capital Assets	7,850,435	-	-	-	7,850,435
Total Accumulated Depreciation	963,509,975	-	79,487,077	4,552,773	1,038,444,279
Total Depreciable Capital Assets, Net	$1,224,959,624	$ -	$ (3,051,058)	$ 498,920	$1,221,409,646

8. Temporary Cash Overdraft

The University maintained an account with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the

University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2021. This did not, however, represent an overdraft in the University's depository account.

9. Unearned Revenue

Unearned revenue at June 30, 2021, 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, 2021, the University reported the following amounts as unearned revenue:

Description	Amount
Auxiliary Prepayments	$ 20,496,314
Grant and Contracts	$ 7,554,945
Student Tuition and Fees	936,857
Total Unearned Revenue	$ 28,988,116

10. 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 $128,232,341 and deferred inflows of resources related to pensions were $5,204,461 for the year ended June 30, 2021. Note 12 includes a complete discussion of defined benefit pension plans.

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 by Employers 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 $168,085,215 and deferred inflows of resources related to OPEB were $171,961,431 for the year ended June 30, 2021. Note 11 includes a complete discussion of Other Postemployment Benefits.

The total deferred outflows of resources related to the deferred loss on debt refunding's were $10,894,258 for the year ended June 30, 2021. 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.

11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2021, 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, 2021, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 96,125,838	$ -	$ 8,101,308	$ 88,024,530	$ 6,600,000
Loans and Notes Payable	62,347,398	-	5,074,205	57,273,193	2,684,000
Compensated Absences Payable	61,693,602	8,837,433	5,958,147	64,572,888	5,416,264
Other Postemployment Benefits Payable	399,997,974	262,183,283	270,669,172	391,512,085	6,352,381
Net Pension Liability	285,639,618	190,877,128	128,600,725	347,916,021	738,293
Other Noncurrent Liabilities	5,077,523	1,459,535	2,854,575	3,682,483	
Total Long-Term Liabilities	$910,881,953	$463,357,379	$421,258,132	$952,981,200	$ 21,790,938

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2021:

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	$ 53,617,152	3 to 5	2042
2018A - Housing	23,255,000	19,298,209	5	2030
Total Student Housing Debt	89,895,000	72,915,361		
Parking Garage Debt:				
2011A - Parking Garage	11,005,000	565,363	3 to 5	2022
2012A - Parking Garage	7,860,000	5,406,031	3 to 5	2032
2018A - Parking Garage	4,790,000	2,782,325	5	2024
2019A - Parking Garage	6,120,000	6,355,450	5	2029
Total Parking Garage Debt	29,775,000	15,109,169		
Total Capital Improvement Debt	$119,670,000	$ 88,024,530		

(1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental revenues and parking revenues to repay $119,670,000 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 and parking garages. The bonds are payable solely from housing rental income and parking and transportation 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 $110,005,688 and principal and interest paid for the current year totaled $11,212,025. During the 2020-21 fiscal year, operating revenues generated from housing rentals and parking revenues totaled $22,449,050 and $18,540,822, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2021, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	$ 6,600,000	$ 3,408,250	$ 10,008,250
2023	6,380,000	3,083,250	9,463,250
2024	6,700,000	2,762,600	9,462,600
2025	6,065,000	2,454,100	8,519,100
2026	6,305,000	2,211,200	8,516,200
2027-2031	27,430,000	7,442,469	34,872,469
2032-2036	9,630,000	3,930,363	13,560,363
2037-2041	11,230,000	1,774,375	13,004,375
2042	2,545,000	54,081	2,599,081
Subtotal	82,885,000	27,120,688	110,005,688
Net Discounts and Premiums	5,139,530	-	5,139,530
Total	$ 88,024,530	$ 27,120,688	$ 115,145,218

Loans and Notes Payable. During the 2017-18 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.

Annual requirements to amortize the outstanding term loan as of June 30, 2021, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	$ 2,684,000	$ 1,311,211	$ 3,995,211
2023	4,342,193	1,246,003	5,588,196
2024	2,816,000	1,172,136	3,988,136
2025	2,885,000	1,103,724	3,988,724
2026	2,955,000	1,033,644	3,988,644
2027-2031	15,888,000	4,055,952	19,943,952
2032-2036	17,914,000	2,030,136	19,944,136
2037-2038	7,789,000	188,053	7,977,053
Total	$ 57,273,193	$ 12,140,859	$ 69,414,052

During the 2017-2018 fiscal year, 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, 2021, was 0.48 percent. The balance of the note was $1,592,194 as of June 30, 2021. Payments are 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 UCF Foundation and the outstanding balance on the note cannot exceed the total pledges receivable. At June 30, 2021, the Foundation carried a pledge receivable balance of $5,276,200.

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, 2021, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $64,572,888. The current portion of the compensated absences liability, $5,416,264, 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.

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 $391,512,085 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2020, the University's proportionate share, determined by its proportion of total benefit payments made, was 3.804765460941 percent, which was an increase of 0.644786855008 from its proportionate share measured as of June 30, 2019.

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:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	2.66 percent
Healthcare cost trend rates	
Preferred Provider Option (PPO) Plan	7.8 percent for 2021, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Health Maintenance Organization (HMO) Plan	5.7 percent for 2021, decreasing to an ultimate rate of 4.04 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 Projection Scale BB.

The demographic actuarial assumptions for retirement, withdrawal, disability and salary merit scales used in the July 1, 2020 valuation are consistent with the assumptions used in the July 1, 2019 valuation of the FRS Plan.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 12-month period since July 1, 2020.
- The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.79 percent to 2.66 percent.
- The mortality rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Same MP-2018. This change decreased the Total OPEB Liability by about 5 percent.
- The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12%. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the Total OPEB Liability of about 13%.
- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. The recent favorable claims experience resulted in lower liabilities as of June 30, 2020.
- The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2020 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a small decrease in the liability, due primarily to lower trend rates in the first several years.
- Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement. For those who are not currently covered under the health plan, 72 percent are assumed to elect PPO coverage in retirement. The remaining 28 percent are assumed to elect HMO coverage. This assumption is

based on guidance provided by the DSGI in an email on September 22, 2020. This change resulted in a small decrease in the Total OPEB Liability.

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 (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
University's proportionate share of the total OPEB liability	$496,596,515	$391,512,085	$313,022,407

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$304,733,786	$391,512,085	$512,171,718

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

For the fiscal year ended June 30, 2021, the University recognized OPEB expense of $33,712,604. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 22,874,965
Change of assumptions or other inputs	51,759,199	148,162,402
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	109,814,606	924,064
Transactions subsequent to the measurement date	6,511,410	-
Total	$ 168,085,215	$ 171,961,431

Of the total amount reported as deferred outflows of resources related to OPEB, $6,511,410 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	**Amount**
2022	$ (5,080,374)
2023	(5,080,374)
2024	(5,080,374)
2025	(5,080,374)
2026	(5,645,924)
Thereafter	15,579,794
Total	$ (10,387,626)

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, 2021, the University's proportionate share of the net pension liabilities totaled $347,916,021. Note 13. 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 $2,747,081 as of June 30, 2021.

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. During the 2018-19 fiscal year, UCF Convocation Corporation issued $104,636,000 Refunding Revenue Bonds, Series 2018 to prepay the outstanding Series 2014A and Series 2014B certificates of participation. The bonds will mature on October 1, 2035, and bears interest at a fixed rate of 3.52 percent per annum. 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 to 4.3 percent per annum.

The outstanding balance of UCF Convocation Corporation revenue bonds at June 30, 2021, was $90,900,000 related to direct borrowings and was $67,270,000 related to non-direct borrowings before an unamortized premium of $806,316

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.

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, 2021, 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 the 2019-20 fiscal year, 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 $532,113 for the fiscal year ended June 30, 2021.

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, 2021, was $38,074,000, including $2,229,000 of direct borrowings, before an unamortized premium of $1,689,438.

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 30 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 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, 2021, the remaining outstanding principal was $5,348,000.

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, 2021, the taxable note was fully repaid and the remaining outstanding principal for the tax-exempt note was $8,340,000. The taxable series was paid in full during the 2017-18 fiscal year.

During the 2018-19 fiscal year, 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, 2021, the remaining outstanding principal was $50,000,000.

During the 2018-19 fiscal year, 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, 2021, the remaining outstanding principal was $5,559,000.

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. The notes are subject to acceleration if the lender reasonably deems itself insecure for any reason.

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 79 percent of LIBOR plus 1.34 percent (1.93 percent at June 30, 2021). The note is secured by an amount not to exceed 5 percent of the prior year's collection 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, 2021, the amount outstanding on the note was $5,080,000.

During the fiscal year 19-20, the Athletics Association, Inc. entered into a direct borrowing loan from a financial institution in the amount of $8,550,000 to complete the buildout of phase two of the Roth Athletics Center located on the UCF campus. 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 percent. The loan matures September 1, 2024 and is secured by certain pledged revenues of the Association.

On December 18, 2020, the Association entered into an 18-month revolving line of credit with the UCF Foundation, Inc. for $4.0 million. The line bears simple interest at 3% per annum and matures in June 2022. It may be renewed for up to two additional 12-month periods. At June 30, 2021, there was $4,052,500 outstanding including $52,500 of accrued interest, leaving zero available on the operating line of credit. The term and credit limit for this line of credit were increased subsequent to year end.

Due to University – Component Units.

Four of its component units reported moneys due to the University totaling $6,443,907. 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. The 2020-21 fiscal year loan payment was deferred for two fiscal years and future years' payments range from $1,000,000 to $1,500,000, contingent on interest rates. 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 (3.16 percent for the 2020-21 fiscal year interest calculations). 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, 2021, the amount outstanding, including interest, totaled $5,363,336.

12. 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 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 $71,373,259 for the fiscal year ended June 30, 2021.

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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 2020-21 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
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 $23,278,684 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of $281,012,993 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.648369723 percent, which was an decrease of 0.005967845 from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of $64,132,307. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,754,939	$ -
Change of assumptions	50,872,293	-
Net difference between projected and actual earnings on FRS Plan investments	16,731,784	-
Changes in proportion and differences between University contributions and proportionate share of contributions	9,271,632	1,262,698
University FRS contributions subsequent to the measurement date	23,278,684	-
Total	$ 110,909,332	$ 1,262,698

The deferred outflows of resources totaling $23,278,684, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2022	$ 19,315,535
2023	27,630,308
2024	23,131,345
2025	13,443,662
2026	2,847,100
Thereafter	-
Total	$ 86,367,950

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2020 valuation was updated from 6.90 percent to 6.80 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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability	$448,730,524	$281,012,993	$140,934,582

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.

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, 2021, 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, 2021, 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 $3,064,876 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of $66,903,028 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.547943658 percent, which was an increase of 0.009067303 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the University recognized pension expense of $7,247,105. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,736,739	$ 51,612
Change of assumptions	7,193,981	3,890,150
Net difference between projected and actual earnings on HIS Plan investments	53,416	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	4,273,995	-
University HIS contributions subsequent to the measurement date	3,064,876	-

The deferred outflows of resources totaling $3,064,876, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2022	$ 3,264,331
2023	2,405,662
2024	1,093,447
2025	1,134,875
2026	1,306,353
Thereafter	1,111,702
Total	$ 10,316,370

Actuarial Assumptions. The total pension liability at July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

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 2.21 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 adopted as the applicable municipal bond index. The discount rate used in the 2020 valuation was updated from 3.50 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
University's proportionate share of the net pension liability	$77,336,915	$66,903,028	$58,362,923

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.

13. 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's 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 2020-21 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

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, 2021, 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 $6,279,116 for the fiscal year ended June 30, 2021.

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, 3.44 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.59 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 $22,663,538, and employee contributions totaled $12,600,879 for the 2020-21 fiscal year.

14. Construction Commitments

The University's major construction commitments at June 30, 2021, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Partnership IV and V	$ 1,110,995	$ 459,355	$ 651,640
Millican Hall HVAC	1,847,031	1,274,769	572,262
Visual Arts	1,555,690	1,028,265	527,425
College of Science HVAC	1,390,355	1,218,554	171,801
	-	-	-
Subtotal	5,904,071	3,980,943	1,923,128
Other Projects (1)	10,826,334	7,345,403	3,480,931
Total	$ 16,730,405	$ 11,326,346	$ 5,404,059

(1) Individual projects with a current balance committed of less than $1 million at June 30, 2021.

15. Operating Lease Commitments

The University leased buildings under operating leases, which expires in fiscal year 2054-2055. 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:

Fiscal Year Ending June 30	Amount
2022	$ 15,819,885
2023	16,400,349
2024	16,048,412
2025	11,015,169
2026	3,923,431
2027-2031	14,298,742
2032-2036	14,045,993
2037-2041	13,304,228
2042-2046	5,000,005

16. 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 2020-21 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 $62.75 million for named windstorm and flood through ___________, 2021, and increased/decreased to $____ million starting __________, 2021. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $___ 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.

17. University Self-Insurance Program

The University of Central Florida, College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the University of Central 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 19.

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 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 Program during the 2018-19 and 2019-20 fiscal years are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2020	$ 836,042	$ 363,037	$ (163,998)	$ 1,035,081
June 30, 2021	1,035,081	549,778	(181,485)	$ 1,403,374

18. 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.

19. 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:

Functional Classification	**Amount**
Instruction	$ 430,771,606
Research	185,784,088
Public Services	20,703,152
Academic Support	106,352,640
Student Services	54,198,919
Institutional Support	105,683,018
Operation and Maintenance of Plant	67,003,249
Scholarships, Fellowships, and Waivers	179,298,295
Depreciation	79,487,077
Auxiliary Enterprises	90,726,969
Loan Operations	262,585
Total Operating Expenses	$ 1,320,271,599

20. 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 and Parking facilities represent identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Assets		
Current Assets	$ 4,825,311	$ 15,059,015
Capital Assets, Net	79,634,874	65,523,871
Other Noncurrent Assets	9,823,059	7,024,343
Total Assets	94,283,244	87,607,229
Liabilities		
Current Liabilities	6,589,173	2,413,674
Noncurrent Liabilities	68,610,361	12,814,169
Total Liabilities	75,199,534	15,227,843
Net Position		
Net Investment in Capital Assets	6,719,513	46,378,962
Restricted - Expendable	9,833,791	8,312,106
Unrestricted	2,530,406	17,688,318
Total Net Position	$ 19,083,710	$ 72,379,386

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

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Operating Revenues	$ 22,464,150	$ 18,540,822
Depreciation Expense	(4,831,688)	(3,271,215)
Other Operating Expenses	(15,304,270)	(10,698,194)
Operating Income	2,328,192	4,571,413
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	253,171	475,348
Interest Expense	(2,747,575)	(371,781)
Other Nonoperating Expense	-	59,468
Net Nonoperating Revenue (Expenses)	(2,494,404)	163,035
Other Revenues, Expenses, Gains and Losses	(3,497,238)	(1,352,551)
Increase (Decrease) in Net Position	(3,663,450)	3,381,897
Net Position, Beginning of Year	22,747,160	68,997,489
Net Position, End of Year	$ 19,083,710	$ 72,379,386

Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	$ 7,062,777	$ 6,958,920
Noncapital Financing Activities	(4,465,412)	(1,367,565)
Capital and Related Financing Activities	(9,078,417)	(4,001,724)
Investing Activities	3,796,161	(3,740,530)
Net Decrease in Cash and Cash Equivalents	(2,684,891)	(2,150,899)
Cash and Cash Equivalents, Beginning of Year	3,412,817	3,288,434
Cash and Cash Equivalents, End of Year	$ 727,926	$ 1,137,535

21. Blended Component Unit(s)

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

Condensed Statement of Net Position

	Blended Component Unit(s)					
	UCF Finance Corporation	UCF College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Assets:						
Other Current Assets	$ 3,430,383	$ 11,545,254	$ 14,975,637	$ 674,272,529	$ -	$ 689,248,166
Capital Assets, Net	-	-	-	1,275,970,232	-	1,275,970,232
Due From University / Blended CU	42,444,567	-	42,444,567	-	(42,444,567)	-
Other Noncurrent Assets	-	-	-	81,796,354	-	81,796,354
Total Assets	45,874,950	11,545,254	57,420,204	2,032,039,115	(42,444,567)	2,047,014,752
Deferred Outflows of Resources	10,894,258	-	10,894,258	296,317,556	-	307,211,814
Liabilities:						
Other Current Liabilities	3,363,118	1,414,667	4,777,785	112,597,248	-	117,375,033
Due To University / Blended CU	-	-	-	42,444,567	(42,444,567)	-
Noncurrent Liabilities	54,589,194	-	54,589,194	876,601,068	-	931,190,262
Total Liabilities	57,952,312	1,414,667	59,366,979	1,031,642,883	(42,444,567)	1,048,565,295
Deferred Inflows of Resources	-	-	-	177,165,892	-	177,165,892
Net Position:						
Net Investment in Capital Assets	-	-	-	1,149,372,195	-	1,149,372,195
Restricted - Nonexpendable	-	-	-	-	-	-
Restricted - Expendable	(1,183,104)	10,130,587	8,947,483	129,737,463	-	138,684,946
Unrestricted	-	-	-	(159,561,762)	-	(159,561,762)
Total Net Position	$ (1,183,104)	$ 10,130,587	$ 8,947,483	$ 1,119,547,896	$ -	$ 1,128,495,379

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

	Blended Component Unit(s)					
	UCF Finance Corporation	UCF College of Medicine Self-Insurance Program	Total Blended Cus	University	Eliminations	Total Primary Government
Operating Revenues	$ -	$ 2,177,883	$ 2,177,883	$ 577,655,281	$ (2,177,883)	$ 577,655,281
Depreciation Expense	-	-	-	(79,487,077)	-	(79,487,077)
Other Operating Expenses	(12,913)	(1,112,169)	(1,125,082)	(1,247,058,134)	388	(1,248,182,828)
Operating Income (Loss)	(12,913)	1,065,714	1,052,801	(748,889,930)	(2,177,495)	(750,014,624)
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	4,557,090	1,140,503	5,697,593	748,368,223	(1,981,722)	752,084,094
Interest Expense	(2,018,287)	-	(2,018,287)	(3,228,656)	-	(5,246,943)
Other Nonoperating Expense	-	-	-	(35,757,451)	4,159,217	(31,598,234)
Net Nonoperating Revenues (Expenses)	2,538,803	1,140,503	3,679,306	709,382,116	2,177,495	715,238,917
Other Revenues, Expenses, Gains, and Losses	-	-	-	10,957,143	-	10,957,143
Increase (Decrease) in Net Position	2,525,890	2,206,217	4,732,107	(28,550,671)	-	(23,818,564)
Net Position, Beginning of Year	(3,708,994)	7,924,370	4,215,376	1,148,098,567	-	1,152,313,943
Net Position, End of Year	$ (1,183,104)	$ 10,130,587	$ 8,947,483	$1,119,547,896	$ -	$1,128,495,379

(1) Add a description of adjustment to beginning net position.

