

***University of Central
Florida Foundation, Inc.***
***(a discrete component unit of the
University of Central Florida)***

*Financial Statements
as of and for the Years Ended
June 30, 2006 and 2005,
Supplemental and Other Information
for the Year Ended June 30, 2006,
and Independent Auditors' Reports*

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a component unit of the University of Central Florida)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the University of Central Florida Foundation, Inc. (the "Foundation"), a discrete component unit of the University of Central Florida, as of June 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These basic financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net assets of the Foundation as of June 30, 2006 and 2005, and its revenues, expenses, and changes in net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis listed in the Table of Contents on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Foundation's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental and other information on pages 35 through 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental and other information listed in the Table of Contents is the responsibility of the Foundation's management. The supplemental information on page 35 has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The other information found on pages 36 through 41 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

November 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The University of Central Florida Foundation, Inc.'s (the "Foundation") (a discrete component unit of the University of Central Florida (the "University")) management prepared the following discussion and analysis of the Foundation's financial statements, including its two blended component units, as of and for the years ended June 30, 2006, 2005, and 2004. This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. It should be read in conjunction with the basic financial statements and notes thereof.

This report consists of the following:

- Management's Discussion and Analysis
- Basic Financial Statements, which include:
 - Statements of Net Assets
 - Statements of Revenues, Expenses, and Changes in Net Assets
 - Statements of Cash Flows
 - Notes to the Financial Statements
 - Supplemental and Other Information

The statements of net assets present all of the Foundation's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or declining.

The statements of revenues, expenses, and changes in net assets explain whether revenues and other support exceed expenses, which results in an increase in net assets, or whether there is a decrease in net assets. All changes in net assets are reported as soon as the underlying event, giving rise to the change, occurs regardless of the timing of related cash flows.

The statements of cash flows are another way of assessing the Foundation's financial viability. The primary purpose of the statement of cash flows is to provide relevant information about cash receipts and cash payments of the Foundation throughout the fiscal year.

These financial statements include all assets and liabilities using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the pronouncements of the Governmental Accounting Standards Board.

Footnotes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

Net Assets—The statement of net assets reports all financial and capital resources of the Foundation at the end of the fiscal year. Net assets over time can be a useful indicator of an entity’s financial position. The Foundation’s assets exceed liabilities as of June 30, 2006, 2005, and 2004 by approximately \$164.6, \$131.2, and \$112.4 million, respectively. The following schedule is a summary of the Foundation’s statements of net assets.

NET ASSETS

	June 30, 2006	June 30, 2005	June 30, 2004
Assets:			
Current assets	\$ 45,644,304	\$ 33,723,647	\$ 23,482,935
Noncurrent assets	<u>167,363,084</u>	<u>149,194,032</u>	<u>122,662,778</u>
Total Assets	<u>\$213,007,388</u>	<u>\$182,917,679</u>	<u>\$146,145,713</u>
Liabilities:			
Current liabilities	\$ 17,979,017	\$ 20,929,867	\$ 3,010,302
Noncurrent liabilities	<u>30,434,498</u>	<u>30,781,202</u>	<u>30,686,336</u>
Total Liabilities	<u>\$ 48,413,515</u>	<u>\$ 51,711,069</u>	<u>\$ 33,696,638</u>
Net Assets:			
Invested in capital assets—net of related debt	\$ 20,022,131	\$ 19,391,194	\$ 19,193,214
Restricted—expendable	51,517,856	33,445,527	22,633,582
Restricted—nonexpendable endowments	82,164,225	67,141,221	60,130,915
Unrestricted	<u>10,889,661</u>	<u>11,228,668</u>	<u>10,491,364</u>
Total Net Assets	<u>\$164,593,873</u>	<u>\$131,206,610</u>	<u>\$112,449,075</u>

During fiscal year 2006, total assets increased by approximately \$30 million primarily due to increased pledge receivables and investments which included new endowment contributions and positive returns on investments. Current liabilities decreased by nearly \$3 million due to reductions in deferred revenue, as conditions on gifts were met during the year; therefore, overall net assets for 2006 increased by \$33.4 million. During fiscal year 2005, total assets increased by approximately \$36.8 million, also primarily due to increased pledges and investments as well as from the purchase of two office buildings and one tract of undeveloped land. Current liabilities increased by approximately \$17.9 million during 2005 due to the loans related to these new acquisitions. The assets were purchased with short-term loans with the intent to refinance this debt into long-term liabilities in the future. Overall net assets during 2005 increased by \$18.8 million.