Condensed Statement of Cash Flows

	Blended Component Unit(s)					
	UCF Finance Corporation	UCF College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:						
Operating Activities	$ (12,914)	$ 1,495,346	$ 1,482,432	$ (587,519,789)	$ (2,177,883)	$ (588,215,240)
Noncapital Financing Activities	-	-	-	667,581,072	6,182,360	673,763,432
Capital and Related Financing Activities	(9,303)	-	(9,303)	(59,056,583)	(4,004,477)	(63,070,363)
Investing Activities	53,786	(1,842,986)	(1,789,200)	(80,307,560)	-	(82,096,760)
Net Increase (Decrease) in Cash and Cash Equivalents	31,569	(347,640)	(316,071)	(59,302,860)	-	(59,618,931)
Cash and Cash Equivalents, Beginning of Year	3,328,814	1,495,078	4,823,892	60,522,895	-	65,346,787
Cash and Cash Equivalents, End of Year	$ 3,360,383	$ 1,147,438	$ 4,507,821	$ 1,220,035	$ -	$ 5,727,856

22. Discretely Presented Component Unit(s)

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

Condensed Statement of Net Position

	Direct-Support Organizations							Other	
	UCF Foundation, Inc.	UCF Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	UCF Academic Health, Inc.	Total Direct Support Organizations	Central Florida Clinical Practice Organization, Inc.	Total
Assets:									
Current Assets	$ 65,824,756	$26,688,271	$17,719,268	$ 20,510,000	$ 3,826,942	$ 659,545	$135,228,782	$ 7,530,716	$142,759,498
Capital Assets, Net	130,175,184	-	34,944,357	538,419	-	-	165,657,960	126,961	165,784,921
Other Noncurrent Assets	288,634,159	49,036	100,778	2,479,446	-	15,137,000	306,400,419	89,199	306,489,618
Total Assets	484,634,099	26,737,307	52,764,403	23,527,865	3,826,942	15,796,545	607,287,161	7,746,876	615,034,037
Deferred Outflows of Resources	-	-	-	3,681,851	561,359	-	4,243,210	-	4,243,210
Liabilities:									
Current Liabilities	7,747,212	16,227,427	16,646,180	12,742,021	4,819,239	659,545	58,841,624	1,143,170	59,984,794
Noncurrent Liabilities	65,124,218	-	16,082,287	150,686,316	37,736,438	-	269,629,259	-	269,629,259
Total Liabilities	72,871,430	16,227,427	32,728,467	163,428,337	42,555,677	659,545	328,470,883	1,143,170	329,614,053
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
Net Position:									
Net Investment in Capital Assets	60,928,184	-	22,571,135	538,419	-	-	84,037,738	126,961	84,164,699
Restricted Nonexpendable	147,386,322	-		-	-	-	147,386,322	-	147,386,322
Restricted Expendable	129,119,874	1,955,235	7,902,193	13,630,140	-	-	152,607,442	-	152,607,442
Unrestricted	74,289,789	8,554,645	(10,356,789)	(150,387,180)	(38,167,376)	15,137,000	(100,929,911)	6,476,745	(94,453,166)
Total Net Position	$ 411,724,169	$10,509,880	$20,116,539	$(136,218,621)	$(38,167,376)	$15,137,000	$283,101,591	$ 6,603,706	$289,705,297

	Direct-Support Organizations							Other	
	UCF Foundation, Inc.	UCF Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	UCF Academic Health, Inc.	Total Direct Support Organizations	Central Florida Clinical Practice Organization, Inc.	Total
Assets:									
Current Assets	$ 65,824,756	$ 26,688,271	$ 17,719,268	$ 20,510,000	$ 3,826,942	$ 659,545	$ 135,228,782	$ 7,530,716	$ 142,759,498
Capital Assets, Net	130,175,184	-	34,944,357	538,419	-	-	165,657,960	126,961	165,784,921
Other Noncurrent Assets	288,634,159	49,036	100,778	2,479,446	-	15,137,000	306,400,419	89,199	306,489,618
Total Assets	484,634,099	26,737,307	52,764,403	23,527,865	3,826,942	15,796,545	607,287,161	7,746,876	615,034,037
Deferred Outflows of Resources	-	-	-	3,681,851	561,359	-	4,243,210	-	4,243,210
Liabilities:									
Current Liabilities	7,747,212	16,227,427	16,646,180	12,742,021	4,819,239	659,545	58,841,624	1,143,170	59,984,794
Noncurrent Liabilities	65,124,218	-	16,082,287	150,686,316	37,736,438	-	269,629,259	-	269,629,259
Total Liabilities	72,871,430	16,227,427	32,728,467	163,428,337	42,555,677	659,545	328,470,883	1,143,170	329,614,053
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
Net Position:									
Net Investment in Capital Assets	60,928,184	-	22,571,135	538,419	-	-	84,037,738	126,961	84,164,699
Restricted Nonexpendable	147,386,322	-		-	-	-	147,386,322	-	147,386,322
Restricted Expendable	129,119,874	1,955,235	7,902,193	13,630,140	-	-	152,607,442	-	152,607,442
Unrestricted	74,289,789	8,554,645	(10,356,789)	(150,387,180)	(38,167,376)	15,137,000	(100,929,911)	6,476,745	(94,453,166)
Total Net Position	$ 411,724,169	$ 10,509,880	$ 20,116,539	$ (136,218,621)	$ (38,167,376)	$ 15,137,000	$ 283,101,591	$ 6,603,706	$ 289,705,297

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

	Direct-Support Organizations							Other	
	UCF Foundation, Inc.	UCF Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	UCF Academic Health, Inc.	Total Direct Support Organizations	Central Florida Clinical Practice Organization, Inc.	Total
Operating Revenues	$128,619,734	$16,217,788	$ 62,168,655	$ 21,846,251	$ 1,735,086	$ 1,039,627	$ 231,627,141	$ 8,047,470	$ 239,674,611
Depreciation Expense	(2,961,282)	-	(1,489,944)	(194,462)	-	-	(4,645,688)	(117,872)	(4,763,560)
Operating Expenses	(50,339,058)	(15,168,500)	(54,302,118)	(8,880,691)	(1,174,035)	(1,039,627)	(130,904,029)	(2,365,216)	(133,269,245)
Operating Income (Loss	75,319,394	1,049,288	6,376,593	12,771,098	561,051	-	96,077,424	5,564,382	101,641,806
Net Nonoperating Revenues (Expenses):									
Nonoperating Revenues	11,032,633	802,640	1,340,124	157,006	2,270,775	-	15,603,178	121,315	15,724,493
Interest Expense	-	-	(431,276)	(6,177,543)	(1,578,748)	-	(8,187,567)	-	(8,187,567)
Other Nonoperating	(34,780)	-	-	(532,113)	-	-	(566,893)	(2,308,480)	(2,875,373)
Net Nonoperating Revenues	10,997,853	802,640	908,848	(6,552,650)	692,027	-	6,848,718	(2,187,165)	4,661,553
Other Revenues, Expenses,	3,236,453		-	-	-	-	3,236,453	-	3,236,453
Increase (Decrease) in Net Position	89,553,700	1,851,928	7,285,441	6,218,448	1,253,078	-	106,162,595	3,377,217	109,539,812
Net Position, Beginning of Year	322,208,969	8,657,952	12,750,495	(142,437,069)	(39,420,454)	15,137,000	176,896,893	3,226,489	180,123,382
Net Position, End of Year	$411,762,669	$10,509,880	$ 20,035,936	$(136,218,621)	$ (38,167,376)	$15,137,000	$ 283,059,488	$ 6,603,706	$ 289,663,194

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of $136,218,621 and $38,167,376, respectively, as of June 30, 2021. 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. 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.

23. Subsequent Events

On August 12, 2021, the Florida Board of Governors issued $42,815,000 of University of Central Capital Improvement Dormitory Revenue Refunding Bonds, Series 2021A, with a net premium of $7,400,718. The bonds will mature on July 1, 2042 and carry coupons ranging from 2.0 to 5.0 percent. The University's portion of the refunding bonds, $50,215,718 plus $647,008 of sinking funds held by the State Board of Administration on behalf of the University Housing Facility, were used to defease $49,445,000 of the outstanding Capital Improvement Dormitory Revenue Bonds, Series 2012A. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As a result of the refunding, the University reduced its capital improvement debt service requirement by $11,431,951 over the next 20 years and obtained an economic gain of $9,772,699.

On September 10, 2021, the University Board of Trustees voted to accept an invitation to join the Big 12 Conference and withdraw from the American Athletic Conference (AAC) by July 1, 2024. Withdrawal from the AAC requires a $10.0 million payment (payable in four equal installments) over the 27-month withdrawal period. This amount could change based on the timing of withdrawal from the conference. The AAC has the right to withhold any conference revenue distributions for any amounts owed at the time the distribution would be made. Additionally, admission to the Big 12 required a deposit of $2.5 million which will be invested in money market, government securities or other similar investment vehicles selected by the conference. The deposit and net earnings will be returned to the Association when UCF officially joins the conference. If UCF does not join, then the deposit and net earnings will be retained by the conference.

On September 10, 2021, the UCF Athletics Association (Association) executed an increase in its line of credit with the UCF Foundation (Foundation) from $4.0 million to $10.0 million to provide short-term financial support arising from the conference transition. The term was also extended to September 10, 2024 and may be renewed for up to two additional 12-month periods.

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

	2020	2019	2018	2017
University's proportion of the total other postemployment benefits liability	3.804765461%	3.159978606%	2.780000000%	2.780000000%
University's proportionate share of the total other postemployment benefits liability	$ 391,512,085	$ 399,997,974	$ 293,333,000	$ 300,512,000
University's covered-employee payroll	$ 454,818,440	$ 439,921,546	$ 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	86.08%	90.92%	70.17%	75.81%

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

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.648369723%	0.654337567%	0.640568432%	0.596715076%	0.559865856%	0.538161499%	0.484303900%	0.360374086%
University's proportionate share of the FRS net pension liability	$225,344,748	$225,344,748	$192,942,532	$176,504,316	$141,366,568	$ 69,510,775	$ 29,549,662	$ 62,036,419
University's covered payroll (2)	$454,818,440	$439,921,546	$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	61.79%	51.22%	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	78.85%	82.61%	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.

Schedule of University Contributions – Florida Retirement System Pension Plan

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 23,278,684	$ 21,542,453	$ 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	(23,278,684)	(21,542,453)	(20,289,186)	(18,255,686)	(15,533,963)	(13,653,222)	(13,120,834)	(10,608,311)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 445,408,636	$ 454,818,440	$ 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	5.23%	4.74%	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 plan 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. (Indicate if different payrolls were included in previous years)

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

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.547943658%	0.538876355%	0.532468436%	0.529705387%	0.499690735%	0.469662225%	0.430757459%	0.415357381%
University's proportionate share of the HIS net pension liability	$ 66,903,028	$ 60,294,870	$ 56,357,057	$ 56,638,544	$ 58,236,885	$ 47,898,159	$ 40,276,874	$ 36,162,321
University's covered payroll (2)	$ 187,973,508	$ 167,822,905	$ 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	35.59%	35.93%	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	3.00%	2.63%	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.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 3,064,876	$ 3,157,543	$ 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	(3,064,876)	(3,157,543)	(2,992,328)	(2,887,590)	(2,803,354)	(2,561,234)	(1,795,341)	(1,475,630)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 179,946,356	$ 187,973,508	$ 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	1.70%	1.68%	1.78%	1.72%	1.68%	1.67%	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.

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

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

Changes of Assumptions. In 2021, amounts reported as changes of assumptions resulting from changes to the census data, a change to the discount rate, an update to the mortality rates, the excise tax that did not come into effect in 2022, the use of actual claims information, an update in the trend rate, and a change to participant PPO versus HMO selection rate. Refer to Note 10 to the financial statements for further detail..

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 6.90 percent to 6.80 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 decreased from 3.50 percent to 2.21 percent. (Modify as appropriate.)

Key Financial Ratios DRAFT

June 30, 2021

UNIVERSITY OF CENTRAL FLORIDA

Core Financial Ratios and Composite Financial Index

The following ratios and related benchmarks are derived from *Strategic Financial Analysis for Higher Education*, Seventh Edition published by KPMG, Prager, Sealy & Co., LLC, and Attain. This book is widely used in the higher education industry, and the most recent edition includes guidance specifically for public institutions of higher education.

The following four core ratios help answer these key questions:

- **Primary Reserve Ratio -** Are the resources sufficient and flexible enough to support the university's mission?

  This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.
- **Net Operating Revenues Ratio -** Do the operating results indicate that the university is living within available resources?

  A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of .25 percent to 4 percent is a goal, over an extended time period. The result will likely vary from year to year.
- **Return on Net Assets -** Does financial asset performance support the strategic direction of the university?

  Institutions should establish a real rate of return target in the range of approximately 3 percent to 4 percent. The real return plus the actual inflation index, the Higher Education Price Index, published by Commonfund Institute will provide the nominal rate of return. The nominal rate of return is the amount generated before factoring in inflation.
- **Viability Ratio -** Is debt managed strategically to advance the university's mission?

  Analysis of historical financial statements indicates that this ratio should fall between 0.50 – 1.50, and higher for the strongest creditworthy institutions.

Composite Financial Index - When combined, these four ratios deliver a single measure of the overall financial health of the university, hereafter referred to as the Composite Financial Index.

Note: Ratios are calculated based on actual numbers. Data presented in charts is rounded to the millions. Therefore, chart data will not calculate exactly to the ratio percentages.

The ratios are calculated as follows:

Primary Reserve Ratio

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

Net Operating Revenues Ratio

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

Return on Net Assets

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

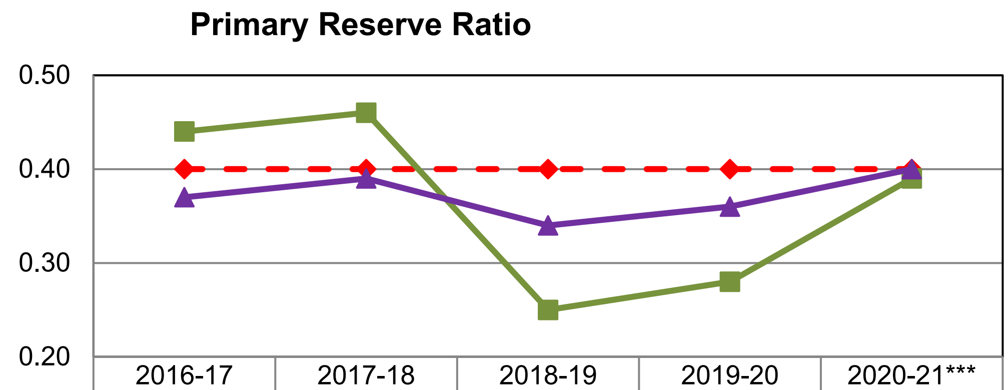
Viability Ratio

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

Key Financial Ratios – Excluding GASB 68 and 75 (pension and other post-employment benefits (OPEB) liabilities and related deferrals) impact

Note: Amounts reflected in the following ratios exclude allocated pension and OPEB liabilities and related deferrals. GASB 68 and 75 requires the University to recognize its proportionate share of the collective net pension and OPEB liabilities of the Florida Retirement System.

Primary Reserve Ratio – Excluding GASB 68 and 75 impact



	2016-17	2017-18	2018-19	2019-20	2020-21***
Target	0.40	0.40	0.40	0.40	0.40
Actual - University and Component Units	0.44	0.46	0.25	0.28	0.39
Actual - University**	0.37	0.39	0.34	0.36	0.40

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

This ratio is calculated as follows:

Primary Reserve Ratio

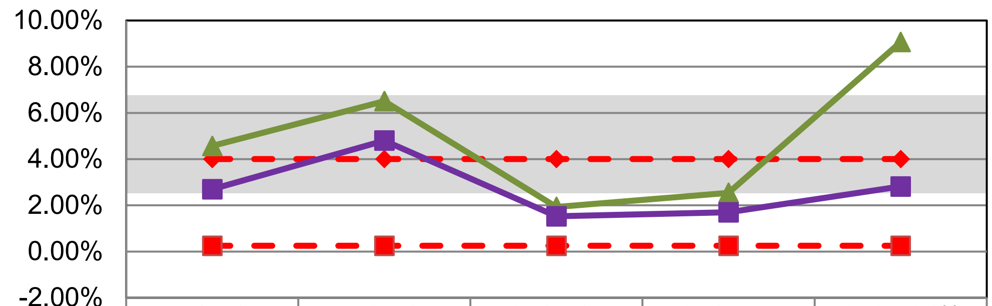
$$\frac{\text{Expendable Net Assets*}}{\text{Total Expense}}$$

Primary Reserve (in millions)	University and Component Units					University**				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Expendable Net Assets*	510	581	340	404	562	384	435	411	453	511
Expenses	1,170	1,257	1,386	1,416	1,441	1,026	1,104	1,211	1,256	1,292

* Excludes expendable net assets restricted for capital.
** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
*** Based on unaudited DRAFT financial statements

Net Operating Revenues Ratio – Excluding GASB 68 and 75 impact

Net Operating Revenues Ratio



	2016-17	2017-18	2018-19	2019-20	2020-21**
High Target	4.00%	4.00%	4.00%	4.00%	4.00%
Low Target	0.25%	0.25%	0.25%	0.25%	0.25%
Actual - University and Component Units	4.57%	6.51%	1.93%	2.54%	9.07%
Actual - University*	2.70%	4.80%	1.53%	1.70%	2.82%

- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of 0.25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

This ratio is calculated as follows:

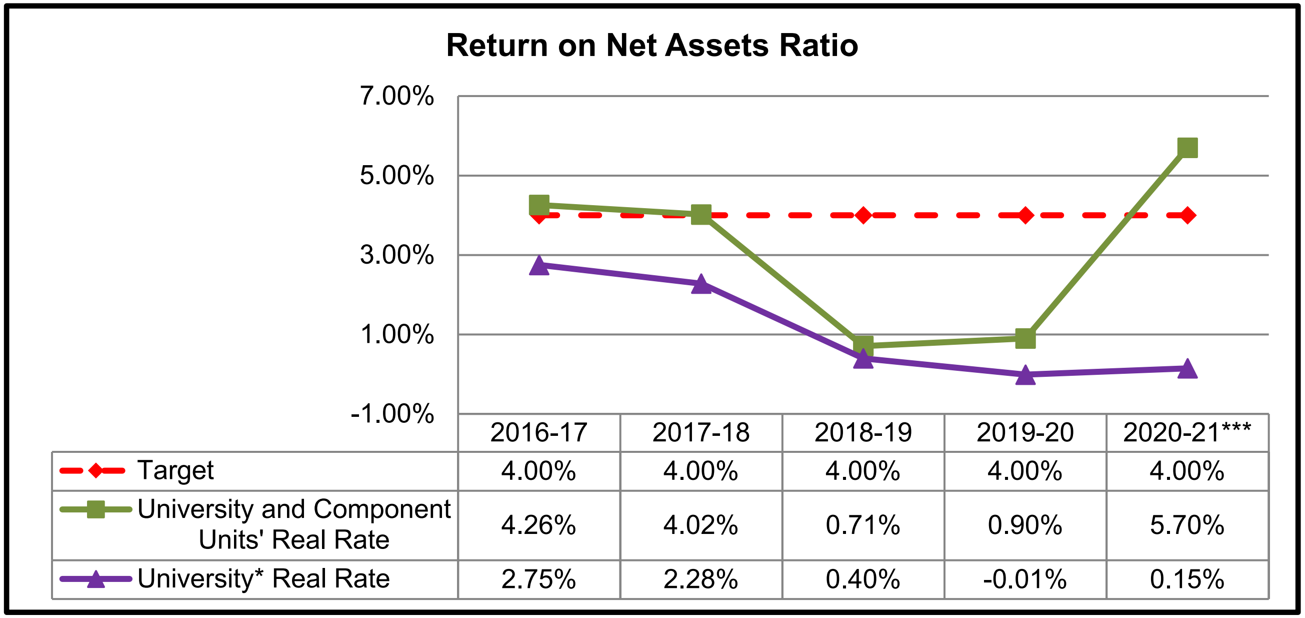
Net Operating Revenues Ratio

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

Net Operating Revenues (in millions)	University and Component Units					University*				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Operating and non-operating net income (loss)	56	88	27	37	144	28	56	19	22	37
Operating revenues plus non-operating revenues	1,227	1,345	1,413	1,453	1,585	1,055	1,160	1,229	1,278	1,330

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
** Based on unaudited DRAFT financial statements

Return on Net Assets Ratio – Excluding GASB 68 and 75 impact



	2016-17	2017-18	2018-19	2019-20	2020-21***
Target	4.00%	4.00%	4.00%	4.00%	4.00%
University and Component Units' Real Rate	4.26%	4.02%	0.71%	0.90%	5.70%
University* Real Rate	2.75%	2.28%	0.40%	-0.01%	0.15%

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

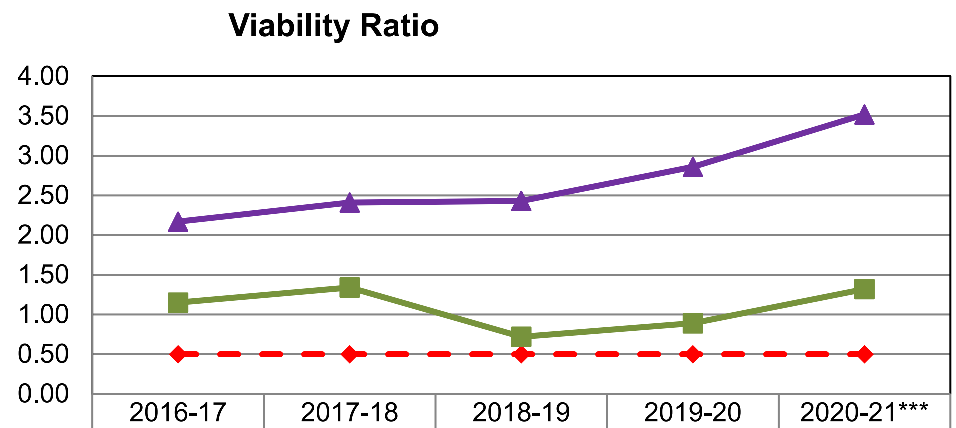
This ratio is calculated as follows:

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

Return on Net Assets Ratio (in millions)	University and Component Units					University*				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Change in total net assets	121	112	56	51	158	89	75	45	31	48
Total net assets (beginning of year)	1,520	1,645	1,758	1,829	1,880	1,382	1,471	1,546	1,669	1,700
HEPI Rate	3.70%	2.80%	2.50%	1.90%	2.70%	3.70%	2.80%	2.50%	1.90%	2.70%

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
** Higher Education Price Index rate for 2017 is not yet available. Above assumes rate consistent with 2016.
*** Based on unaudited DRAFT financial statements

Viability Ratio – Excluding GASB 68 and 75 impact



	2016-17	2017-18	2018-19	2019-20	2020-21***
Target	0.50	0.50	0.50	0.50	0.50
Actual - University and Component Units	1.15	1.34	0.72	0.89	1.32
Actual - University**	2.17	2.41	2.43	2.86	3.52

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

This ratio is calculated as follows:

Viability Ratio

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

Viability Ratio (in millions)	University and Component Units					University**				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Expendable Net Assets*	510	581	340	404	562	384	435	411	453	511
Long-term Debt	444	434	469	453	426	177	181	169	158	145

* Excludes expendable net assets restricted for capital.
** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
*** Based on unaudited DRAFT financial statements

Computing the Composite Financial Index -
Overview of Methodology

This methodology is an arithmetic means of combining the primary reserve ratio, net operating revenues ratio, return on net assets ratio and viability ratio as a measure of fundamental elements of financial health to yield a single composite financial index that represents an institution's overall financial health.

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

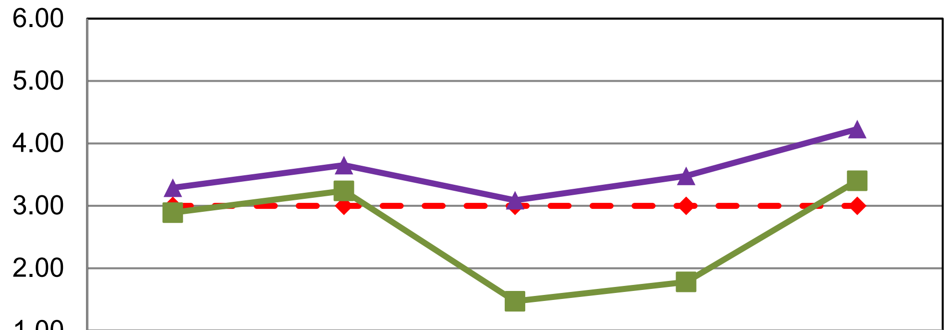
- determine the value of each ratio
- divide each ratio by an industry determined relevant value to calculate a strength factor
- multiply strength factors by specific weighting factors
- total the resulting four numbers to reach a single CFI score.

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

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

Composite Financial Index – Excluding GASB 68 and 75 impact

Composite Financial Index



	2016-17	2017-18	2018-19	2019-20	2020-21**
Target	3.00	3.00	3.00	3.00	3.00
Actual - University and Component Units	2.89	3.24	1.47	1.78	3.40
Actual - University*	3.29	3.65	3.09	3.48	4.23

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

			University and Component Units					University*				
	Relevant Value	Weight	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Primary Reserve Ratio	0.133	35%	1.15	1.22	0.65	0.75	1.03	0.98	1.04	0.89	0.95	1.04
Net Operating Revenues Ratio	0.013	10%	0.35	0.50	0.15	0.20	0.70	0.21	0.37	0.12	0.13	0.22
Return on Net Assets Ratio	0.02	20%	0.43	0.40	0.07	0.09	0.57	0.27	0.23	0.04	0.00	0.01
Viability Ratio	0.417	35%	0.96	1.12	0.61	0.75	1.11	1.82	2.02	2.04	2.04	2.95
Composite Financial Index			2.89	3.24	1.47	1.78	3.40	3.29	3.65	3.09	3.48	4.23

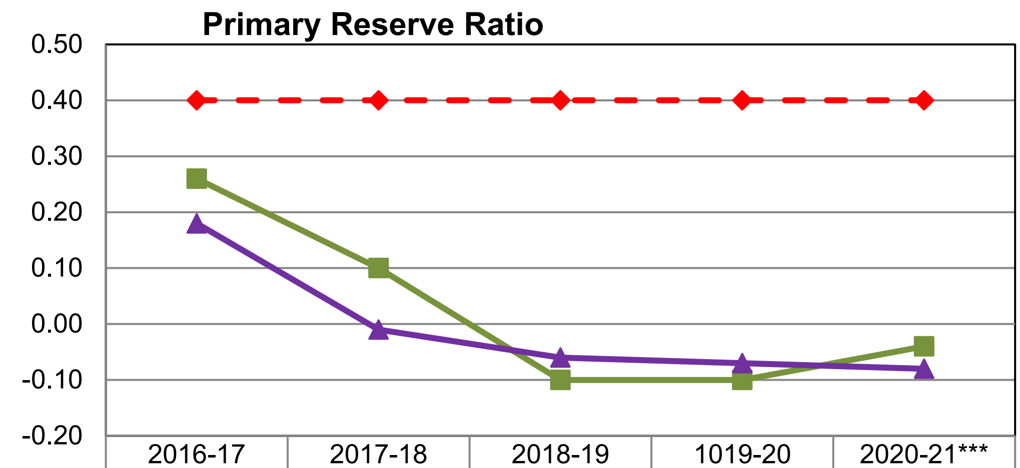
* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).

** Based on unaudited DRAFT financial statements

Key Financial Ratios – Including GASB 68 and 75 (pension and OPEB liabilities and related deferrals) impact

Note: Amounts reflected in the following ratios match amounts reported in the University's financial statement prepared in accordance with generally accepted accounting principles.

Primary Reserve Ratio – Including GASB 68 and 75 impact



	2016-17	2017-18	2018-19	1019-20	2020-21***
Target	0.40	0.40	0.40	0.40	0.40
Actual - University and Component Units	0.26	0.1	-0.1	-0.1	-0.04
Actual - University**	0.18	-0.01	-0.06	-0.07	-0.08

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

This ratio is calculated as follows:

Primary Reserve Ratio

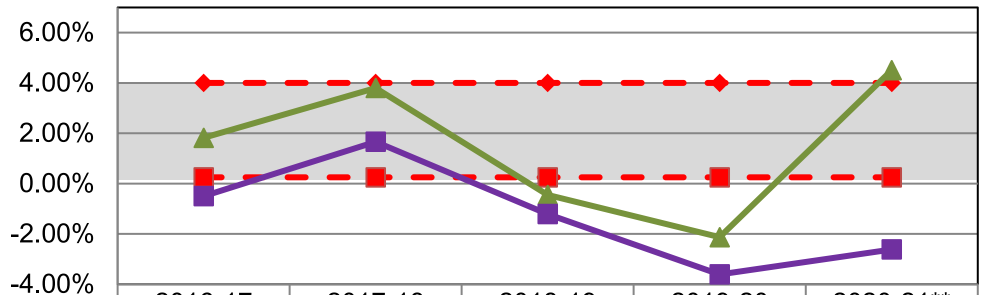
$$\frac{\text{Expendable Net Assets*}}{\text{Total Expense}}$$

Primary Reserve (in millions)	University and Component Units					University**				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Expendable Net Assets*	319	133	(142)	(145)	(59)	193	(13)	(70)	(95)	(109)
Expenses	1,205	1,293	1,419	1,484	1,514	1,060	1,141	1,244	1,324	1,365

* Excludes expendable net assets restricted for capital.
** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
*** Based on unaudited DRAFT financial statements

Net Operating Revenues Ratio – Including GASB 68 and 75 impact

Net Operating Revenues Ratio



	2016-17	2017-18	2018-19	2019-20	2020-21**
High Target	4.00%	4.00%	4.00%	4.00%	4.00%
Low Target	0.25%	0.25%	0.25%	0.25%	0.25%
Actual - University and Component Units	1.82%	3.80%	-0.45%	-2.13%	4.51%
Actual - University*	-0.50%	1.66%	-1.21%	-3.61%	-2.62%

- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of 0.25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

This ratio is calculated as follows:

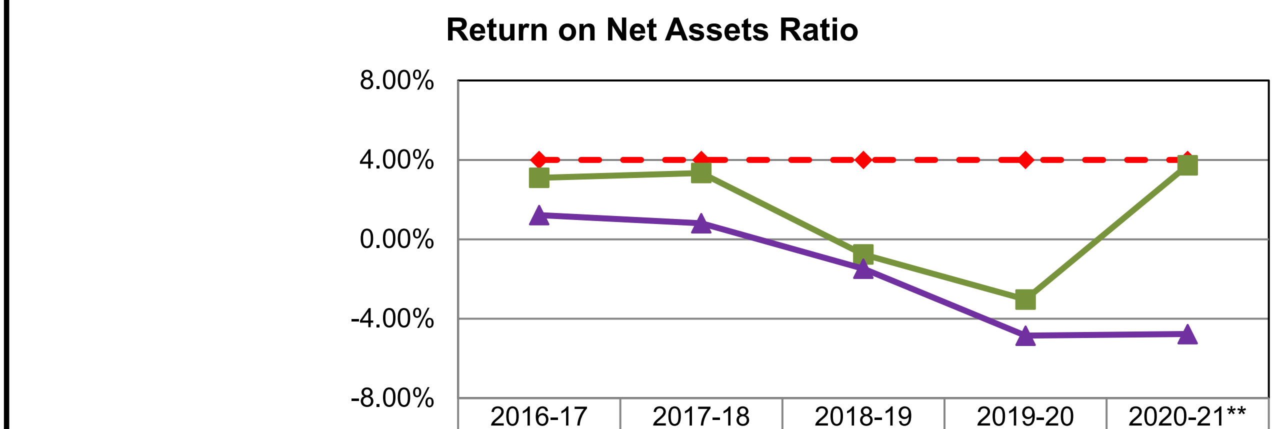
Net Operating Revenues Ratio

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

Net Operating Revenues (in millions)	University and Component Units					University*				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Operating and non-operating net income (loss)	22	51	(6)	(31)	72	(5)	19	(15)	(46)	(35)
Operating revenues plus non-operating revenues	1,227	1,345	1,413	1,453	1,585	1,055	1,160	1,229	1,278	1,330

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
** Based on unaudited DRAFT financial statements

Return on Net Assets Ratio – Including GASB 68 and 75 impact



	2016-17	2017-18	2018-19	2019-20	2020-21**
Target	4.00%	4.00%	4.00%	4.00%	4.00%
University and Component Units' Real Rate	3.10%	3.34%	-0.76%	-3.03%	3.73%
University* Real Rate	1.22%	0.81%	-1.48%	-4.85%	-4.77%

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

This ratio is calculated as follows:

Return on Net Assets

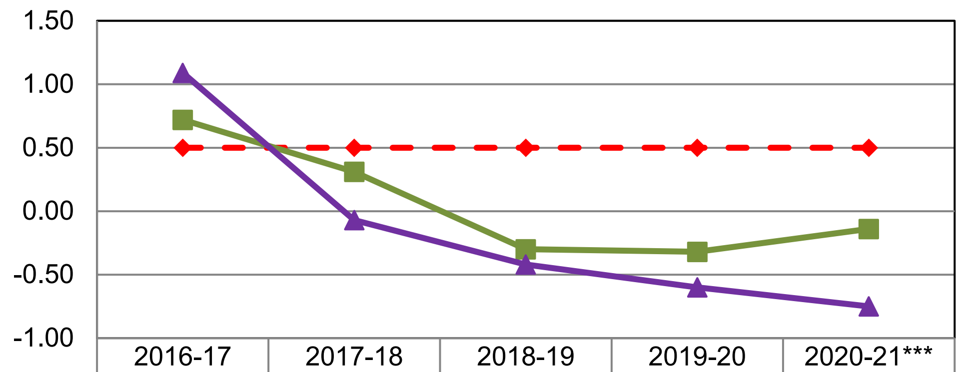
$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

Return on Net Assets Ratio (in millions)	University and Component Units					University*				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Change in total net assets	87	76	23	(15)	86	55	38	11	(35)	(24)
Total net assets (beginning of year)	1,362	1,234	1,310	1,348	1,332	1,225	1,060	1,098	1,187	1,152
HEPI Rate	3.30%	2.80%	2.50%	1.90%	2.70%	3.30%	2.80%	2.50%	1.90%	2.70%

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
** Based on unaudited DRAFT financial statements

Viability Ratio – Including GASB 68 and 75 impact

Viability Ratio



	2016-17	2017-18	2018-19	2019-20	2020-21***
Target	0.50	0.50	0.50	0.50	0.50
Actual - University and Component Units	0.72	0.31	-0.30	-0.32	-0.14
Actual - University**	1.09	-0.07	-0.42	-0.60	-0.75

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

This ratio is calculated as follows:

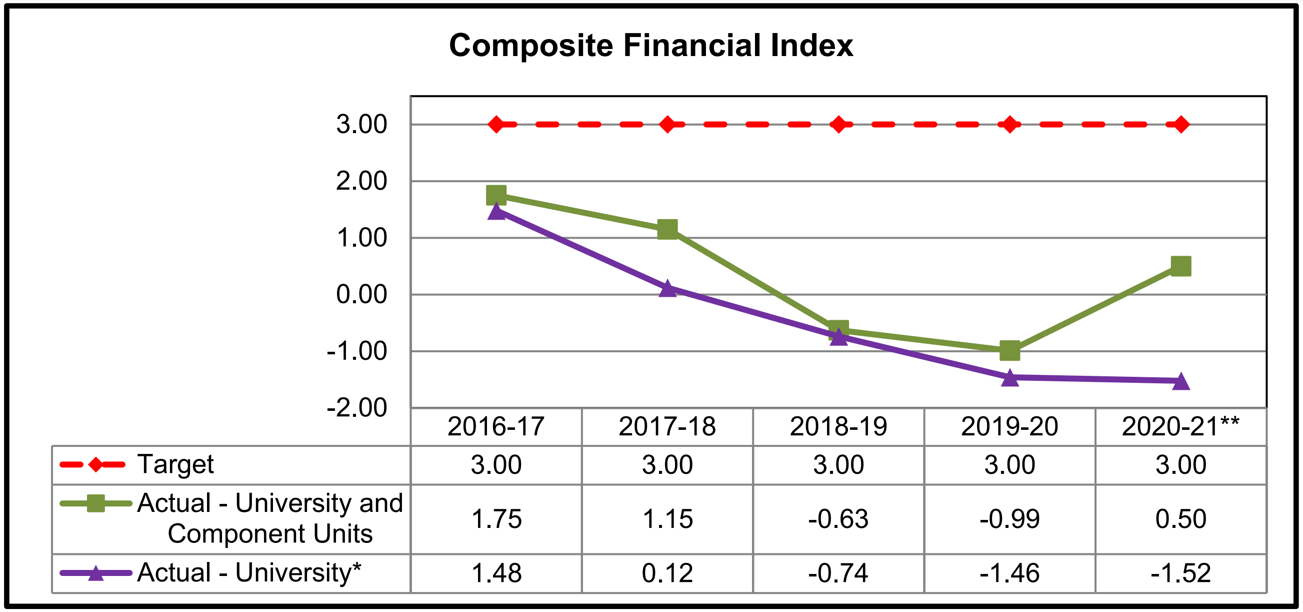
Viability Ratio

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

Viability Ratio (in millions)	University and Component Units					University**				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Expendable Net Assets*	319	133	(142)	(145)	(59)	193	-13	(70)	(95)	(109)
Long-term Debt	444	434	469	453	426	177	181	169	158	145

* Excludes expendable net assets restricted for capital.
** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
*** Based on unaudited DRAFT financial statements

Composite Financial Index – Including GASB 68 and 75 impact

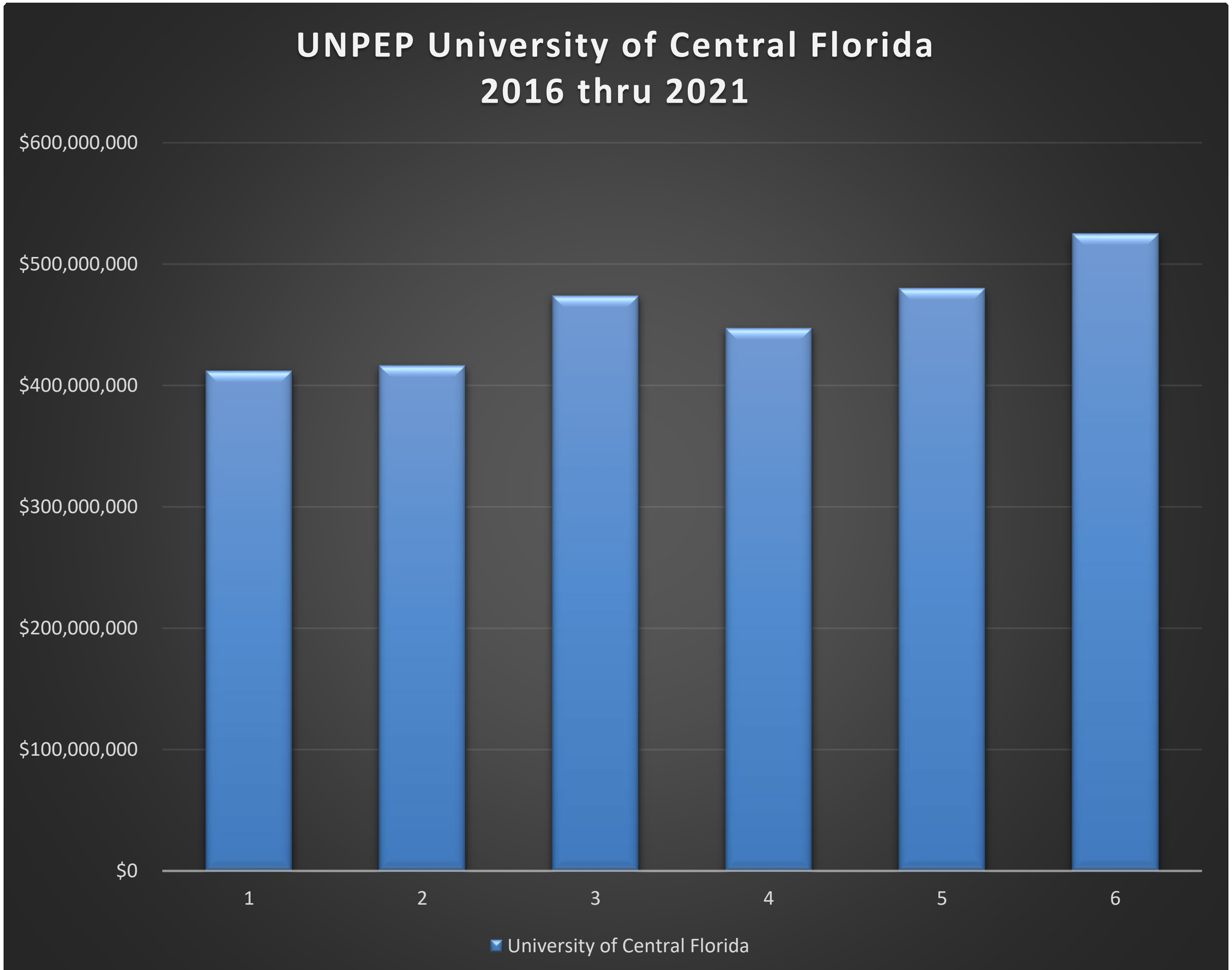


- This index is a composite of the four key ratios. When combined, these four ratios deliver a single measure of the overall financial health of the university. The university has established a target of 3.00.

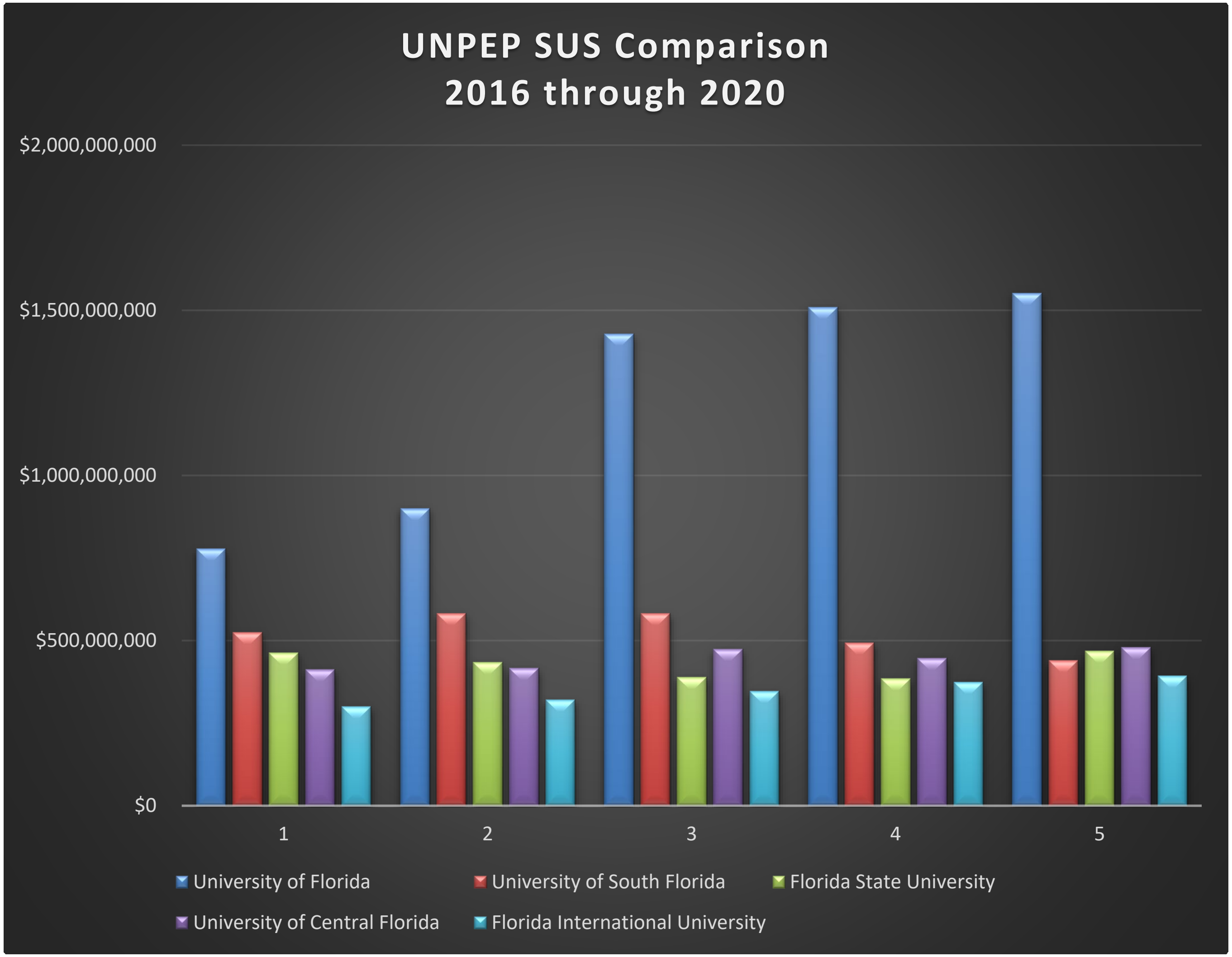
			University and Component Units					University*				
	Relevant Value	**Weight**	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Primary Reserve Ratio	**0.133**	**35%**	0.70	0.27	(0.26)	(0.26)	(0.10)	0.48	(0.03)	(0.15)	(0.19)	(0.21)
Net Operating Revenues Ratio	**0.013**	**10%**	0.14	0.29	(0.03)	(0.16)	0.35	(0.04)	0.13	(0.09)	(0.28)	(0.20)
Return on Net Assets Ratio	**0.02**	**20%**	0.31	0.33	(0.08)	(0.30)	0.37	0.12	0.08	(0.15)	(0.48)	(0.48)
Viability Ratio	**0.417**	**35%**	0.60	0.26	(0.25)	(0.27)	(0.12)	0.91	(0.06)	(0.35)	(0.50)	(0.63)
Composite Financial Index			**1.75**	**1.15**	**(0.63)**	**(0.99)**	**0.50**	**1.48**	**0.12**	**(0.74)**	**(1.46)**	**(1.52)**

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-Insurance Program).
** Based on unaudited DRAFT financial statements

Unrestricted Net Position, Exclusive of Plant Assets and Plant-related Debt (Excluding GASB 68 and 75 impact)



Unrestricted Net Position, Exclusive of Plant Assets and Plant-related Debt (Excluding GASB 68 and 75 impact)



Board of Trustees
Budget and Finance Committee | November 16, 2021

DISC-3: University Treasurer Update

☐ **Information** ☒ **Discussion** ☐ **Action**

Meeting Date for Upcoming Action: ____________________

Purpose and Issues to be Considered:
The University Treasury office will be preparing a series of updates to discuss with the board the status of university debt, investments, and other treasury focused matters. The update for the November meeting will focus on university and direct support organization (DSO) debt issuances including a summary of all current debt balances, an overview of rated debt and related coverage ratios, and a discussion around debt governance in relation to the Florida Board of Governors Debt Management Guidelines.