Restricted net assets are comprised of nonexpendable and expendable net assets. These restrictions are placed on the assets by the donors or as stipulated in loan agreements. Nonexpendable assets represent endowment assets whose principal cannot be spent since they are required by the donor to be held in perpetuity.

As of June 30, 2006, approximately 49.9% of the Foundation's net assets is restricted nonexpendable net assets and 31.3% of net assets represent restricted expendable. In addition, investments in capital assets represent 12.2% of total net assets, which include land, buildings, and equipment, less any related debt outstanding.

The remaining balance of net assets or approximately 6.6% of the total net assets is unrestricted and may be used to meet the Foundation's ongoing obligations. At the end of the current and prior fiscal years, the Foundation reports positive balances in all net asset categories.

REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	June 30, 2006	June 30, 2005	June 30, 2004
Operating revenue	\$ 41,386,682	\$ 33,155,077	\$ 27,254,610
Operating expenses	<u>26,166,113</u>	<u>24,408,545</u>	<u>16,664,795</u>
Operating income (loss)	15,220,569	8,746,532	10,589,815
Nonoperating revenues	<u>3,173,683</u>	<u>3,011,114</u>	<u>2,830,544</u>
Income before capital and endowment contributions	18,394,252	11,757,646	13,420,359
Endowment contributions	<u>14,993,011</u>	<u>6,999,889</u>	<u>9,758,923</u>
Increase in net assets	33,387,263	18,757,535	23,179,282
Net assets—beginning of year	<u>131,206,610</u>	<u>112,449,075</u>	<u>89,269,793</u>
Net assets—end of year	<u>\$ 164,593,873</u>	<u>\$ 131,206,610</u>	<u>\$ 112,449,075</u>

Analysis of Operating Revenue—Operating revenue includes contributions, investment income, rent, and other operating revenue. In fiscal year 2006, total operating revenue was greater than fiscal year 2005 primarily due to increases in pledge contributions related to the medical campus campaign. In fiscal year 2005, total operating revenue was greater than fiscal 2004 due to an increase in restricted contributions during the year. The long-term pool of investment earnings, which include interest, dividends, realized, and unrealized gains and losses returned 8.0% for fiscal 2006, 7.6% for fiscal 2005, and 17.3% for fiscal 2004. In comparison, the customized composite index returned 8.6% for fiscal 2006, 7.9% for fiscal 2005, and 16.6% for fiscal 2004. As a result of a volatile but slightly increasing market, the Foundation's return on investments increased approximately \$1.2 million in 2006 versus 2005. The customized composite index is comprised of 46% S&P 500, 12% Russell 2000, 12% MSCI EAFE, 20% Lehman Brothers Aggregate, and 10% 91-day T-Bill Index.

Nonoperating Revenues—Nonoperating revenues include University support and other revenues. The corresponding expense related to University support is included in the operating expense section of the statements of revenues, expenses, and changes in net assets.

Endowment Contributions—Nearly \$15 million in donor-restricted endowment contributions were recognized in fiscal 2006. Endowment contributions in fiscal year 2006 included \$4.1 million of state matching gifts received under the Florida Board of Education Challenge Grant Program provided through the State of Florida Trust Fund for University Major Gifts. Approximately \$7 million in new donor-restricted endowment contributions were received in fiscal 2005. Endowment contributions in fiscal year 2005 included \$2.1 million of matching funds from the State of Florida Trust Fund for University Major Gifts. Approximately \$9.8 million in new donor-restricted endowment contributions were received in fiscal 2004,

including approximately \$4.8 million in matching funds from the State of Florida Trust Fund for University Major Gifts. Matching donations from the state can vary year to year due to timing of receipts from the state and state budget constraints.

ANALYSIS OF OPERATING EXPENSES

	June 30, 2006	June 30, 2005	June 30, 2004
Operating expenses:			
Building operations	\$ 5,826,753	\$ 4,423,234	\$ 3,628,408
Alumni relations	4,334,527	5,978,447	1,885,901
Fund-raising	3,990,909	3,286,263	2,769,367
Management and general	3,300,049	2,539,623	1,803,635
Student aid	3,178,341	1,961,943	1,401,328
Academic support	2,178,618	2,963,568	3,015,231
Athletics	1,750,799	2,162,339	811,351
General university support	1,168,813	740,384	1,059,257
Research	296,118	211,471	128,124
Property held for resale	<u>141,186</u>	<u>141,273</u>	<u>162,193</u>
 Total operating expenses	 <u>\$26,166,113</u>	 <u>\$24,408,545</u>	 <u>\$16,664,795</u>