Background Information:
The Florida Board of Governors formalized a set of guiding principles for the issuance of debt by the state universities and their DSOs. This presentation will discuss a variety of key points from these guidelines and how they have impacted both historical debt issuances for the university and potential new debt issuances going forward.

Recommended Action:
For discussion only.

Alternatives to Decision:
N/A

Fiscal Impact and Source of Funding:
N/A

Authority for Board of Trustees Action:
N/A

Contract Reviewed/Approved by General Counsel ☐ **N/A** ☒

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:
Gerald Hector, Senior Vice President for Administration and Finance

Supporting Documentation:
Attachment A: Treasury Debt Update Presentation
Attachment B: Florida Board of Governors Debt Management Guidelines

Facilitators/Presenters:
Gerald Hector, Senior Vice President for Administration and Finance
Bert Francis, Assistant Vice President for Debt Management and University Treasurer

UCF Debt Update

November 2021

University Debt Update

1. UCF and DSO Debt Summary
2. Rated Debt Update
3. Historical and Future Debt Roadmap
4. Key Debt Management Guidelines

UCF Debt Summary

University Debt

	Total Debt Outstanding	Debt Service FY 2022 (Projected)
University Issued Bonds		
Parking Bonds		
Parking Series 2011	$ 525,000	$ 540,750
Parking Series 2012	5,140,000	560,350
Parking Series 2018	2,570,000	943,500
Parking Series 2019	5,380,000	834,000
Total Parking Bonds	13,615,000	2,878,600
Housing Bonds		
Housing Series 2012	-	3,117,258
Housing Series 2018	17,415,000	2,718,375
Housing Series 2021 (Refinanced Series 2012)	42,815,000	1,112,185
Total Housing Bonds	60,230,000	6,947,818
Total University Issued Bonds	$ 73,845,000	$ 9,826,418

DSO Debt Summary

Financing DSO Debt

	Total Debt Outstanding	Debt Service FY 2022 (Projected)
UCF Convocation Corporation		
Housing Series 2018 (Nontaxable)	$ 90,900,000	$ 8,042,912
Arena Series 2015A (Nontaxable)	48,385,000	1,988,963
Arena Series 2015B (Taxable)	18,885,000	4,025,280
Total UCF Convocation Corporation	158,170,000	14,057,155
UCF Stadium Corporation		
Series 2015A (Nontaxable)	28,015,000	2,516,669
Series 2015B (Taxable)	8,105,000	779,455
Series 2015C Leadership Center (Nontaxable)	1,954,000	330,655
Total UCF Stadium Corporation	38,074,000	3,626,778
UCF Finance Corporation		
Series 2017 Burnett BioMed (Nontaxable)	55,681,000	3,988,136
UCF Downtown Construction Note (Nontaxable)	1,592,194	21,832
Total UCF Finance Corporation	57,273,194	4,009,968

UCF

DSO Debt Summary

DSO Debt

	Total Debt Outstanding	Debt Service FY 2022 (Projected)
UCF Athletics Association		
UCF Loan (Nontaxable)	5,198,890	-
Roth Athletic Center loan (Nontaxable)	7,394,000	2,129,860
Construction Line of Credit (Nontaxable)	5,080,000	404,798
UCF Foundation Line of Credit	4,000,000	120,000
Total UCF Athletics Association	21,672,890	2,654,658
UCF Foundation		
Series 2020 (Nontaxable) - Formerly Series 2009	8,340,000	1,764,397
Series 2017 (Nontaxable)	5,348,000	769,623
Series 2020 (Taxable) - Formerly Series 2018	5,559,000	402,471
Lake Nona Cancer Center (Nontaxable)	50,000,000	-
Total UCF Foundation	69,247,000	2,936,492
UCF Hospitality School Foundation		
Series 2004 (Nontaxable)	7,485,000	1,004,642
Total UCF Hospitality School Foundation	7,485,000	1,004,642

UCF

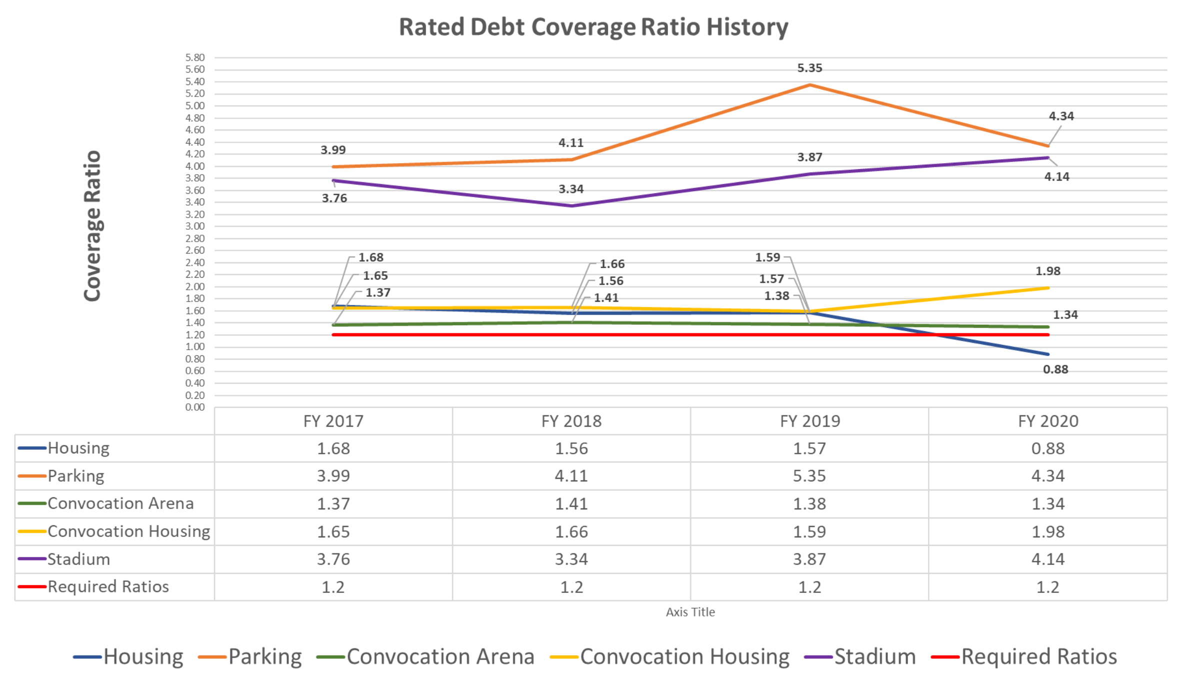
Rated Debt Update

Parking
The Parking system saw a slight decrease in coverage in FY 2020 due to the waiver of summer transportation and access fees.

Housing
The Housing system fell below 1.20x coverage in FY 2020 due to COVID refunds and decreased occupancy. When considering COVID relief funds the ratio was 1.40x.

Convocation
The Convocation project maintained strong ratios during COVID due to the Housing rent subsidy received from the University.

Stadium
The Stadium Corporation was unimpacted from COVID in FY 2020 but instead experienced a drop in coverage in FY 2021 to 3.43x.



	FY 2017	FY 2018	FY 2019	FY 2020
Housing	1.68	1.56	1.57	0.88
Parking	3.99	4.11	5.35	4.34
Convocation Arena	1.37	1.41	1.38	1.34
Convocation Housing	1.65	1.66	1.59	1.98
Stadium	3.76	3.34	3.87	4.14
Required Ratios	1.2	1.2	1.2	1.2

UCF

UCF and DSO Debt (2 Year History)

September 2019
- Early Redemption of Health Series 2004A Bonds

October 2019
- Roth Athletic Center Debt Issuance - $8,550,000

February 2020
- Parking Series 2010B Refinancing – Gross Savings of $2,563,127

June 2020
- Hospitality School Series 2004 Rate Reset – Reduced debt service by 21BPs

October 2020
- Foundation Series 2009 Refinancing – Gross Savings of $671,000

October 2020
- Foundation Series 2018 Refinancing – Gross Savings of $579,000

October 2020
- CAPFA Refinancing – Resulted in significant waterfall funds for the UCF Foundation

December 2020
- Athletics Line of Credit Issued with UCF Foundation - $4,000,000

March 2021
- Termination of Operating Line of Credit for UCF Athletics

September 2021
- Amendment of Athletics Line of Credit with UCF Foundation to $10,000,000

UCF

UCF and DSO Debt (2 Year Projection)

- The following debt instruments are being reviewed by management for future refinancing's over the next 2 fiscal years:
  - Parking Series 2012A - The 2012A Bonds maturing in 2023 and thereafter are redeemable prior to their stated dates of maturity, without premium.
    - Total principal subject to refinancing - $4,750,000
  - UCF Convocation Housing Series 2018 - The Series 2018 Bonds are subject to redemption prior to maturity on or after July 1, 2023.
    - Total principal subject to refinancing - $85,970,000
  - UCF Foundation Series 2017 Note- The Series 2017 Note may be prepaid in whole on or after October 1, 2023 without penalty.
    - Total principal subject to refinancing - $4,757,000

UCF

Debt Management Guidelines

- The Florida Board of Governors requires each university to adopt a debt management policy consistent with the BOG debt management guidelines.
- The university previously adopted the FL BOG debt management guidelines and subsequent revisions through October 2014.
- The guidelines were recently updated in March 2021
- The UCF Board of Trustees will be recommended to formally adopt the revised guidelines, and university management will provide updates for any future changes.

Debt Management Guidelines - Key Points

Debt that may be issued without BOG Approval:

- Debt secured by pledges of 5 years or less
- Refunding's for savings (5% NPV Required) when maturities are not extended
- Fully collateralized lines of credit (Only for Capital Projects!)
- Energy Based Performance Contracts, not to exceed $10,000,000
- University borrowings from a DSO for up to $20,000,000 for capital projects
- DSOs may issue promissory notes and grant conventional mortgages for the acquisition of real property, excluding student housing or any other facility that will compete with a university's existing auxiliary enterprise.

UCF

Debt Management Guidelines - Key Points

Debt Structural Requirements

- Debt can NOT be issued by a university or DSO to finance or refinancing operating expenses
- All new debt issuances should provide at least 1.20x debt coverage
- A university can NOT pledge support for DSO issued debt
- All new rated debt should achieve a minimum of an "A" rating from at least two rating agencies
- Debt can NOT exceed 30 years and must contain level debt service

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Debt Management Guidelines - Key Points

Allowable Pledged Revenues

Activity and Service Fees (Limited to 5% of annual debt service)	Athletic Fees (Limited to 5% of annual debt service)
Health Fees	Transportation and Access Fees
Hospital Revenue	Licenses and royalties for facilities that are functionally related to the university operation or DSO reporting such royalties and licensing fees
Gifts and donations for debt not longer than five years	Overhead and indirect costs and other monies not required for the payment of direct costs of grants
Assets of university foundations and DSOs and earnings thereon	Auxiliary Enterprise Revenues, e.g., housing, parking, food service, athletic, retail sales, research activities

UCF

ANY QUESTIONS?

THANK YOU

DEBT MANAGEMENT GUIDELINES

(for Capital Outlay Projects)

Table of Contents

I. INTRODUCTION

The Need for and Purpose of Debt Management Guidelines

The state universities of Florida and their direct support organizations ("DSOs") have funded significant investments in infrastructure, such as buildings, equipment, land, and technology, to meet the needs of a growing student population and to upgrade and maintain existing capital assets. A significant amount of the funding for this investment in infrastructure has been provided through the issuance of debt by the state for the benefit of the state universities and by the state universities' direct support organizations ("DSOs").

The purpose of these guidelines is to confirm that the state universities and their DSOs must engage in sound debt management practices and, to that end, the Board of Governors ("Board") has formalized guiding principles for the issuance of debt by the state universities and their DSOs. Each state university shall adopt a debt management policy which is consistent with these guidelines and which shall be approved by the Board.

The following guidelines set forth guiding principles regarding state university and DSO debt-related decisions related to:

a) The amount of debt that may prudently be issued.
b) The purposes for which debt may be issued.
c) Structural features of debt being issued.
d) The types of debt permissible.
e) Compliance with securities laws and disclosure requirements.
f) Compliance with federal tax laws and arbitrage compliance.

These principles will facilitate the management, control and oversight of debt issuances for the purpose of facilitating ongoing access to the capital markets which is critical to the financing of needed infrastructure.

In furtherance of this objective, the provisions of these guidelines shall be followed in connection with the authorization, issuance and sale of university and DSO debt. However, exceptions to the general principles set forth herein may be appropriate under certain circumstances. Also, additional guidelines and policies may be necessary as new financial products and debt structures evolve over time.

For purposes of these guidelines:

i. “debt” means bonds, loans, promissory notes, lease-purchase agreements, certificates of participation, installment sales, leases, or any other financing mechanism or financial arrangement, whether or not a debt for legal purposes, for financing or refinancing, for or on behalf of a state university or a direct support organization, the acquisition, construction, improvement or purchase of capital outlay projects;

ii. “capital outlay project” means (i) any project to acquire, construct, improve or change the functional use of land, buildings, and other facilities, including furniture and equipment necessary to operate a new or improved building or facility, and (ii) any other acquisition of equipment or software; and

iii. “financing documents” means those documents and other agreements entered into by the state university or the DSO establishing the terms, conditions and requirements of the debt issuance.

iv. “auxiliary enterprise” means any activity defined in section 1011.47(1), Florida Statutes, and performed by a university or a direct-support organization.

II. DEBT AFFORDABILITY AND CAPITAL PLANNING

Concept of Affordability

One of the most important components of an effective debt management policy is an analysis of what level of debt is affordable given a particular set of circumstances and assumptions. More comprehensive than simply an analysis of the amount of debt that may be legally issued or supported by a security pledge, the level of debt should be analyzed in relation to the financial resources available to the university and its DSOs, on a consolidated basis, to meet debt service obligations and provide for operating the university.

An analysis of debt affordability should address the impact of existing and proposed debt levels on an issuer’s operating budget and offer guidelines or ranges to policymakers for their use in allocating limited resources within the guidelines.

Debts That May Be Issued Without Board of Governors' Approval

University boards of trustees may authorize the state universities and their DSOs, as applicable, to engage in the following types of financings without Board approval:

- Universities may finance the acquisition of equipment and software provided such financings are accomplished in accordance with the deferred-purchase provisions in Chapter 287, Florida Statutes.

- DSOs may finance the acquisition of equipment and software financings provided the overall term of the financing, including any extension, renewal or refinancings, hereof, does not exceed five years or the estimated useful life of the equipment or software, whichever is shorter.

- DSOs may issue promissory notes and grant conventional mortgages for the acquisition of real property, excluding student housing or any other facility that will compete with a university's existing auxiliary enterprise. However, no mortgage or note shall exceed 30 years.

- Debt secured solely with gifts and donations and pledges of gifts so long as the maturity of the debt, including extensions, renewals and refundings, does not exceed five years and so long as the facilities being financed have been included in the university's five-year capital improvement plan that has been approved by the Board.

- Refundings for debt service savings where final maturities are not extended, and the original financing was authorized by the Board of Governors, or a predecessor oversight board.

- Fully collateralized lines of credit intended to be used for temporary cash flow needs.

- Energy Performance-Based Contracts, in accordance with the provisions of section 1013.23, Florida Statutes, not to exceed $10,000,000.

- Universities may borrow up to $20,000,000 from a university DSO on a non-recourse basis to finance a capital project. The term of the borrowing may not exceed thirty (30) years, and the interest rate, if any, may not exceed current market interest rates. The university retains legal title to any capital project financed in whole or in part by such loan irrespective of whether the loan is repaid. The DSO is prohibited from transferring the note or any other instrument associated with the borrowing to any other entity.

III. GENERAL DEBT ISSUANCE GUIDELINES

Approval Process and Required Information

Timing. The submission of proposed debt for approval by the Board shall be governed by the following process[1]:

a) Following approval by the board of trustees, the university shall transmit to the Board Office a request for debt approval 90 days prior to the next regularly scheduled meeting of the Board. The university shall also provide a copy to the State Division of Bond Finance ("DBF"). The formal transmittal to the Board Office shall be in duplicate, hard copy, and bound in a three-ring binder, and include all the information required by these guidelines. Electronic copies of supporting documentation should be provided to the Board Office and the DBF, to the extent available. **The formal letter of transmission must be signed by the official point of contact for the university, and any exceptions to these Debt Guidelines shall be noted and explained.**

b) During the review period, the Board Office shall review the information submitted for compliance with these guidelines and state law, analyze general credit issues associated with the proposed indebtedness, and review any analysis provided by DBF staff.

c) Board and DBF staff shall jointly discuss with the university or DSO any issues, concerns or suggestions resulting from the review during the review period. As a result of these discussions, the university may amend the information submitted or explain why the suggestions were not incorporated. The Board Office will advise the university if it believes that any amended information is so significant that re-authorization by the board of trustees and/or DSO is required. During this period, if the debt being requested for approval is to be issued by DBF on behalf of a state university, DBF shall submit to the Board Office a form of a resolution for adoption requesting that DBF issue the debt.

d) After the review period, the Board Office shall submit the agenda item with supporting documentation and all appropriate and required analyses to the Board for consideration at its next meeting. Supporting documentation for the agenda item shall also include the resolution to be adopted by the Board requesting issuance of the debt by DBF or a resolution approving issuance of the debt by the DSO.

Required Information. The following information shall be reviewed by the university board of trustees, and the DSO (if applicable) when considering the issuance of debt; and shall subsequently be submitted to the Board Office in support of a request for approval

[1] Although not required, universities are encouraged to consult with the Board Office and the State Division of Bond Finance 30 days prior to formal approval of debt by the university board of trustees or the DSO, particularly for any debt with unusual features.

of the issuance of debt. Additionally, the university or DSO shall complete the "Checklist of Information Required for Submission to the Board Pursuant to Debt Management Guidelines," and provide any additional information requested by the Board Office or DBF staff in connection with review of any proposed debt issuance.

a) A resolution of the DSO board of directors approving the debt issuances, if applicable, and a resolution of the university board of trustees approving the debt issuance and authorizing the university to request Board approval of the debt issuance. For debt to be issued by DBF, at the request of the university, DBF staff will work with the university to determine a not-to-exceed amount of debt to be included in the board of trustees requesting resolution to the Board and in preparing required debt service and source-and-use schedules.

b) The project program, feasibility studies or consultant reports (if available), and an explanation of how the project being proposed is consistent with the mission of the university and an executive project summary, including appropriate references to any related reports.

c) Estimated project cost, with schedules drawn by month and including start and completion dates, estimated useful life, and the date bond proceeds are required.

d) The sources-and-uses of funds, clearly depicting all costs, funding sources expected to be used to complete the project and the estimated amount of the debt to be issued.

e) An estimated debt service schedule with the assumed interest rate on the debt clearly disclosed. If the proposed debt service is not structured on a level debt service basis, an explanation shall be provided which gives the reason why it is desirable to deviate from a level debt structure.

f) One consolidated debt service schedule separately showing all outstanding debt related to or impacting the debt being proposed, the proposed debt and the new estimated total debt service.

g) A description of the security supporting the repayment of the proposed debt and the lien position the debt will have on that security. If the lien is junior to any other debt, the senior debt must be described. Furthermore, a description of why the debt is proposed to be issued on a junior lien basis must be provided. A statement citing the legal authority for the source of revenues securing repayment must also be provided.

h) If debt is to be incurred on a parity basis with outstanding debt, a schedule showing estimated compliance with any additional bonds requirement set forth in the documents governing the outstanding debt. The applicable provisions of the documents for bonds of DSOs should be provided.

i) Financial statements for five years, if available, for the auxiliary, if auxiliary revenues are pledged.

j) A five-year history, if available, and five-year projection of the revenues securing payment and debt service coverage. To the extent applicable, the projections must be shown on the individual project as well as the entire system. All revenue items securing repayment must be clearly set forth as separate line items. An explanation must be provided with regard to growth assumptions, and to the amount and status of approval of any rate increases. The effect of the rate increases on the projections and expected revenues and expenses for the new facility should be clearly set forth as a separate line item. If rate increases are necessary, a commitment must be made to increase rates to the needed levels. Major categories of any operating expenses should be set forth as separate line items with an explanation of assumptions regarding increases or decreases.

k) Evidence that the project is consistent with the university's master plan or a statement that the project is not required to be in the master plan.

l) For variable rate debt proposals:
   i) the expected reduction in total borrowing costs based on a comparison of fixed versus variable interest rates;
   ii) a variable rate debt management plan that addresses liquidity and interest rate risks and provides, at a minimum: a description of budgetary controls, a description of liquidity arrangements, a discussion of why the amount of variable rate debt being proposed is appropriate, and a plan for hedging interest rate exposure. If interest rate risks are to be mitigated by the use of derivatives, then evidence that the counterparty has a long term rating of at least an A/A2 and a swap management plan as set forth in the Board's Debt Management Guidelines must be submitted;
   iii) a pro forma showing the fiscal feasibility of the project using current market interest rates plus 200 basis points;
   iv) the total amount of variable rate debt including the proposed debt as a percentage of the total amount of university and DSO debt outstanding; and
   v) the individual or position that will be responsible for the reporting requirements for variable rate debt as set forth in these guidelines.

m) If all or any portion of the financing is contemplated to be done on a taxable basis, then evidence demonstrating that the issuance of taxable debt is in the best interest of the university must be submitted.

n) A statement explaining whether legislative approval is required, and if required, an explanation as to when legislative approval will be sought or evidence that legislative approval has already been obtained.

o) A statement that the debt issuance is in accordance with the university's debt management policy or, if not, an explanation of the specific variances as well as the reasons supporting the variances.

p) If a request is made to employ a negotiated method of sale, an analysis must be provided supporting the selection of this method that includes a discussion of the factors set forth in section IV of these Guidelines.

q) A description of the process used to select each professional engaged in the transaction, showing compliance with the competitive selection process required by these Guidelines. Specific contact information for each selected professional must be included and, at a minimum, should disclose the professional's name, firm name, address, email address, phone number and facsimile number.

r) The most recent annual variable rate debt report.

s) An analysis must be prepared and submitted which provides quantitative metrics justifying the need for the construction or acquisition of the project and explains why the project is essential to the university's core mission. There must also be a detailed assessment of private sector alternatives, and a determination of whether the private sector can offer a comparable alternative at a lower cost. This information may be included as part of a project feasibility study or may be a stand-alone report.

t) An analysis must be prepared which calculates the expected return on investment or internal rate of return for a revenue-generating project or another appropriate quantitative measure for a non-revenue generating project.

Approval. The Board will consider the following factors in connection with its review and approval of university or DSO debt issuance.

a) The debt is to provide funding for needed infrastructure of the university for purposes consistent with the mission of the university.

b) The debt is being issued in compliance with the principles and guidelines set forth herein.

c) The project information submitted is reasonable and supportable.

d) The five-year projection of pledged revenues available to pay debt service should provide debt service coverage of at least 1.20x for both outstanding parity debt and for the proposed new debt for all years within the five-year projection period after giving credit for any capitalized interest and other revenues available for payment.

e) Any requirements for the issuance of additional parity debt can be reasonably expected to be met.

Purposes for Which Debt May Be Issued

Debt may be issued only to finance or refinance capital outlay projects as defined in these guidelines, including equipment and software; debt may not be approved to finance or refinance operating expenses of a university or a DSO.

Refunding bonds may be issued to achieve debt service savings. Refunding bonds may also be issued to restructure outstanding debt service or to revise provisions of Financing Documents if it can be demonstrated that the refunding is in the best interest of the university.

Committing University Resources for Debt Issued by Direct Support Organizations

There may be occasions where the university considers committing its financial resources on a long-term basis in support of debt issued by a DSO or other component unit. While the nature of the commitment may not constitute a legal debt obligation of the university, it may affect the university's debt position and its available financial resources. Therefore, the university should evaluate the long-term fiscal impact upon the university's debt position and available resources before authorizing any such financial commitment. Additionally, the debt of any DSO may not be secured by an agreement or contract with the university unless the source of payments under such agreement or contract is limited to revenues that the university is authorized to use for the payment of debt service. Any such contract or agreement shall also be subject to the requirements set forth under “Security Features – Pledged Revenues” herein.

Credit Quality and Ratings

In order to access the credit markets at the lowest possible borrowing cost, it is recognized that credit ratings are critical. The coordinated delivery of information related to the university and its DSOs is an essential component of credit management. Therefore, for all debt:

a) For existing bond programs, universities and DSOs shall strive to maintain or improve current credit ratings without adversely impacting the amount of debt which may be issued for any particular program.

b) For all new rated debt, the university or DSO shall seek to structure the transaction to achieve a minimum rating of “A” from at least two nationally recognized rating agencies. Credit enhancement may be used to achieve this goal.

c) Communications and other activities with rating agencies relating to credit ratings on university and DSO debt and activities relating to disclosure under Rule 15c2-12 of the Securities and Exchange Commission shall be conducted jointly between the university and/or DSO and the Board Office and DBF, under the management and coordination of the Board Office and DBF. The university or DSO must notify the Board Office and DBF in advance of any contact with a rating agency, such that the Board Office and DBF will have an adequate opportunity to prepare and participate. In addition, the university or DSO must promptly notify the Board Office and DBF when a rating agency requests to schedule surveillance calls, site visits, or other activities, or whenever any request for information is received, such that the Board Office, and DBF will have an adequate opportunity to prepare and participate. The Board Office and DBF must be notified on the same day that a rating agency publishes their final rating action, should the final rating action not be provided directly to the Board Office and DBF. The Board Office and DBF will coordinate with the university and/or DSO on the appropriate level of engagement by the Board Office and DBF for any given call, draft report, site visit, etc., as determined by the Board Office and DBF. The Board Office and DBF must be copied on any communications between the university and/or the DSO and any rating agency. Each university and DSO must provide all information relating to credit ratings or disclosure to the Board Office and DBF and respond timely to requests from the Board Office and DBF for any information necessary to facilitate activities relating to credit ratings or appropriate disclosure.

d) The Board Office will maintain a comprehensive listing of all university and DSO ratings.

Tax Status

The universities have traditionally issued tax exempt debt which results in significant interest cost savings compared with the interest cost on taxable debt. Accordingly, all university and DSO debt should be issued to take advantage of the exemption from federal income taxes unless the university demonstrates that the issuance of taxable debt is in the university's best interest. With respect to debt which has a management contract with a private entity as part of the security feature, the management contract should comply, to the greatest extent practical, with tax law requirements to obtain tax exemption for the debt.

Security Features

Pledged Revenues. The debt issued by universities and their DSOs may only be secured by revenues (including fund balances and budget surpluses) authorized for such purpose. The revenues which may secure debt include the following:

a) Activity and Service Fee, subject to the limitation that annual debt service payable from these fees does not exceed five percent of the revenues derived therefrom.

b) Athletic Fee, subject to the limitation that annual debt service payable from these fees does not exceed five percent of the revenues derived therefrom.

c) Health Fee.

d) Transportation Access Fee.

e) Hospital Revenue.

f) Licenses and Royalties for facilities that are functionally related to the university operation or DSO reporting such royalties and licensing fees.

g) Gifts and Donations for debt not longer than five years.

h) Overhead and indirect costs and other monies not required for the payment of direct costs of grants.

i) Assets of university foundations and DSOs and earnings thereon.

j) Auxiliary Enterprise Revenues, e.g., housing, parking, food service, athletic, retail sales, research activities.

Revenues which are not enumerated above may not be pledged to secure debt unless authorized by law for such purpose. In the case of university-issued debt, the pledge of revenues which secures debt should specifically identify the sources pledged and not use general or vague terms such as "lawfully available revenues." Specifically identifying revenues used to secure debt will provide certainty and transparency as to the revenues that are encumbered and avoid ambiguity or uncertainty as to the issuer's legal liability and universities and their DSOs should take this into consideration when determining the nature of the security it will provide in connection with a debt issuance. The guidelines for pledging revenues and securing debt shall also apply to debt structures which involve an agreement, contract or lease with a university or its DSOs, i.e., the revenues being pledged to secure debt must be specifically identified and lawfully available for such purpose. It is preferable, whenever possible, to secure debt with system pledges comprised of multiple facilities within a system, e.g., housing and parking, rather than stand-alone project finances.

Functional Relationships. Revenues from one auxiliary enterprise (a "Supporting Auxiliary Enterprise") may not be used to secure debt of another auxiliary enterprise unless the Board, after review and analysis, determines that the facility being financed (the "Facility") is functionally related to the Supporting Auxiliary Enterprise's revenues being used to secure such debt. The Board must determine whether a functional relationship exists whenever revenues from a Supporting Auxiliary Enterprise will be used to pay or secure the debt of a Facility or when proceeds of bonds issued by a Supporting Auxiliary Enterprise will be used, directly or indirectly, to pay costs relating to a Facility. When a functional relationship is established between a Facility and a Supporting Auxiliary Enterprise, only that portion of the Supporting Auxiliary Enterprise's revenues that exceed its operating requirements and debt service, if any, may be pledged to secure such debt; provided that such pledge may be on parity with outstanding debt if permitted by the covenants and conditions of the outstanding debt.

A functional relationship exists when a nexus is established between the Facility and the Supporting Auxiliary Enterprise's revenues. Whether a Facility is functionally related to the Supporting Auxiliary Enterprise's revenues must be determined on a case by case basis, taking into consideration the unique facts and circumstances surrounding each individual situation.

Examples of functional relationships include, but are not limited to, a parking facility intended to provide parking to residents of a student housing facility and located within reasonably close proximity to a student housing facility; a food services facility intended to serve residents of a student housing facility and located within reasonably close proximity to a student housing facility; or shared infrastructure (e.g. water lines, sewer lines, utilities, plaza areas) located within reasonably close proximity to both the Facility and the Supporting Auxiliary Enterprise. While representations that a Facility will provide general benefits to or enhance the experience of the student body are desirable, this factor alone is not determinative in and of itself to establish a functional relationship between the Facility and the Supporting Auxiliary Enterprise's revenues.

Lien Status. All bonds of a particular program should be secured by a first lien on specified revenues. Additionally, bonds should generally be equally and ratably secured by the revenues pledged to the payment of any outstanding bonds of a particular bond program. However, the creation of a subordinate lien is permissible if a first lien is not available or circumstances require.

Reserve Fund. Debt service reserve requirements may be satisfied by a deposit of bond proceeds, purchase of a reserve fund credit facility, or funding from available resources over a specified period of time. In the submission of a request for debt issuance, it is preferred, though not required, that the bond size for the proposed debt include provisions for funding a reserve from bond proceeds. This will ensure that in the event the university is unable to obtain a reserve fund credit facility it will still have an authorized bond amount sufficient to fund its needs. Debt service reserve requirements may also be satisfied with cash balances.

Credit Enhancement. Credit enhancement is used primarily to achieve interest cost savings. Accordingly, the state universities and their DSOs should consider the cost effectiveness of bond insurance or other credit enhancements when evaluating a debt issuance and the overall cost thereof. Any bond insurance or credit enhancement should be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings to result from their use. The primary determinant in selecting insurance or other credit enhancement should be price and expected interest cost savings; however, consideration may also be given to the terms of any arrangement with the provider of insurance or other credit enhancement.

Capitalized Interest. Capitalized interest from bond proceeds is used to pay debt service until a revenue producing project is completed or to manage cash flows for debt service in special circumstances. Because the use of capitalized interest increases the cost of the financing, it should only be used when necessary for the financial feasibility of the project.

Structural Features

Length of Maturity. In addition to any restriction on the final maturity imposed by the constitution or laws of the state, as a general guideline, the final maturity on bonds should not exceed thirty years.

Debt secured by gifts and donations shall not be considered long-term financing, but may be used as a temporary or construction loan to accelerate construction of facilities. Accordingly, the maturity of debt secured by gifts and donations shall not exceed five years, including roll-overs or refinancings except refinancings to implement permanent financing. Debt issued to finance equipment and software may not be longer than five years or the useful life of the asset being financed, whichever is shorter. Lastly, the final maturity of the debt should not exceed the estimated useful life of the assets being financed.

Debt Service Structure. Generally, debt should be structured on a level debt basis, i.e., so that the annual debt service repayments will, as nearly as practicable, be the same in each year. A deviation from these preferences is permissible if it can be demonstrated to be in the university's best interest, such as restructuring debt to avoid a default and not to demonstrate feasibility of a particular project.

Redemption Prior to Maturity. A significant tool in structuring governmental bonds is the ability to make the bonds callable after a certain period of time has elapsed after issuance. This provides the advantage of enabling the issuer to achieve savings through the issuance of refunding bonds in the event interest rates decline. Although the ability to refund bonds for a savings is advantageous, there may be situations where a greater benefit of lower interest rates may be realized by issuing the bonds as non-callable. Accordingly, there is a strong preference that bonds issued by a university or DSO be structured with the least onerous call features as may be practical under then prevailing market conditions. Bonds of a particular issue may be sold as non-callable if it is shown to be in the best interest of the university or DSO.

Debt Issued with a Forward Delivery Date. Debt issued by a university or DSO may be issued with a delivery date significantly later than that which is usual and customary. This debt typically carries an interest rate penalty associated with the delay in delivery. There are also additional risks that delivery will not occur. Debt with a forward delivery date may be issued if the advantages outweigh the interest rate penalty which will be incurred and the university and DSO are protected from adverse consequences of a failure to deliver the debt.

Interest Accrual Features

Fixed Rate, Current Interest Debt. Fixed rate debt will continue to be the primary means of financing infrastructure and other capital needs. However, there may be circumstances where variable rate debt is more appropriate, in which case, the state university or DSO shall provide documentation as noted in these guidelines for such debt.

Derivatives. Alternative financing arrangements, generally referred to as derivatives, are available in the market as an alternative to traditional bonds. Under certain market conditions, the use of alternative financing arrangements may be more cost effective than the traditional fixed income markets. However, these alternative financing instruments, such as floating to fixed swap agreements, have characteristics and carry risks peculiar to the nature of the instrument which are different from those inherent in the typical fixed rate financing. Although the universities and their DSOs should normally continue issuing conventional fixed rate bonds, alternative financing instruments may be used when the inherent risks and additional costs are identified and proper provision is made to protect the Board, the university, and the DSO from such risks. In determining when to utilize alternative financing arrangements, the availability of the requisite technical expertise to properly execute the transaction and manage the associated risks should be evaluated along with any additional ongoing administrative costs of monitoring the transaction. Also, a comprehensive derivatives policy should be established by the university or their DSOs and approved by the Board prior to approving transactions using derivatives products.

Capital Appreciation Bonds. Normally, capital appreciation bonds, which do not require current debt service payments, should not be used. However, when a compelling university interest is demonstrated, capital appreciation bonds may be issued.

Variable Rate Bonds. *V*ariable rate debt may be issued where, considering the totality of the circumstances, such bonds can reasonably be expected to reduce the total borrowing cost to the university or the DSO over the term of the financing. The availability of the requisite technical expertise to properly manage the risks and execution of the variable rate transaction should be evaluated along with any additional ongoing administrative costs of monitoring the transaction. There should be a solid understanding of the liquidity risk and interest rate risks associated with variable rate debt. Further, there should be a debt management plan that mitigates, to the extent possible, these risks over the life of the debt. The following guidelines should apply to the issuance of variable rate debt:

a) *Expected reduction in total borrowing cost*. In determining reasonably expected savings, a comparison should be made between a fixed rate financing at then current interest rates and a variable rate transaction, based on an appropriate floating rate index. The cost of the variable rate transaction should take into account all fees associated with the borrowing which would not typically be incurred in connection with fixed rate bonds, such as tender agent, remarketing agent, or liquidity provider fees.

b) *Limitation on variable rate debt*. The amount of variable rate debt and interest derivative exposure is dependent on several factors associated with these types of debts. Included in the factors associated with these instruments are the university's/DSO's operating flexibility and tightness of budget, access to short and long term capital, the likelihood of a collateral call or termination payment, and the university's/DSO's financial expertise. The level to which universities may utilize variable rate debt obligations ("VRDO") and interest derivatives (like swaps, collars, and caps) is subject to an understanding of the risks associated and a debt policy that adequately addresses the additional risks.

c) *Budgetary controls*. To avoid a situation in which debt service on variable rate bonds exceeds the annual amount budgeted, the following guidelines should be followed in establishing a variable rate debt service budget:

i) A principal amortization schedule should be established, with provisions made for payment of amortization installments in each respective annual budget;
ii) Provide for payment of interest for each budget year using an assumed budgetary interest rate which allows for fluctuations in interest rates on the bonds without exceeding the amount budgeted. The budgetary interest rate may be established by: (1) using an artificially high interest rate given current market conditions; or (2) setting the rate based on the last 12 months actual rates of an appropriate index plus a 200 basis point cushion or spread to anticipate interest rate fluctuations during the budget year. The spread should be determined by considering the historical volatility of short-term interest rates, the dollar impact on the budget and current economic conditions and forecasts; or, (3) any other reasonable method determined by the university or DSO and approved by the Board;
iii) The amount of debt service actually incurred in each budget year should be monitored monthly by the university or DSO to detect any significant deviations from the annual budgeted debt service. Any deviations in interest rates which might lead to a budgetary problem should be addressed immediately; and
iv) As part of the effort to monitor actual variable rate debt service in relation to the budgeted amounts and external benchmarks, the university or DSO should establish a system to monitor the performance of any service provider whose role it is to periodically reset the interest rates on the debt, i.e., the remarketing agent or auction agent.

d) *Establish a hedge with short-term investments*. In determining the appropriate amount of variable rate debt which may be issued by the universities or their DSOs, consideration should be given to mitigating the variable interest rate risk by creating a hedge with short-term investments. This “hedge” mitigates the financial impact of debt service increases due to higher interest rates because, as debt service increases, the university’s or DSO’s earnings on short-term investments also increases. Appropriate personnel should monitor the hedge monthly. Short-term investment as a hedge is one of several methods of mitigating interest rate risk. The ratio of such short-term investments to variable debt needs to be examined in conjunction with other interest rate risk hedging, striking an overall balance to minimize interest rate risk.

e) *Variable interest rate ceiling.* The bond documents should include an interest rate ceiling of no greater than 12%.

f) *Mitigating interest rate risks with derivatives*. Universities and DSOs are allowed to use various derivatives to mitigate the risk of rising interest rates on variable rate debt. However, the introduction of these derivatives also presents other risks for which the university must mitigate. These risks include rollover risk, basis risk, tax event risk, termination risk, counterparty credit risk and collateral posting risk. At a minimum, a university/DSO engaging in this type of interest rate risk mitigation must provide:

i) Evidence that the counterparty has a long term rating of at least an A/A2; and
ii) A swap management plan that details the following:
    a) Why the university is engaging in the swap and what the objectives of the swap are.
    b) The swap counterparty's rating.
    c) An understanding by the issuer of the cash flow projections that detail costs and benefits for the swap.
    d) The plan of action addressing the aforementioned risks associated with swaps.
    e) The events that trigger an early termination (both voluntary and involuntary) under the swap documents, the cost of this event and how such would be paid.
    f) The method for rehedging variable rate exposure should early termination be exercised.
    g) A list of key personnel involved in monitoring the terms of the swap and counterparty credit worthiness.

g) *Liquidity*. One of the features typical of variable rate debt instruments is the bondholder's right to require the issuer to repurchase the debt at various times and under certain conditions. This, in theory, could force the issuer to repurchase large amounts of its variable rate debt on short notice, requiring access to large amounts of liquid assets. There are generally two methods for addressing this issue. With the first method, issuers that do not have large amounts of liquid assets may establish a liquidity facility with a financial institution which will provide the money needed to satisfy the repurchase. The liquidity provider should have a rating of A1/P1 or higher. The liquidity agreement does not typically run for the life of long-term debt. Accordingly, there is a risk that the provider will not renew the agreement or that it could be renewed only at substantially higher cost. Similar issues may arise if the liquidity provider encounters credit problems or an event occurs which results in early termination of the liquidity arrangement; in either case the issuer must arrange for a replacement liquidity facility. With the second method, issuers with significant resources may choose to provide their own liquidity. This approach eliminates the costs that would be charged by a third party liquidity provider and could mitigate the renewal/replacement risk. If a university/DSO chose to provide its own liquidity, the institution must maintain liquid assets or facilities equal to 100% of the outstanding VRDOs.

h) *Submission of periodic reports*. By November 30th of each year, the university will prepare and submit to the board of trustees and the Board an annual variable rate debt report showing the position during the previous period of the university or DSO variable rate debt with respect to the following measures:

i) the total principal amount of variable rate debt to principal amount of total debt;
ii) the amount of debt service accrued during the reporting period in relation to the pro-rata amount of annual budgeted debt service for the reporting period. If the amount of debt service which accrued during the reporting period exceeded the pro-rata amount of annual budgeted debt service for the period, the university shall explain what actions were taken to assure that there would be sufficient revenues and budget authority to make timely payments of debt service during the subsequent years; and
iii) the amount of variable rate debt in relation to the amount of the university's and/or DSO's short-term investments, and any other strategies used to hedge interest rate risk.

Other Types of Financings

Refunding Bonds. Generally, refunding bonds are issued to achieve debt service savings by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no similar limitation for tax-exempt current refunding bonds. The following guidelines should apply to the issuance of refunding bonds, unless circumstances warrant a deviation therefrom:

a) Refunding bonds should be structured to achieve level annual debt service savings.
b) The life of the refunding bonds should not exceed the remaining life of the bonds being refunded.
c) Advance refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 5% of the par amount of the bonds being advance refunded. The 5% minimum target savings level for advance refundings should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-1986 bond issues. However, because of the numerous considerations involved in the sale of advance refunding bonds, the 5% target should not prohibit advance refundings when the circumstances justify a deviation from the guideline.
d) Refunding bonds which do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling university interest.

Certificates of Participation and Lease-Type Financing. The universities or their DSOs may utilize these financing structures for all purposes, but it shall be considered as debt for the purposes of these guidelines and the universities shall always budget and make available monies necessary to pay debt service, notwithstanding the right to cancel the lease. Additionally, for lease purchase financings of equipment, universities and DSOs should consider using the state's consolidated equipment financing program if it will reduce costs and ensure a market interest rate on the financing.

Conversions of existing variable rate debt. A conversion between interest rate modes pursuant to the provisions of variable rate financing documents does not require Board approval. However, ten days prior to the conversion, the universities or their DSOs must notify the Board Office of a conversion and provide a summary of the terms of (i.e. interest rate, debt service schedule, etc.) and reasons for the conversion. The universities and DSOs should answer all questions and provide any additional information that Board staff deem necessary to fully understand the conversion.

IV. METHOD OF SALE AND USE OF PROFESSIONALS

Analysis of Method of Sale

It is in the best interests of the universities and their DSOs to use the method of sale for their debt that is expected to achieve the best sale results. Based upon the facts and circumstances with regard to each individual financing, it may be more appropriate to sell debt through either a competitive sale or through negotiation. Accordingly, the universities and their DSOs may utilize either a competitive or negotiated sale. If, however, a request is made for a DSO to sell debt using a negotiated sale, the university must provide the Board with an analysis showing that a negotiated sale is desirable. The analysis should include, but not necessarily be limited to, a consideration of the following factors:

a) Debt Structure
   i) pledged revenues – strong revenue stream vs. limited revenue base;
   ii) security structure – conventional resolution, cash flow, rate and coverage covenants vs. unusual or weak covenants;
   iii) debt instrument – traditional serial and term bonds vs. innovative, complex issues requiring special marketing; and
   iv) size – a smaller transaction of a size which can be comfortably managed by the market vs. a large size which the market cannot readily handle.
b) Credit Quality
   i) ratings – “A” or better vs. below single “A”; and
   ii) outlook – stable vs. uncertain.
c) Issuer
   i) type of organization – well-known, general purpose vs. special purpose, independent authority;
   ii) frequency of issuance – regular borrower vs. new or infrequent borrower; and
   iii) market awareness – active secondary market vs. little or no institutional awareness.
d) Market
   i) interest rates – stable; predicable vs. volatile;
   ii) supply and demand – strong investor demand, good liquidity vs. oversold, heavy supply; and
   iii) changes in law – none vs. recent or anticipated

Bonds may also be sold through a private or limited placement, but only if it is determined that a public offering through either a competitive or negotiated sale is not in the best interests of the university or DSO.