Operating expenses for overall fiscal 2006 were approximately \$1.8 million more than fiscal 2005 and approximately \$9.5 million more than fiscal 2004. The following highlights summarize the significant changes from the previous years:

- Fiscal 2006 expenses for Building operations are higher by approximately \$1.4 million over fiscal 2005. The increase was primarily a result of having the new properties acquired during fiscal 2005 (University Tower, Biomolecular Research Annex, and McCulloch Road property) for a full fiscal year. In fiscal 2006, the Foundation implemented a change in financial reporting presentation for operating revenue and expenses to report total building revenue and total building expenses as gross amounts, without netting operating revenue and expenses. During fiscal 2005 and 2004, \$1.6 million and \$1.4 million, respectively, in building operating expenses were netted against operating rent revenue. These revenues and expenses have been reclassified in 2005 and 2004 to conform to the current year presentation. The increase from 2004 to 2005 was also primarily due to the new properties that were purchased during fiscal 2005.
- Alumni relations expenses for fiscal 2006 decreased from fiscal 2005 by \$1.6 million as a result of an overall decrease in amounts transferred to the University for construction of the Fairwinds Alumni Center, partially offset by an overall increase due to the growth of alumni programs. In fiscal 2005, the Foundation transferred \$3.4 million to the University for the construction of the new facility. The facility was completed during fiscal 2006; therefore, during 2006 only \$1.3 million was transferred to the University. These funds were provided by donations as well as a line of credit with Fairwinds Credit Union specifically for this purpose.
- Both Management and General and Fund-raising expenses in fiscal 2006 increased over fiscal 2005 by approximately \$760,400 and \$704,650, respectively, due to additional growth in the Foundation, as salaries and other support expenses increased each year. Similar increases occurred from fiscal 2004 to fiscal 2005, for the same reason, in the amounts of \$736,000 and \$516,900, respectively.

- In fiscal 2006 and 2005, as compared to the prior year, additional student aid totaling approximately \$1,216,400 and \$560,600, in the form of scholarships, was provided by the Foundation as a result of donations and spending from investment earnings.
- In fiscal 2006, Athletic expenses decreased from fiscal 2005 by approximately \$411,500 primarily due to \$1.02 million expended for consideration of a football stadium to be located on the campus of the University during fiscal year 2005. In fiscal 2006, approximately \$779,000 was expended for the stadium. In fiscal 2005, the Foundation expended approximately \$1.4 million more than in fiscal 2004 for Athletics primarily due to the new stadium project.
- General university support increased in fiscal 2006, compared to fiscal 2005, in the approximate amount of \$428,400. During fiscal year 2006, the Foundation increased the allowance for uncollectible pledges receivable. The allowance is based on a percentage of the contributions pledged; therefore, the overall increase in the pledges corresponded with the increase in the allowance. This increase is a portion of the overall increase in general university support expenses. In addition, the Foundation funded additional salaries and programs for overall support of the University. General University Support expenses decreased from fiscal 2004 to fiscal 2005 due to a payment from the Foundation to the University of \$600,000 in support of the residence life programs at the Pegasus Landing and Pegasus Pointe apartment complexes. During fiscal 2004, the Foundation was the beneficiary of a legal settlement brought by CAPFA Capital Corp. (see Note 5, Knights Crossing/Knights Court Land) against the Orange County Property Appraiser. Part of the approximately \$2,152,100 proceeds from the suit funded the resident life programs.

ANALYSIS OF CASH FLOWS

	June 30, 2006	June 30, 2005	June 30, 2004
Cash flows:			
Net cash provided by operating activities	\$ 5,966,489	\$ 6,506,720	\$ 5,517,456
Net cash used in investing activities	(20,157,629)	(11,556,280)	(13,602,747)
Net cash (used in) provided by capital and related financing activities	(769,971)	1,326,660	(1,362,112)
Cash flows provided by noncapital financing activities	<u>11,565,549</u>	<u>6,761,168</u>	<u>9,694,129</u>
(Decrease)/increase in cash and cash equivalents	(3,395,562)	3,038,268	246,726
Cash, restricted cash, and cash equivalents—beginning of year	<u>13,395,045</u>	<u>10,356,777</u>	<u>10,110,051</u>
Cash, restricted cash, and cash equivalents—end of year	<u>\$ 9,999,483</u>	<u>\$ 13,395,045</u>	<u>\$ 10,356,777</u>

Overall cash, restricted cash, and cash equivalents decreased from fiscal year-end 2005 to fiscal year-end 2006 by approximately \$3.4 million, primarily due to transferring donations received near year-end into investments and debt service payments made during fiscal 2006.