Allocation of Bonds

In the event a negotiated sale by a DSO is determined by the university to be in the university's best interest, syndicate rules shall be established which foster competition among the syndicate members and ensure that all members of the syndicate have an opportunity to receive a fair and proper allocation of bonds based upon their ability to sell the bonds.

Report on Sale of Bonds

The university or DSO shall prepare a report on the sale of bonds or anytime it incurs debt. The report shall be prepared and provided to the Board as soon as practicable but in no event later than one month after closing the transaction, in the format and manner provided by the Board, which at a minimum shall include the following:

a) The amount of the debt.
b) The interest rate on the debt.
c) A final debt service schedule or estimated debt service schedule if a variable rate debt or the interest rate is subject to adjustment.
d) Any aspect of the transaction that was different from the transaction submitted for approval.
e) Itemized list of all fees and expenses incurred on the transaction, including legal fees.
f) For negotiated sale of bonds:
    i) the underwriters' spread detailing the management fee;
    ii) takedown by maturity and aggregate takedown;
    iii) any risk component and an itemized list of the expense component;
    iv) orders placed by each underwriter and final bond allocation;
    iv) total compensation received by each underwriter; and
    vi) any report or opinion of the financial advisor.
g) Final official statement for publicly offered bonds.
h) Bond insurance or any other form of credit enhancement and the terms thereof.
i) Credit rating reports.

For any project financing approved by the Board on or after November 7, 2012, the university or DSO shall prepare an annual report to the Board and the Division of Bond Finance which updates information provided for the initial approval of the project. The report shall include information relating to the return on investment or internal rate of return for a revenue-generating project or another appropriate quantitative measure for a non-revenue generating project, and any other information as may be required. The format and specific timeframe for reporting shall be as specified by the Chancellor. However, the initial annual report shall be filed no later than November 30 after the project has been placed in service for one full fiscal year.

Selection of Financing Professionals

The use of underwriters for negotiated financings and the use of financial advisors for negotiated and competitive offerings is necessary to assist in the proper structuring and sale of debt. To assure fairness and objectivity in the selection of professionals and to help select the most qualified professional, the selection of underwriters and financial advisors should be accomplished through a competitive selection process. A competitive selection process allows the universities and their DSOs to compare more professionals and obtain the best price and level of service.

V. DISCLOSURE

Primary Disclosure

Universities and DSOs shall use best practices in preparing disclosure documents in connection with the public offer and sale of debt so that accurate and complete financial and operating information needed by the markets to assess the credit quality and risks of each particular debt issue is provided.

The disclosure recommendations of the Government Finance Officers Association's "Disclosure for State and Local Governments Securities," and the National Federation of Municipal Analysts' "Recommended Best Practices in Disclosure for Private Colleges and Universities" should be followed to the extent practicable, specifically including the recommendation that financial statements be prepared and presented according to generally accepted accounting principles.

Continuing Disclosure

DSOs shall fulfill all continuing disclosure requirements set forth in the transaction documents and as required under Rule 15c2-12 of the Securities and Exchange Commission.

VI. POST-ISSUANCE CONSIDERATIONS

Investment of Proceeds of Debt Issued by DSOs

Construction Funds. Funds held for payment of debt service and all other funds held as required by the documents of any financing shall be invested consistent with the terms of the Financing Documents.

Arbitrage Compliance

The university will comply with federal arbitrage regulations. Any arbitrage rebate liabilities should be calculated and funded annually.

Subsequent Events and Amendments

The DBF and Board Office shall be timely notified of any proposed changes in the terms or conditions of debt issued by a university or DSO. No material changes shall be made without specific Board authorization, which may include items such as, but not limited to:

- Extending maturities
- Changes in bond covenants
- Changes in pledged revenues
- Debt acceleration
- Cross default
- Changes to remedies provided to investors
- Variable rate refundings
- Other actions that may reduce debt service coverage or credit ratings
- Termination or modification of swap agreements
- Use of derivatives

VII. EFFECT

The foregoing guidelines shall be effective immediately and may be modified from time to time by the Board as circumstances warrant. The Board has the authority to approve deviations from these Guidelines after considering the facts and circumstances of each case, but any such exception shall comply with state law requirements and shall not establish a precedent applicable to these guidelines or any other financing transaction. The guidelines are intended to apply to all university and DSO debt, and not to adversely affect any university or DSO debt currently outstanding or projects approved by the Board or board of trustees prior to, or existing, as of January 26, 2006.

Authority: Section 7(d), Art. IX, Fla. Const., History: New 4-27-06, Amended 9-16-10, Amended 11-21-13, Amended 9-22-16, Amended 3-23-21.

Board of Trustees
Budget and Finance Committee | November 16, 2021

INFO-1: Direct Support Organizations' (DSO) Financial Reports – 4th Quarter, Ended June 30, 2021

☒ **Information** ☐ **Discussion** ☐ **Action**

Meeting Date for Upcoming Action: ______________________

Purpose and Issues to be Considered:
In keeping with UCF's Presidential goals to improve internal communications methods and channels to provide timely, relevant, and transparent information to faculty and staff, this item is provided to the trustees quarterly for information purposes only.

Background Information:
The fourth quarter financial reports for the university direct support organizations and the Central Florida Clinical Practice Organization are attached and have been previously presented to each of the respective organization's board of directors.

UCF Academic Health
UCF Academic Health, Inc. supports medical education, research, and patient care through the planning and development of clinical initiatives and affiliated partnerships that serve the educational, research, and clinical mission of the College of Medicine. It began operations in July 2019 and is partnered with HCA in developing UCF Lake Nona Medical Center, which will serve as a teaching hospital for UCF, and manages lease arrangements with private partners in the UCF Lake Nona Cancer Center.

Real estate revenue was $0.1 million less than budget due to the early departure of a short-term tenant and exceeded the prior year by $0.8 million due to four new long-term tenants and one new short-term tenant. Operating expenses include $1.0 million for rent expenses and CAM to cover building maintenance and operations related to the UCF Lake Nona Cancer Center. The remaining $0.1 million includes sales tax expense, the cost of financial software, the financial audit, and insurance. Operating income nets to $0 since all remaining income after direct expenses is encumbered for future rent payments and CAM payable to the UCF Real Estate Foundation.

UCF Athletics Association and UCF Stadium Corporation
The Athletics Association was organized to operate the university's intercollegiate athletic programs. The Stadium Corporation receives pledged revenues from the Association, premium seat revenue, and other revenues including concessions, merchandise, and interest to fund debt used to construct the football stadium. Any surplus remaining after debt service and operating expenses is transferred back to the Association to fund its operations. This combined view is intended to present gross revenues and expenditures of the Association and provide a more holistic view and enable a better understanding of the impact that the Corporation has on the Association's financial results.

This report compares operating results against the amended budget previously approved by this board. Both the Corporation and the Association were successful in meeting their debt service obligations, except for the deferral of the university loan payment, which was approved by the university's Board of Trustees during fiscal year 2020 to address cash flow challenges presented by the global coronavirus pandemic. Excess revenues of $3.9 million were remitted from Stadium Corporation back to the Athletics Association to support operational needs. These transfers are reflected in this report net of rent ($2.1 million), guaranteed royalty ($1.9 million), and ticket sales ($1.6 million) revenue from the Association totaling $5.6 million. The reported actuals reflect:

Athletic events, including premium seating revenues were materially consistent with the amended budget. The $1.5 million unfavorable variance to the prior year was primarily due to a $5.2 million decrease in football revenue resulting from hosting 4 home football games and limiting spectator capacity to 25 percent in the 2020 season versus 6 home games at full capacity in the 2019 season, partially offset by a $3.8 million increase in NCAA and conference distributions.

Sponsorship revenue was also materially consistent with the amended budget with a $2.0 million unfavorable variance to the prior year due to the economic impact of the global pandemic.

Contributions were unfavorable against both the amended budget and the prior year. The $1.6 million unfavorable variance to budget was primarily due to a $1.0 million shortfall in premium seat sales and $0.5 million shortfall in the Keep Charging On Fund. The $2.3 million unfavorable variance to the prior year was primarily due to a $4.8 million shortfall in premium seat sales partially offset by $1.5 million collected in the Keep Charging On Fund and $1.3 million of capital contributions for the Roth Athletic Center.

The $6.2 million favorable variance to budget in other revenues was primarily due to contract buyout fees from the University of Tennessee. These funds are being used to offset the transition costs associated with the hiring of a new athletics director and head football coach. Any funds remaining afterwards will be used to reduce the overall unrestricted net deficit position of the Association. Additionally, high-school graduations were held in the stadium for the first time, generating $0.3 million of unbudgeted revenue.

The favorable variances to budget in sport and support operations expense were due to intentional reductions to lessen the financial impact of the pandemic. Savings in this area resulted from reducing competition schedules, regionalizing contests where possible, limiting game guarantees/multi-team events, the dead period extension in recruiting, and decreasing administrative expenses such as event operations, marketing/promotions, and shifting to electronic ticketing to save on printing and mailing costs.

The increase in other operations expense over the prior year is primarily related to stadium rust and remediation repairs funded by settlement proceeds received by Stadium Corporation in the prior year.

UCF Convocation Corporation

The Convocation Corporation operates four student residence halls (Towers Knights Plaza), the convocation center (Addition Financial Arena and The Venue), surrounding retail space (Knights Plaza), and adjacent parking. The operation of these facilities funds the debt service obligations related to its housing and arena bonds.

This report compares operating results against the amended budget previously approved by this board. The Corporation was successful in meeting its debt service obligations. The reported actuals reflect an overall negative variance for housing operations and positive variances for both retail and arena operations when compared to budget. However, it is worth noting that a transfer of approximately $4.6 million from housing operations to arena operations was required to support the arena debt service obligations. This transfer is materially consistent with prior years. The Corporation deferred its scheduled fiscal years 2020 and 2021 arena scoreboard payments to the university to mitigate cash needs for operating and debt service obligations. The balance due is approximately $740,000. Refer to November 19, 2020, meeting materials for a detailed explanation of the impact the global coronavirus pandemic has on operations and the resulting $5.5 million housing subsidy provided by the university during fiscal year 2020. Additional highlights are as follows:

Housing Operations – Apartment rental revenue was less than budget because summer occupancy was less than projected. This was partially offset by an increase in cancellation fee revenues. Additionally, projected deferred summer revenue was greater than originally projected due to the summer schedule starting one week later than originally estimated. Operating expenses were higher than anticipated because the transition of employees from CoAdvantage occurred later than anticipated resulting in unbudgeted payroll costs of approximately $300,000, but total salaries and maintenance and custodial expenses were still less than the prior year.

Student Housing Market – Towers fall 2021 occupancy is higher than fall 2020. Overall, the on-campus student housing market is strong. Northview and UnionWest are also showing strong occupancy numbers.

Retail Operations – Retail income was less than the prior year due to rental concessions with independent small business tenants whose business suffered from campus closures during the coronavirus pandemic, but exceeded the amended budget because negotiations resulted in fewer concessions than originally anticipated. Retail expenses were less than the prior year due to cost saving measures implemented to mitigate the economic effects of the coronavirus pandemic.

Arena Operations – Arena revenues and expenses were less than budget and the prior year due to continuance of containment measures related to the spread of the coronavirus at mass gatherings. University policy restricted indoor gatherings to no more than 250 attendees for 10 months during the fiscal year, which was longer than anticipated during budget development. Operating expense savings were recognized as a result of concerted efforts to reduce overhead while maintaining continuity of operations. Savings were realized in salaries due to furlough of Spectra Management staff and in utilities due to efforts to optimize chilled water usage during periods of reduced activity.

UCF Finance Corporation

The Finance Corporation holds debt related to the construction of the Burnett Biomedical Sciences building on the health sciences campus in Lake Nona and the construction of the UCF downtown campus.

Transfers from the university represent rent due pursuant to the 2017 amended and restated operating lease agreement and used to pay down the Burnett Biomedical Sciences building loan. This report reflects the amount received to cover the related debt service plus operating costs reduced by interest income. Current year transfers also include $969 of cash remaining in the construction project. Transfers are presented in this format to mirror the financial statement presentation. Total transfers from the university were $4 million and also covered the principal due on the loan. The loan matures in 2038, with an outstanding principal balance of $55.7 million as of June 30, 2021.

Transfers from the UCF Foundation represents the receipt of donor pledges used to secure and pay down the UCF downtown construction note. Transfers and principal payments were $2.5 million, which is less than prior year transfers of $3.2 million due to the timing of pledge receipts. The Corporation received $750,000 of a $1.5 million pledge, with the remaining balance expected in fiscal year 2022. The budget assumed that the entire $1.5 million would be received in fiscal year 2021. Approximately $1.6 million was outstanding on the construction note as of June 30, 2021. Pledges, net of reserves, scheduled to be received by the note's March 2023 maturity date were $3.9 million, or more than twice the outstanding loan balance. Once the outstanding note is satisfied, any excess pledges received will be transferred to the university.

The net increase from operations represents year to date pledges received for the construction of the downtown campus. Net increases are anticipated to continue as scheduled pledge payments are received to offset the net decrease recorded in fiscal year 2020 resulting from the $7 million transferred to the University for the construction of the downtown campus. No further draws on the note are planned.

Year to date debt service includes scheduled principal ($2.6 million) and interest ($1.4 million) payments on the Burnett building loan and principal ($2.5 million) and interest ($25 thousand) on the UCF downtown construction note. The Corporation was successful in meeting its debt service obligations and had a healthy debt coverage ratio well above the amount required for the Burnett building loan.

UCF Foundation

The UCF Foundation's principal function is to provide charitable and educational aid to the University. The information provided in the quarterly reports is a reflection of the Foundation's unrestricted activity only and does not include income distribution from endowment or revenue for current operations with donor designations and restrictions.

The decrease in university and other support revenue as well as development, alumni relations, and operations expense is due to the overall decreases in the university budget coupled with a reduction in salary expense due to hiring freeze and discontinuation of travel and stewardship events. The increase in gifts, fees, and investment earnings revenue over budget and the prior year is attributed to investment earnings and the strength of the financial markets.

The Foundation dispersed $25.8 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 ($24.1 million) and unrestricted ($1.7 million) gifts for current operations.

UCF Limbitless Solutions

Limbitless produces artistic prosthetic medical devices, conducts research, and promotes STEM/ STEAM education.

Over $1.0 million in operating and non-operating revenue was generated during fiscal year 2021. Clinical trials were delayed due to a shortage of electronics and logistical challenges caused by the coronavirus pandemic, resulting in a reduction in medical research study expenses. Nonoperating activity includes donations collected and specifically designated for the new lab space renovation project and the expenses incurred to complete the project with an approved budget of $379,151.

UCF Research Foundation
The Research Foundation promotes and supports the research activities of faculty, staff, and students. Its operating revenue and expenses include contracts, grants, royalties, contributions, rents, conferences, unit residuals, and consortiums.

Operating revenue and expenses for contracts and grants were higher than budget and the prior year due to the receipt of amounts that were due in the fourth quarter of the prior year but delayed due to the global coronavirus pandemic along with an unexpected, continued receipt of funds to support new research and other agreements that were expected to be cancelled due to the pandemic. The accelerated fulfillment of the sublicense agreement related to Kiadis Pharma acquisition contributed to higher royalties and licensing revenues and expenses.

Management fee and other revenue were higher than budget due to the final $200,000 payment received from BRIDG prior to the termination of the Fiscal Agent Agreement in August 2020 and the three percent increase in the Federal Indirect Rate (now 52 percent) applicable to all sponsored programs.

The increase in operating expenses is also attributed to the fourth quarter hiring of a Federal Contract Manger and Contract Accountant as well as the consulting and development fees associated with the new Technology Transfer System which replaced ARGIS and is used by both the Research Foundation and the university.

Central Florida Clinical Practice Organization
The CFCPO is an affiliated organization formed to provide administrative services for the faculty practice plan, UCF Health, and other clinical operations of the College of Medicine.

Revenue exceeded budget by $1.3 million and the prior year by $0.5 million primarily due to higher-than-expected patient encounters. Operating expenses exceeded budget by $0.3 million and were materially consistent with the prior year. While managed well, the increase in operating expenses was driven by a higher volume of medical supplies and pharmaceuticals needed for patient care and unbudgeted facility costs related to the Quadrangle building. The university loan provided to the College of Medicine was converted into a long-term lease resulting in the CFCPO paying the university directly from its operating account. This cost was originally budgeted by the college in its UCF Health auxiliary.

The College of Medicine had less need of auxiliary funds to support its activities and thus non-operating transfers out were $2.5 million less than budgeted and $3.6 million less than the prior year.

Recommended Action:
For information only.

Alternatives to Decision:
N/A

Fiscal Impact and Source of Funding:
N/A

Authority for Board of Trustees Action:
Specific trustee request.

Contract Reviewed/Approved by General Counsel ☐ **N/A** ☒

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:
Gerald Hector, Senior Vice President for Administration and Finance

Supporting Documentation:
Attachment A: UCF Academic Health
Attachment B: UCF Athletics 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:
Gerald Hector, Senior Vice President for Administration and Finance
Christina Tant, Assistant Vice President for DSO Accounting and Reporting

Attachment A

University of Central Florida Academic Health, Inc.

Statement of Operations

For the Year Ended June 30, 2021

	2020-21				2019-20			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Real Estate	$ 1,102,004	$ 1,188,310	$ (86,306)	(7.3)%	$ 281,266	$ 221,120	$ 60,146	27.2 %
Other	-	-	-	-	-	-	-	-
Total Revenues	**1,102,004**	**1,188,310**	**(86,306)**	**(7.3)%**	**281,266**	**221,120**	**60,146**	**27.2 %**
Operating Expenses								
Professional Services	16,375	15,000	(1,375)	(9.2)%	9,075	15,000	5,925	39.5 %
Facility Expense	997,275	1,092,409	95,134	8.7 %	265,026	54,669	(210,357)	(384.8)%
Information Technology	7,000	7,210	210	2.9 %	7,000	7,000	-	0.0 %
Other Operating Expense	81,354	73,691	(7,663)	(10.4)%	165	23,200	23,035	99.3 %
Total Expenses	**1,102,004**	**1,188,310**	**86,306**	**7.3 %**	**281,266**	**99,869**	**(181,397)**	**(181.6)%**
Net increase (decrease)	**$ -**	**$ -**	**$ -**		**$ -**	**$ 121,251**	**$ (121,251)**	

Attachment B

UCF Athletics Association and The UCF Stadium Corporation
Consolidated Statement of Operations
For the Year Ended June 30, 2021

	UCF Athletics Association Actual 2020-2021	UCF Stadium Corporation Actual 2020-2021	Combined Actual 2020-2021	UCF Athletics Association Amended Budget 2020-2021	UCF Stadium Corporation Amended Budget 2020-2021	Combined Amended Budget 2020-2021	Variance to Budget Favorable (Unfavorable)		UCF Athletics Association Actual 2019-2020	UCF Stadium Corporation Actual 2019-2020	Combined Actual 2019-2020	Variance to Prior Year Favorable (Unfavorable)	
Operating revenues													
Athletic events, including premium seating	$ 11,239,321	$ 940,255	$ 12,179,576	$ 10,670,473	$ 882,540	$ 11,553,013	$ 626,563	5.42 %	$ 11,100,328	$ 2,587,946	$ 13,688,274	$ (1,508,698)	(11.02)%
University allocations	34,316,505	-	34,316,505	34,804,881	-	34,804,881	(488,376)	(1.40)%	33,691,829	-	33,691,829	624,676	1.85 %
Sponsorship	6,801,719	430,000	7,231,719	6,325,000	430,000	6,755,000	476,719	7.06 %	8,940,557	250,000	9,190,557	(1,958,838)	(21.31)%
Contributions	3,696,208	510,880	4,207,088	5,408,365	390,000	5,798,365	(1,591,277)	(27.44)%	6,354,522	143,300	6,497,822	(2,290,734)	(35.25)%
Other	6,119,039	364,831	6,483,870	228,600	49,980	278,580	6,205,290	2227.47 %	528,787	510,625	1,039,412	5,444,458	523.80 %
Total operating revenues	62,172,792	2,245,966	64,418,758	57,437,319	1,752,520	59,189,839	5,228,919	8.83 %	60,616,023	3,491,871	64,107,894	310,864	0.48 %
Operating expenses													
Scholarships	10,430,432	-	10,430,432	10,264,915	-	10,264,915	(165,517)	(1.61)%	10,107,504	-	10,107,504	(322,928)	(3.19)%
Employee compensation	27,559,053	-	27,559,053	26,201,653	-	26,201,653	(1,357,400)	(5.18)%	25,610,326	-	25,610,326	(1,948,727)	(7.61)%
Sport operations	5,334,202	-	5,334,202	6,275,481	-	6,275,481	941,279	15.00 %	8,509,406	-	8,509,406	3,175,204	37.31 %
Support operations	8,999,270	-	8,999,270	10,548,118	-	10,548,118	1,548,848	14.68 %	12,135,540	-	12,135,540	3,136,270	25.84 %
Other	3,413,800	1,174,035	4,587,835	3,671,100	1,672,128	5,343,228	755,393	14.14 %	3,039,710	319,601	3,359,311	(1,228,524)	(36.57)%
Total operating expenses	55,736,757	1,174,035	56,910,792	56,961,267	1,672,128	58,633,395	1,722,603	2.94 %	59,402,486	319,601	59,722,087	2,811,295	4.71 %
Net operating income	6,436,035	1,071,931	7,507,966	476,052	80,392	556,444	6,951,522	1249.27 %	1,213,537	3,172,270	4,385,807	3,122,159	71.19 %
Nonoperating revenues (expenses)													
Net transfers to/ (from) Stadium Corp/ UCFAA	(1,712,953)	1,712,953	-	2,106,086	(2,106,086)	-	-	-	710,898	(710,898)	-	-	-
Transfer from UCF Foundation	-	-	-	-	-	-	-	-	-	750,000	750,000	(750,000)	(100.00)%
Interest income	-	46,942	46,942	-	65,000	65,000	(18,058)	(27.78)%	-	121,287	121,287	(74,345)	(61.30)%
Interest expense	(445,386)	(1,683,606)	(2,128,992)	(572,500)	(1,683,606)	(2,256,106)	127,114	(5.63)%	(488,914)	(1,762,888)	(2,251,802)	122,810	5.45 %
Capital project donations - Athletics	1,128,281	-	1,128,281	1,058,512		1,058,512	69,769	6.59 %	1,266,649	-	1,266,649	(138,368)	(10.92)%
Restricted accounts revenue	1,772,078	-	1,772,078	1,229,720	-	1,229,720	542,358	44.10 %	1,615,579	-	1,615,579	156,499	9.69 %
Restricted accounts outlay	(769,821)	-	(769,821)	(1,009,512)	-	(1,009,512)	239,691	23.74 %	(969,387)	-	(969,387)	199,566	20.59 %
Capital projects outlay	(356,654)	-	(356,654)	(715,929)	-	(715,929)	359,275	50.18 %	(590,662)	-	(590,662)	234,008	39.62 %
Settlement Proceeds	-	-	-	-	-	-	-	0.00 %	-	1,400,000	1,400,000	(1,400,000)	100.00 %
Total nonoperating revenues (expenses)	(384,455)	76,289	(308,166)	2,096,377	(3,724,692)	(1,628,315)	1,320,149	81.07 %	1,544,163	(202,499)	1,341,664	(249,830)	(18.62)%
Net increase (decrease) from operations	**$ 6,051,580**	**$ 1,148,220**	**$ 7,199,800**	**$ 2,572,429**	**$ (3,644,300)**	**$ (1,071,871)**	**$ 8,271,671**		**$ 2,757,700**	**$ 2,969,771**	**$ 5,727,471**	**$ 2,872,329**	
Debt service:													
Principal	$ 1,451,000	$ 1,940,000	$ 3,391,000	1,314,440	$ 1,940,000	$ 3,254,440	$ (136,560)	(4.20)%	$ 894,594	$ 1,863,000	$ 2,757,594	$ (633,406)	(22.97)%
Interest (and bank fees)	445,386	1,683,606	2,128,992	572,500	1,683,606	2,256,106	127,114	5.63 %	488,914	1,762,888	2,251,802	122,810	5.45 %
Total Debt Service	**$ 1,896,386**	**$ 3,623,606**	**$ 5,519,992**	**$ 1,886,940**	**$ 3,623,606**	**$ 5,510,546**	**$ (9,446)**	(0.17)%	**$ 1,383,508**	**$ 3,625,888**	**$ 5,009,396**	**$ (510,596)**	(10.19)%

UCF Convocation Corporation
Statement of Operations
For the Year Ended June 30, 2021

	2020-2021				2019-2020			
	Actual	Amended Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Housing Operations								
Revenues								
Apartment rentals	$ 15,142,100	$ 15,386,991	$ (244,891)	(2)%	$ 14,526,117	$ 17,986,410	$ (3,460,293)	-19.2%
Housing Subsidy from UCF	-	-	-	0 %	5,547,481	-	5,547,481	100.0%
Parking	1,036,388	1,036,388	-	0 %	1,036,388	1,036,388	-	0.0%
Other	148,813	58,125	90,688	156 %	501,866	151,000	350,866	232.4%
Total revenues	16,327,301	16,481,504	(154,203)	**(1)%**	21,611,852	19,173,798	2,438,054	**12.7%**
Expenses								
Expenses - Operations	4,881,936	4,497,782	(384,154)	(9)%	6,091,265	6,619,261	527,996	8.0%
Expenses - R&R	588,453	785,290	196,837	25 %	265,818	533,643	267,825	50.2%
Total expenses	5,470,389	5,283,072	(187,317)	(4)%	6,357,083	7,152,904	795,821	11.1%
Net increase (decrease) from housing operations	**10,856,912**	**11,198,432**	**(341,520)**	**(3)%**	**15,254,769**	**12,020,894**	**3,233,875**	**26.9%**
Retail Operations								
Total revenues	1,703,837	1,507,037	196,800	13 %	1,942,720	1,946,203	(3,483)	-0.2%
Total expenses	280,369	333,126	52,757	16 %	445,186	525,098	79,912	15.2%
Net increase (decrease) from retail operations	**1,423,468**	**1,173,911**	**249,557**	**21 %**	**1,497,534**	**1,421,105**	**76,429**	**5.4%**
Arena Operations								
Revenues								
Event related	169,804	1,473,464	(1,303,660)	(88)%	4,334,107	5,874,989	(1,540,882)	-26.2%
Premium seating and sponsorship	876,754	753,750	123,004	16 %	1,170,569	1,216,500	(45,931)	-3.8%
Rental Income	2,735,000	2,735,000	-	0 %	2,735,000	2,735,000	-	0.0%
Other	108,060	88,917	19,143	22 %	182,930	150,596	32,334	21.5%
Total revenues	3,889,618	5,051,131	(1,161,513)	**(23)%**	8,422,606	9,977,085	(1,554,479)	**-15.6%**
Expenses								
Direct event	25,618	1,042,343	1,016,725	98 %	3,284,086	4,492,059	1,207,973	26.9%
Operating and indirect event	3,148,718	3,666,029	517,311	14 %	3,620,464	3,983,925	363,461	9.1%
Direct premium seating	93,398	121,499	28,101	23 %	213,666	325,360	111,694	34.3%
R&R expenses	370,397	288,362	(82,035)	(28)%	744,700	1,036,307	291,607	28.1%
Total expenses	3,638,131	5,118,233	1,480,102	29 %	7,862,916	10,337,651	2,474,735	23.9%
Net increase (decrease) from arena operations	**251,487**	**(67,102)**	**318,589**	**(475)%**	**559,690**	**(360,566)**	**920,256**	**-255.2%**
Net increase (decrease)	**$ 12,531,867**	**$ 12,305,241**	**$ 226,626**		**$ 17,311,993**	**$ 13,081,433**	**$ 4,230,560**	

	2020-2021	2019-2020
Debt Service		
Principal	$ 8,025,000	$ 7,755,000
Interest	6,042,140	6,296,845
Total Debt Service	**$ 14,067,140**	**$ 14,051,845**

UCF Finance Corporation
Statement of Operations
For the Year Ended June 30, 2021

	2020-21				2019-20			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Transfers from University - Burnett Loan	$ 1,325,955	$ 1,330,896	$ (4,941)	(0.4)%	$ 1,317,998	$ 1,715,183	$ (397,185)	(23.2)%
Transfers from Foundation - Downtown Pledges	2,521,002	3,460,000	(938,998)	(27.1)%	3,206,805	3,983,269	(776,464)	(19.5)%
Investment Income	53,786	55,000	(1,214)	(2.2)%	133,600	35,000	98,600	281.7 %
Total revenues	**3,900,743**	**4,845,896**	**(945,153)**	**(19.5)%**	**4,658,403**	**5,733,452**	**(1,075,049)**	**(18.8)%**
Expenses								
Interest	1,392,781	1,457,796	65,015	4.5 %	1,455,120	1,732,683	277,563	16.0 %
Operating	12,914	18,100	5,186	28.7 %	21,642	17,500	(4,142)	(23.7)%
Transfers to UCF - Downtown Construction [1]	-	-	-	0.0 %	7,000,000	11,132,136	4,132,136	37.1 %
Total expenses	**1,405,695**	**1,475,896**	**70,201**	**4.8 %**	**8,476,762**	**12,882,319**	**4,405,557**	**34.2 %**
Net decrease from operations	**$ 2,495,048**	**$ 3,370,000**	**$ (874,952)**		**$ (3,818,359)**	**$ (7,148,867)**	**$ 3,330,508**	

	2020-21	2019-20
Debt Service		
Principal	$ 5,074,205	$ 5,513,601
Interest	1,392,781	1,455,120
Total Debt Service	$ 6,466,986	$ 6,968,721

[1] Transfers to UCF for construction of the downtown campus were significantly less than the $11.1 million that was budgeted in the prior year. The budget developed in the Spring of 2018 was based on the original $20 million funding commitment reduced by the estimate of pledges available to transfer directly from the Foundation to the construction project. When funds were drawn on the note in the Fall of 2019, an additional $1.1 million of pledges had been received. The amount drawn on the note was further reduced by a $3.0 million in-kind pledge. UCF Foundation later reported that pledge converted from an in-kind pledge to a cash pledge.

UCF Foundation
Unrestricted Operations
For the Year Ended June 30, 2021

	2020-21				2019-20			
	Actual	**Budget**	**Variance Favorable (Unfavorable)**		**Actual**	**Budget**	**Variance Favorable (Unfavorable)**	
Unrestricted revenues								
University and other related support	$ 11,907,270	$ 11,686,500	$ 220,770	2 %	$ 12,842,666	$ 12,745,553	$ 97,113	1 %
Gifts, fees, and investment earnings	11,346,772	6,163,800	5,182,972	84 %	6,498,870	5,943,250	555,620	9 %
Real estate operations	1,298,189	2,000,000	(701,811)	(35)%	1,969,356	1,969,356	-	0 %
Total unrestricted revenue	**24,552,231**	**19,850,300**	**4,701,931**	**24 %**	**21,310,892**	**20,658,159**	**652,733**	**3 %**
Unrestricted expenses								
Academic and university support	1,710,872	1,631,647	(79,225)	(5)%	1,705,067	1,739,189	34,122	2 %
Development, alumni relations, and operations	16,786,848	18,218,653	1,431,805	8 %	17,747,187	18,918,970	1,171,783	6 %
Total unrestricted expenses	**18,497,720**	**19,850,300**	**1,352,580**	**7 %**	**19,452,254**	**20,658,159**	**1,205,905**	**6 %**
Net increase (decrease) from unrestricted operations	**$ 6,054,511**	**$ -**	**$ 6,054,511**		**$ 1,858,638**	**$ -**	**$ 1,858,638**	

	2020-21	2019-20
Debt Service		
Principal	$ 2,240,000	$2,131,000
Interest	641,315	952,906
Total Debt Service	$ 2,881,315	$ 3,083,906

The information provided above is a reflection of the Foundation's unrestricted activity only and does not include income distribution from endowment or revenue for current operations with donor designations and restrictions.

For the period ending June 30, 2021 the Foundation dispersed **$25.8 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	$ 1,710,872
Restricted (included endowment)	24,133,145
Total Dispersed	**$ 25,844,017**

Limbitless Solutions Inc.
Statement of Operations
For the Year Ended June 30, 2021

	2020-21				2019-20			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Operating Revenues								
Donations	$ 390,989	$ 300,000	$ 90,989	30.3 %	$ 333,665	$ 350,000	$ (16,335)	(5)%
Sponsorships	216,922	100,000	116,922	116.9 %	90,809	150,000	(59,191)	(39)%
Other	7,355	80,000	(72,645)	(91)%	18,347	95,000	(76,653)	(81)%
Total operating revenues	**615,266**	**480,000**	**135,266**	**28 %**	**442,821**	**595,000**	**(152,179)**	**(26)%**
Operating Expenses								
Operating expenses [1]	179,764	251,869	72,105	29 %	431,353	284,831	(146,522)	(51)%
Total operating expenses	**179,764**	**251,869**	**72,105**	**29 %**	**431,353**	**284,831**	**(146,522)**	**(51)%**
Nonoperating activity [2]								
Renovation donations	390,569	-	390,569	100 %	-	-	-	0 %
Renovation expense	210,993	-	(210,993)	100 %	-	-	-	0 %
Net nonoperating activity	**179,576**	**-**	**601,562**	**100 %**	**-**	**-**	**-**	**0 %**
Net increase (decrease)	**$ 615,078**	**$ 228,131**	**$ 386,947**	**170 %**	**$ 11,468**	**$ 310,169**	**$ (298,701)**	**(96)%**

[1] Additional clinical trials for bionic arms have been delayed due to COVID-19.

[2] Nonoperating activity includes donations collected and specifically designated to the new lab renovation project and expenses incurred to complete the project.

UCF Research Foundation
Statement of Operations
For the Year Ended June 30, 2021

	2020-21				2019-20			
	Actual	**Budget**	**Variance Favorable (Unfavorable)**		**Actual**	**Budget**	**Variance Favorable (Unfavorable)**	
Revenues								
Operating revenue	$ 14,649,416	$ 11,085,000	$ 3,564,416	24 %	$ 12,095,705	$ 12,730,000	$ (634,295)	(5)%
Management fees and other	1,380,880	840,000	540,880	39 %	995,119	800,000	195,119	20 %
Total revenues	**16,030,296**	**11,925,000**	**4,105,296**	**26 %**	**13,090,824**	**13,530,000**	**(439,176)**	**(3)%**
Expenses								
Total operating expenses	**14,981,008**	**11,708,201**	**(3,272,807)**	**(22)%**	**12,512,165**	**13,280,000**	**767,835**	**6 %**
Net increase (decrease)	**$ 1,049,288**	**$ 216,799**	**$ 832,489**		**$ 578,659**	**$ 250,000**	**$ 328,659**	

Central Florida Clinical Practice Organization, Inc

Statement of Operations

For the Year Ended June 30, 2021

	2020-21				2019-20			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Patient Care	$ 7,174,321	$ 6,041,174	$ 1,133,147	18.8 %	$ 6,657,564	$ 7,530,349	$ (872,785)	(11.6)%
Other	994,465	796,182	198,283	24.9 %	983,704	865,798	117,906	13.6 %
Total Revenues	**8,168,786**	**6,837,356**	**1,331,430**	**19.5 %**	**7,641,268**	**8,396,147**	**(754,879)**	**(9.0)%**
Operating Expenses								
Professional Services	420,081	417,579	(2,502)	(0.6)%	566,380	405,381	(160,999)	(39.7)%
Supplies and Repairs	1,040,070	935,006	(105,064)	(11.2)%	1,012,809	1,352,640	339,831	25.1 %
Facility Expense	490,899	230,378	(260,521)	(113.1)%	229,188	192,305	(36,883)	(19.2)%
Information Technology	336,498	341,580	5,082	1.5 %	441,850	636,174	194,324	30.5 %
Other Operating Expense	77,668	101,016	23,348	23.1 %	87,590	283,989	196,399	69.2 %
Total Operating Expense	**2,365,216**	**2,025,559**	**(339,657)**	**(16.8)%**	**2,337,817**	**2,870,489**	**532,672**	**18.6 %**
Non-Operating Expense								
Transfers Out	2,308,480	4,811,797	2,503,317	52.0 %	5,881,601	7,000,000	1,118,399	16.0 %
Total Non-Operating Expenses	**2,308,480**	**4,811,797**	**2,503,317**	**52.0 %**	**5,881,601**	**7,000,000**	**1,118,399**	**16.0 %**
Total Expenses	**4,673,696**	**6,837,356**	**2,163,660**	**31.6 %**	**8,219,418**	**9,870,489**	**1,651,071**	**16.7 %**
Net increase (decrease)	**$ 3,495,090**	**$ -**	**$ 3,495,090**		**$ (578,150)**	**$ (1,474,342)**	**$ 896,192**	

Board of Trustees

Agenda Memo

Board of Trustees
Budget and Finance Committee | November 16, 2021

INFO-2: Auxiliary Financial Reports – 4th Quarter, Ended June 30, 2021

☒ **Information** ☐ **Discussion** ☐ **Action**

Meeting Date for Upcoming Action: ____________________

Purpose and Issues to be Considered:
Each major auxiliary enterprise of the University is presenting quarterly budget to actual financial results for trustee information purposes. The fourth quarter (year-end) financial results for certain major university auxiliary enterprises are attached.

Background Information:

UCF Parking Services:

- Operating revenues decreased $900,000, or 4.6%, compared to prior year. Student fees increased $2.9 million primarily due to summer fees being waived in the prior year. This increase was offset by a $2.9 million decrease in decal sales due to extending August decals through December and renewals at a prorated rate. Other revenue categories such as daily permits and fines decreased $830,000 due to a lower campus presence because of COVID-19.
- Operating expenditures decreased $1.5 million, or 11.7%, primarily due to a reduction in shuttle routes and hours in response to the decreased campus population during COVID-19. Overall, net income from operations were relatively flat, decreasing $73,000 or 1.2%, compared to prior year.
- Actual operating revenues had a negative variance of $4.5 million, or 19.3% compared to budget, while operating expenditures had a positive variance of $4.4 million, or 27.3% compared to budget. The revenue variance was primarily attributable to a $3.2 million negative decal sales variance and $1.3 million variance other revenues such as daily permits and fines. The budget was developed pre-COVID and assumed campus would be fully operational.
- Operating expenditures were $4.4 million below budget primarily due to $3.2 million shuttle savings. Overall, net income from operations were in line with budget at $7 million. Budget to actuals demonstrates a $700,000 unfavorable variance in non-operating expense. This is due to a $900,000 unanticipated capital outlay expense for the Downtown office buildout. The project was expected to occur in FY20 but was not completed until August 2020 due to COVID-19.

UCF Housing and Residence Life:

- Net operating income increased $10.7 million compared to prior year. Operating revenues decreased $1.6 million or 6.83% compared to prior year. Fall revenues decreased $3.1 and other revenues (primarily conference revenues) decreased $1.3 million primarily due to COVID-19. Fall occupancy decreased, however increased occupancy in Spring and Sumer resulted in revenue increases ($1.4 million and $1.1 million, respectively) compared to prior year. Conference revenues decreased due to COVID-19.

Operating expenses decreased $12.3 million or 42.7% compared to prior year. Other expenses decreased $6.8 million primarily because of prior year expenses related to COVID-19: contract loss payment $5.7 million made due to technical breach of contract caused by a closing of Towers Housing facility due to COVID-19; and $1 million paid toward the UCF Managed Housing Summer Support Program that provided financial assistance to students unable to return to UCF managed housing and needed continued relief and flexibility. Additional savings in operating expenses are the result of reduced staffing, the elimination of cable television services, and an overall reduction in expenditures.
Nonoperating revenues decreased $13.1 million primarily due to reimbursement received from CARES and carryforward funds for housing refunds to students. Total net income decreased $2.4 million.

- Net operating income had an unfavorable variance of $2.2 million compared to budget. Operating revenues had a negative variance of $7.8 million compared to budget as a result of lower actual occupancy than budgeted (fall, spring and summer unfavorable variance of $6.4 million) and a decrease in conference revenue due to COVID-19 (other revenues unfavorable variance of $1.4 million).
  Operating expenses were $5.6 million or 25.4% less than budgeted. Savings in operating expenses are the result of reduced staffing (positive $1.8 million variance), the elimination of cable television services, and an overall reduction in expenditures (notably positive variances of $1.4 million for furniture and equipment's and $1.9 million in repairs and maintenance).
  The budget was developed pre-COVID and assumed campus would be fully operational.

<u>UCF Business Services</u>:

- Revenue is down $3.3 million or 33.1% compared to the prior year due to COVID-19, driven primarily by reductions of $2.0 million in commissions and $1.1 million in sales and services.
  Operating expenses were $677,000 or 10.4% less than the prior year. Operating expense reductions included less food service equipment purchases, minimal repairs and maintenance, and decreased replenishment of resale items.
- Budget to actuals demonstrates a $5.2 million unfavorable variance in operating revenues and $2.3 million favorable variance in operating expenditures due to a reduced campus population resulting from COVID-19. The FY21 budget was prepared in February 2020 (pre-COVID) and assumed a normal operating year.
  Nonoperating revenues were $1.1 million below budget. The annual capital outlay budget of $5 million primarily consisted of $740k for John T. Washington Center roof construction and $2.7 million for Student Union expansion. Capital outlay was $1.1 million under budget due to an unexpected $1 million payment at the end of 2019-20 for the Student Union expansion.

<u>UCF Health Services:</u>

- Health Services units have provided ongoing medical, counseling, and preventative services to our students throughout this pandemic. We were creative and resourceful in providing telehealth, direct patient care, curbside and mail order delivery services of prescriptions, dental, mental health and crisis counseling, online stress management and many other services to our students. From a public health perspective, SHS continues to provide significant and critical guidance to campus leadership regarding this pandemic. Our contact tracers have provided ongoing counseling and guidance to approximately 3,800 students, faculty, and staff. We continue to collaborate and provide COVID-19 testing for the university community and were able to provide over 19,000 COVID-19 vaccines to eligible patients this fiscal year.

- Operating revenue is down $1.2 million compared to the prior year due to COVID-19, which resulted in a decrease in sales and services (such as laboratory, radiology, and medical procedural billing) of $1.3 million. Reduced revenues were offset $1.7 million reduction in operating expenses compared to prior year. Cost savings were primarily the result a decrease in compensation of $299,000 and resale equipment and supplies of $557,000 through not filling vacant positions and exercising cost containment of medical and office supplies. Nonoperating revenues decreased $3.9 million attributable to a $3.9 million transfer in from Health reserve fund. Reserve funding was returned to Health Services because associated debt was extinguished.
- Budget to actuals demonstrates a $2.6 million unfavorable operating revenues variance and $3.8 million favor operating expenditures variance. The budget was developed pre-COVID and assumed campus would be fully operational. Health Services units strategically saved over $3.8 million by not filling vacant positions and reducing the number of OPS staff, and by exercising cost containment of medical and office supplies, as well as resaleable medications, sundries, and ancillary products.

Recommended Action:
For information only

Alternatives to Decision:
N/A

Fiscal Impact and Source of Funding:
N/A

Authority for Board of Trustees Action:
N/A

Contract Reviewed/Approved by General Counsel ☐ **N/A** ☒

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:
Gerald Hector, Senior Vice President for Administration and Finance

Supporting Documentation:
Attachment A: UCF Parking Services
Attachment B: UCF Housing and Residence Life
Attachment C: UCF Business Services
Attachment D: UCF Health Services

Facilitators/Presenters:
Gerald Hector, Senior Vice President for Administration and Finance
Danta White, Assistant Vice President for Administrative Affairs and University Controller

UCF Parking Services
Statement of Operations
Through Quarter ended June 30, 2021

	FY 21 Annual Budget	FY 21 Q4 Budget	FY 21 Q4 Actuals	Variance - Favorable (Unfavorable)	FY 20 Q4 Actuals	Variance - Favorable (Unfavorable)
Operating Revenue						
Student Fees - Transportation	15,345,690	15,345,690	15,499,424	153,734	12,628,110	2,871,314
Decal Sales	5,536,596	5,536,596	2,347,352	(3,189,244)	5,278,136	(2,930,784)
Meters and Daily Permits	950,000	950,000	306,085	(643,915)	647,973	(341,889)
Fines and Citations	1,100,000	1,100,000	442,344	(657,656)	918,222	(475,878)
Other Revenues	180,000	180,000	57,001	(122,999)	73,942	(16,941)
Total Operating Revenue	23,112,286	23,112,286	18,652,206	(4,460,080)	19,546,383	(894,178)
Operating Expenditures						
Faculty and Staff Compensation and Benefits	1,641,688	1,641,688	1,766,131	(124,443)	1,951,954	185,823
OPS Compensation and Benefits	566,176	566,176	268,588	297,588	454,307	185,719
Labor Reimbursements	300,000	300,000	241,551	58,449	397,817	156,266
Utilities and Communications	428,542	428,542	365,401	63,141	379,778	14,377
Furniture and Equipment	-	-	88,876	(88,876)	172,112	83,236
Facility Rent	1,461,388	1,461,388	1,308,186	153,203	1,215,763	(92,423)
Materials and Supplies	407,000	407,000	212,440	194,560	58,481	(153,959)
Contracted Shuttle Service	9,051,000	9,051,000	5,833,948	3,217,052	7,019,986	1,186,038
Repairs and Maintenance	777,952	777,952	732,616	45,336	425,044	(307,571)
Travel	-	-	859	(859)	11,393	10,534
Auxiliary Overhead	1,190,817	1,190,817	824,010	366,807	1,114,994	290,984
Other Expenses	224,574	224,574	19,333	205,241	11,385	(7,948)
Total Operating Expenditures	16,049,137	16,049,137	11,661,938	4,387,199	13,213,016	1,551,078
Net increase (decrease) from operations	7,063,149	7,063,149	6,990,267	(72,882)	6,333,368	656,900
Debt Service						
Principal	2,190,000	2,190,000	2,190,000	-	2,776,250	586,250
Interest	688,000	688,000	688,000	-	919,185	231,185
Total Debt Service	2,878,000	2,878,000	2,878,000	-	3,695,435	817,435
Nonoperating Revenue (Expenses)						
Capital Outlay	(176,196)	(176,196)	(899,801)	(723,605)	(115,700)	(784,101)
Transfers From/(To) Other Funds	(176,000)	(176,000)	(156,480)	19,520	(838,901)	682,421
Interest and Investment Earnings	623,854	623,854	603,891	(19,963)	2,519,768	(1,915,877)
Interest and Invest Earnings Tsfr to Central	(623,854)	(623,854)	(603,891)	19,963	(2,519,768)	1,915,877
Total Nonoperating Revenue (Expenses)	(352,196)	(352,196)	(1,056,281)	(704,085)	(954,600)	(101,681)
Total Ending Net Income (Loss)	3,832,953	3,832,953	3,055,986	(776,967)	1,683,332	1,372,654

UCF Housing and Residence Life
Statement of Operations
Through Quarter ended June 30, 2021

	FY 21 Annual Budget	FY 21 Q4 Budget	FY 21 Q4 Actuals	Variance - Favorable (Unfavorable)	FY 20 Q4 Actuals	Variance - Favorable (Unfavorable)
Operating Revenue						
Rental Revenues:						
Fall	12,570,195	12,570,195	9,726,524	(2,843,671)	12,822,730	(3,096,206)
Spring	12,570,195	12,570,195	10,605,518	(1,964,677)	9,227,813	1,377,704
Summer	2,582,961	2,582,961	982,897	(1,600,064)	(147,369)	1,130,267
Misc. Rental Revenues (Cancellations, late fees, other charges)	650,000	650,000	636,134	(13,866)	390,816	245,319
Other Revenues	1,870,000	1,870,000	505,959	(1,364,041)	1,809,506	(1,303,546)
Total Operating Revenue	30,243,351	30,243,351	22,457,033	(7,786,318)	24,103,496	(1,646,463)
Operating Expenditures						
Faculty and Staff Compensation and Benefits	8,686,381	8,686,381	7,238,429.41	1,447,952	8,647,786.77	1,409,357
OPS Compensation and Benefits	1,721,463	1,721,463	1,419,188	302,275	1,613,169	193,981
Labor Reimbursements	218,000	218,000	315,330	(97,330)	264,698	(50,632)
Utilities and Communications	2,850,416	2,850,416	3,163,178	(312,762)	3,755,737	592,559
Furniture and Equipment	1,572,639	1,572,639	199,382	1,373,257	1,781,973	1,582,590
Facility Rent	83,000	83,000	83,090	(90)	89,603	6,513
Materials and Supplies	800,000	800,000	52,342	747,658	780,326	727,984
Professional Services	1,215,000	1,215,000	1,291,154	(76,154)	1,480,616	189,462
Repairs and Maintenance	3,102,000	3,102,000	1,167,051	1,934,949	967,052	(199,999)
Travel	90,000	90,000	5,155	84,845	66,349	61,194
Auxiliary Overhead	1,739,968	1,739,968	1,478,783	261,185	2,504,247	1,025,463
Other Expenses	80,000	80,000	125,738	(45,738)	6,897,702	6,771,964
Total Operating Expenditures	22,158,867	22,158,867	16,538,821	5,620,046	28,849,258	12,310,437
Net increase (decrease) from operations	8,084,484	8,084,484	5,918,212	(2,166,272)	(4,745,762)	10,663,974
Debt Service						
Principal	5,270,000	5,270,000	5,270,000	-	5,030,000	(240,000)
Interest	3,064,025	3,064,025	3,064,025	-	3,307,251	243,226
Total Debt Service	8,334,025	8,334,025	8,334,025	-	8,337,251	3,226
Nonoperating Revenue (Expenses)						
Capital Outlay	-	-	(745,146)	(745,146)	(125,625)	(619,522)
Transfers To - Internal Loans	(260,032)	(260,032)	(453,079)	(193,047)	(247,483)	(205,596)
Transfers From - E&G	-	-	-	-	4,581,728	(4,581,728)
Transfers From - C&G	-	-	-	-	5,547,481	(5,547,481)
Transfers To - Academic Support	-	-	(807,604)	(807,604)	(525,987)	(281,617)
Transfers From - Telecom Prepaids	-	-	72,507	72,507	1,931,976	(1,859,469)
Interest and Investment Earnings	525,480	525,480	417,408	(108,072)	2,276,525	(1,859,117)
Interest and Invest Earnings Tsfr to Central	(525,480)	(525,480)	(417,408)	108,072	(2,276,525)	1,859,117
Total Nonoperating Revenue (Expenses)	(260,032)	(260,032)	(1,933,322)	(1,673,290)	11,162,090	(13,095,412)
Total Ending Net Income (Loss)	(509,573)	(509,573)	(4,349,135)	(3,839,562)	(1,920,923)	(2,434,664)

UCF Business Services
Statement of Operations
Through Quarter ended June 30, 2021

	FY 21 Annual Budget	FY 21 Q4 Budget	FY 21 Q4 Actuals	Variance - Favorable (Unfavorable)	FY 20 Q4 Actuals	Variance - Favorable (Unfavorable)
Operating Revenue						
Student Fees - ID Card	798,238	798,238	818,075	19,837	828,953	(10,878)
Commissions	4,633,356	4,633,356	2,301,763	(2,331,593)	4,310,685	(2,008,922)
Aramark Contract Revenue	2,506,864	2,506,864	1,384,329	(1,122,535)	1,069,762	314,567
Sales and Services	2,672,188	2,672,188	1,356,117	(1,316,071)	2,419,474	(1,063,356)
Space Rentals	1,125,751	1,125,751	703,381	(422,370)	1,178,625	(475,244)
Other Revenues	90,840	90,840	57,162	(33,678)	84,188	(27,026)
Total Operating Revenue	11,827,237	11,827,237	6,620,827	(5,206,410)	9,891,686	(3,270,858)
Operating Expenditures						
Faculty and Staff Compensation and Benefits	2,315,395	2,315,395	2,110,905	204,490	2,188,365	77,460
OPS Compensation and Benefits	128,000	128,000	14,180	113,820	133,342	119,162
Labor Reimbursements	100,000	100,000	151,376	(51,376)	195,342	43,967
Utilities and Communications	813,000	813,000	805,145	7,855	846,809	41,664
Furniture and Equipment	273,439	273,439	32,374	241,065	178,316	145,943
Facility Rentals	1,017,565	1,017,565	1,017,295	270	989,103	(28,192)
Materials and Supplies	4,700	4,700	55,865	(51,165)	49,691	(6,174)
Resale Equipment and Supplies	1,327,000	1,327,000	757,376	569,624	1,037,650	280,274
Professional Services	80,000	80,000	245,376	(165,376)	263,239	17,863
Repairs and Maintenance	201,840	201,840	(86,443)	288,283	61,712	148,155
Travel	-	-	995	(995)	5,516	4,521
Auxiliary Overhead	621,080	621,080	544,356	76,724	557,638	13,282
Other Expenses	1,232,001	1,232,001	203,463	1,028,538	22,280	(181,184)
Total Operating Expenditures	8,114,020	8,114,020	5,852,262	2,261,758	6,529,004	676,741
Net increase (decrease) from operations	3,713,217	3,713,217	768,565	(2,944,652)	3,362,682	(2,594,117)
Nonoperating Revenue (Expenses)						
Capital Outlay	(4,975,000)	(4,975,000)	(3,780,771)	1,194,229	(5,260,081)	1,479,310
Transfers To - Internal Loans	(76,020)	(76,020)	(74,419)	1,601	(76,274)	1,855
Scholarship Contribution	-	-	(10,000)	(10,000)	(10,000)	-
Other Nonoperating Expenses	-	-	(73,450)	(73,450)	-	(73,450)
Total Nonoperating Revenue (Expenses)	(5,051,020)	(5,051,020)	(3,938,640)	1,112,380	(5,346,355)	1,407,715
Total Ending Net Income (Loss)	(1,337,803)	(1,337,803)	(3,170,075)	(1,832,272)	(1,983,672)	(1,186,402)

UCF Health Services
Statement of Operations
Through Quarter ended June 30, 2021

	FY 21 Annual Budget	FY 21 Q4 Budget	FY 21 Q4 Actuals	Variance - Favorable (Unfavorable)	FY 20 Q4 Actuals	Variance - Favorable (Unfavorable)
Operating Revenue						
Student Fees - Health Fee	18,561,620	18,561,620	18,453,598	(108,022)	18,312,165	141,433
Sales and Services	5,336,700	5,336,700	2,813,983	(2,522,717)	4,162,556	(1,348,573)
Other Revenues	6,582	6,582	10,907	4,325	6,497	4,410
Total Operating Revenue	23,904,902	23,904,902	21,278,488	(2,626,414)	22,481,218	(1,202,730)
Operating Expenditures						
Faculty and Staff Compensation and Benefits	14,200,000	14,200,000	13,207,970	992,030	13,507,225	299,255
OPS Compensation and Benefits	2,100,000	2,100,000	1,416,667	683,333	1,379,237	(37,429)
Labor Reimbursements	60,000	60,000	58,777	1,223	53,461	(5,316)
Utilities and Communications	500,000	500,000	471,001	28,999	404,572	(66,429)
Furniture and Equipment	105,000	105,000	178,422	(73,422)	89,017	(89,405)
Facility Rent	95,000	95,000	25,784	69,216	89,784	64,000
Materials and Supplies	600,000	600,000	418,158	181,842	530,278	112,121
Resale Equipment and Supplies	1,500,000	1,500,000	603,641	896,359	1,160,730	557,089
Professional Services	1,100,000	1,100,000	751,350	348,650	921,559	170,209
Repairs and Maintenance	259,199	259,199	98,853	160,346	59,043	(39,810)
Travel	50,000	50,000	6,238	43,762	34,500	28,261
Auxiliary Overhead	1,894,621	1,894,621	1,431,631	462,990	2,096,770	665,140
Other Expenses	126,000	126,000	106,354	19,646	104,549	(1,805)
Total Operating Expenditures	22,589,820	22,589,820	18,774,846	3,814,974	20,430,726	1,655,880
Net increase (decrease) from operations	1,315,082	1,315,082	2,503,643	1,188,561	2,050,492	453,150
Nonoperating Revenue (Expenses)						
Capital Outlay	(25,000)	(25,000)	(76,237)	(51,237)	(51,136)	(25,101)
Transfers To - Internal Loans	(244,424)	(244,424)	(251,392)	(6,968)	(250,180)	(1,212)
Transfers To - Computer Services and Telecom	(550,300)	(550,300)	(510,600)	39,700	(510,600)	-
Transfers From/(To) - Health R&R Fund	-	-	-	-	3,854,474	(3,854,474)
Transfers To - Academic Support	(80,788)	(80,788)	(80,788)	-	(80,788)	-
Transfers From/(To) - Health I&S	-	-	-	-	4,524	(4,524)
Interest and Investment Earnings	-	-	36,281	36,281	1,555,927	(1,519,646)
Interest and Invest Earnings Tsfr to Central	(316,997)	(316,997)	(36,281)	280,716	(1,555,927)	1,519,646
Total Nonoperating Revenue (Expenses)	(1,217,509)	(1,217,509)	(919,017)	298,492	2,966,294	(3,885,311)
Total Ending Net Income (Loss)	97,573	97,573	1,584,625	1,487,052	5,016,786	(3,432,161)

Board of Trustees

Agenda Memo

Board of Trustees
Budget and Finance Committee | November 16, 2021

INFO-3: Knight Vision / SET Budget Update

☒ **Information** ☐ **Discussion** ☐ **Action**

Meeting Date for Upcoming Action: ____________________

Purpose and Issues to be Considered:
This information item will provide an update on the recent accomplishments, immediate next steps, overall status and trends, top risks, and progress of the Knight Vision project at each committee meeting. The Knight Vision project, with its implementation of a new HR and Finance system and enhancement of related HR and Financial services, addresses the President's goal of improving administrative infrastructure and systems that drive operational excellence, efficiency, and effectiveness.

Background Information:
At the June 18. 2020, Board of Trustees meeting, the Board approved $50 million in carryforward funding for acquisition and implementation of a new cloud-based HR and Finance ERP system.

Following the selection and negotiation process, the initial estimate of the acquisition and implementation cost of the new Workday HR and Finance applications was $27.6 million. Additional costs were identified and brought to the Board of Trustees in April and June of 2021 for the implementation of reporting and analytics applications, implementation of service enhancement recommendations, and replacement of existing enterprise standard tools. The current approved project cost total is $43.5 million.

Following go-live in July 2022 for this phase of the Knight Vision project, the university will assess its readiness to continue with the implementation of the Student Information System application, which is expected to take another three years to purchase and implement.

Recommended Action:
For information only.

Alternatives to Decision:
N/A

Fiscal Impact and Source of Funding:
N/A

Authority for Board of Trustees Action:
N/A

Contract Reviewed/Approved by General Counsel ☐ **N/A** ☒

Board of Trustees

Agenda Memo

Committee Chair or Chair of the Board has approved adding this item to the agenda ☒

Submitted by:
Gerald Hector, Senior Vice President for Administration and Finance
Matthew Hall, Vice President and Chief Information Officer

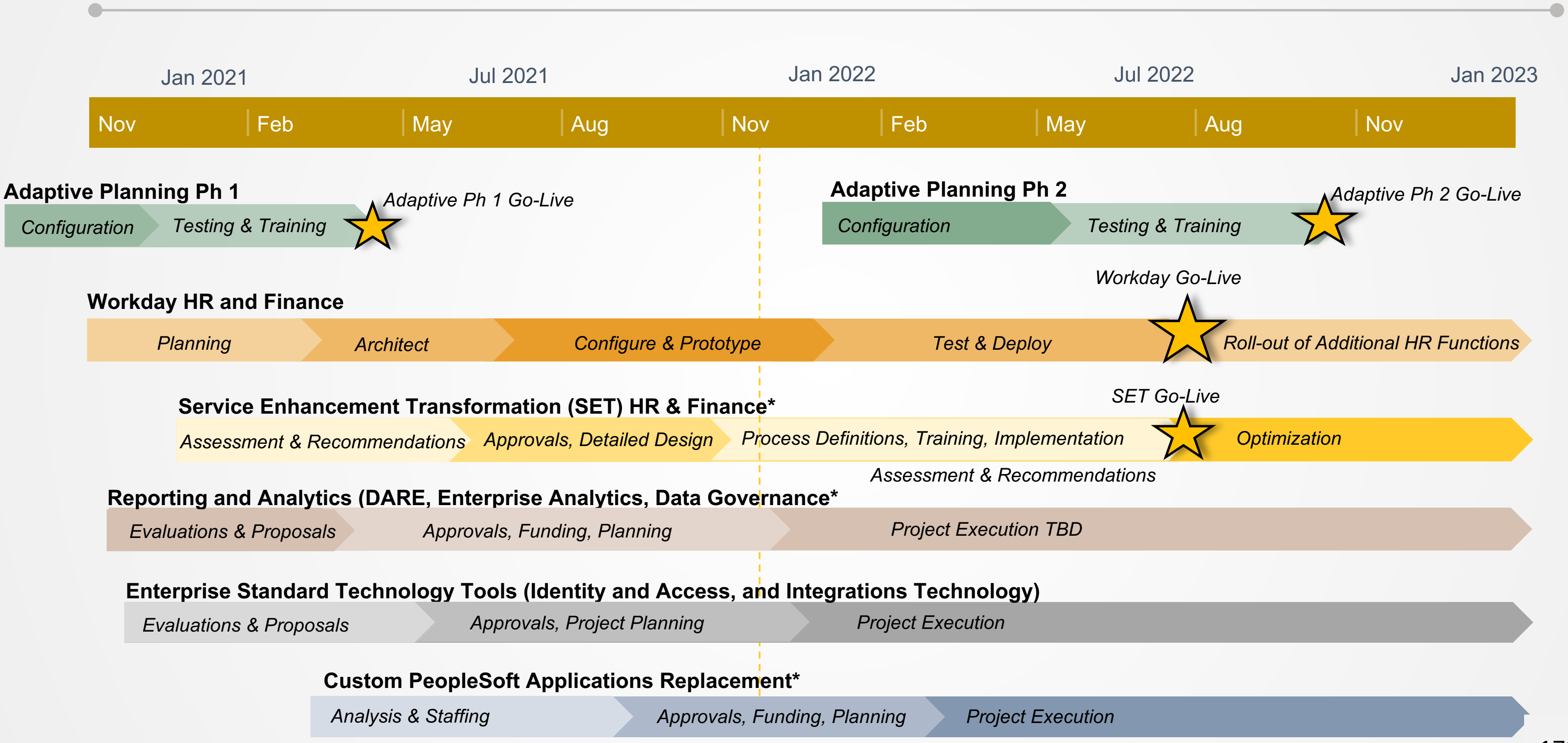
Supporting Documentation:
Attachment A: Knight Vision ERP Status Update

Facilitators/Presenters:
Gerald Hector, Senior Vice President for Administration and Finance
Matthew Hall, Vice President and Chief Information Officer
Michael Sink, Associate Vice President and Deputy CIO
Cherie Herrin, Knight Vision Program Director

Knight Vision
BOT Budget & Finance Committee Update

November 16, 2021

Knight Vision Overall Program Timeline



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*Specific milestones and costs are still being evaluated

Knight Vision Progress

Accomplishments

- *Workday configuration completed and ready for testing.*
- *Service Enhancement Transformation (SET)organizational model design approved.*
- *Identity and Access Management and Integrations Platform implementation projects kicked off.*

Immediate Next Steps

- *Unit and End-to-End testing for Workday initiated.*
- *Select Data Analytics & Reporting Ecosystem (DARE) implementation vendor.*
- *Finalize Reporting & Analytics scope.*
- *Beginning SET implementation phase.*

Overall Status & Trends

- *On track with major milestones.*
- *Workday costs for consulting trending on budget.*
- *Experiencing resource challenges for data conversions, integrations, and PeopleSoft retrofits.*

Top Risks

- *SET and Reporting and Analytics costs are anticipated to be higher than initial estimates (costs for SET and reporting consulting/staffing, case management tool.*
- *UCF's volume and complexity of integrations and data conversions.*

Knight Vision Program Costs

Knight Vision Phase 1 Scope Item	Planned Cost	Budget Status	Schedule Status	Scope Status	Overall Status
Workday Software HR/Finance/Grants Implementation (Workday + Accenture + Backfill)	$ 23,847,137	●	●	●	**On Track**
HR & Finance Service Enhancement Transformation (SET) Implementation* (Consulting + Backfill)	$ 8,500,000	●	●	●	**At Risk** (additional consulting and internal staffing, case management tool inflating costs)
Enterprise Reporting & Analytics * (Data Lake/Warehouse, Data Governance Tools, Enterprise Analytics, Backfill)	$ 2,500,000	●	●	●	**At Risk** (Data Lake/Warehouse costs expected to be higher than initially planned)
Custom PeopleSoft Applications Replacement* (Consulting, 3rd Party Apps, Custom Apps, Backfill)	$ 5,000,000	●	●	●	**On Track**
Enterprise Standard Tools* (Identity Management, API and Integrations Management, and Low Code Development Platforms, Docusign)	$ 2,000,000	●	●	●	**On Track**
Adaptive Planning Budget Software Phase 2 Implementation	$ 450,000	●	●	●	**On Track**
Planned Contingency for Non-Workday Scope (remaining)	$ 1,158,923	●	●	●	**On Track**
Overall Knight Vision Program*	**$ 43,456,060**	●	●	●	**On Track**

**Costs for indicated items are estimates. Detailed planning in progress.*

Key: ● *On Track* ● *At Risk* ● *Off Track*

Thank you for your Support