Net cash used in investing activities during both fiscal year 2006 and fiscal year 2005 is due to additional purchases of investments related to endowment contributions received. These endowment contributions provided cash flow for non capital financing activities. Endowment contributions increased approximately \$8 million from fiscal 2005 to fiscal 2006 which increased the cash flows provided by noncapital financing activities as the contributions were received. Subsequently, these contributions were invested; therefore, the

net cash used in investing activities increased since the donated cash contributions were used in investment purchases.

Net cash used in capital and related financing activities decreased from fiscal 2005 to fiscal 2006 by approximately \$2 million. During fiscal 2005, the Foundation purchased \$12.4 million in assets financed with \$13.2 million in loans. The remaining amount was intended to be used for capital needs related to the facilities purchased. In fiscal 2006, there were no additional purchases of land or buildings.

CAPITAL ASSETS

	June 30, 2006	June 30, 2005	June 30, 2004
Property and equipment—net	\$ 184,785	\$ 61,944	\$ 104,579
Rental property—net	35,862,896	36,331,750	24,987,012
Other property	<u>18,715,675</u>	<u>18,715,675</u>	<u>18,715,675</u>
 Total capital assets	 <u>\$ 54,763,356</u>	 <u>\$ 55,109,369</u>	 <u>\$ 43,807,266</u>

Capital Assets—The Foundation’s investment in capital assets as of June 30, 2006, 2005, and 2004 was approximately \$62.0 , \$61.2, and \$48.8 million less accumulated depreciation of approximately \$7.2, \$6.1, and \$5.0 million, leaving a net value of approximately \$54.8, \$55.1, and \$43.8 million, respectively. The investment in capital assets includes land, buildings, building improvements, and equipment. During fiscal year 2005, the Foundation purchased two new office buildings and one tract of undeveloped land totaling approximately \$12,350,000. In fiscal 2004, the Foundation invested in building improvements totaling approximately \$496,900. No new buildings or land were purchased during 2006. As of June 30, 2006, the Foundation owned eight buildings and three parcels of land. Additional information can be found in Note 5, **Capital Assets** and Note 6, **Noncurrent Liabilities**.

Property Held for Sale—During 2006, the Foundation received a gift of a residential house intended to be sold. The appraised value of the house is \$875,000. During 2005, the Foundation disposed of assets held for sale and other assets with a carrying value of \$8,000 at a loss of \$7,800.

Notes Payable—At June 30, 2006, 2005, and 2004, the Foundation had approximately \$42.0 million, \$42.3 million, and \$28.8 million in debt outstanding, respectively. The table below summarizes debt outstanding:

NOTES PAYABLE

	June 30, 2006	June 30, 2005	June 30, 2004
Orange County Industrial Development Authority Notes:			
1996A Series Bond Fund	\$ 4,470,000	\$ 4,815,000	\$ 5,150,000
1996B Series Bond Fund	-	-	-
1997 Revenue Bond	1,835,000	1,995,000	2,145,000
1997 Note	556,599	587,032	615,291
2000A Series Bond Fund	9,290,000	9,430,000	9,780,000
2000B Series Bond Fund	6,170,000	6,420,000	6,420,000
Sports Center Note	1,649,512	1,975,658	2,213,151
Lake Pickett Note	432,093	468,630	503,764
Fairwinds Alumni Center	2,450,000	1,384,560	-
University Tower and Biomolecular buildings			
2004A Series Note—Tax Exempt	2,516,664	2,516,664	-
2004A Series Note—Tax Exempt	5,033,336	5,033,336	-
2004B Series Note—Taxable	2,850,000	2,850,000	-
McCulloch Road property	2,800,000	2,800,000	-
Purchase Money Mortgages:			
Mortgage A	990,346	991,004	991,618
Mortgage B	990,346	991,004	991,618
	<u>\$ 42,033,896</u>	<u>\$ 42,257,888</u>	<u>\$ 28,810,442</u>

In fiscal 2005, the Foundation's total debt increased by approximately \$13.4 million due to the acquisition of the University Tower and Biomolecular buildings and the McCulloch Road property from various external parties. The Foundation's total debt decreased approximately \$224,000 between fiscal 2006 and 2005 due to payments of existing debt in the amount of approximately \$1.3 million partially offset by current year additions of approximately \$1.1 million from the Fairwinds Alumni Center. Additional information on the Foundation's long-term debt obligations can be found in Note 6, **Noncurrent Liabilities**.

Legislative Changes Affecting Direct Support Organizations—During the 2005 legislative session, language was approved that limited the ability of university direct support organizations to finance new projects. Such language expired as of June 30, 2006. New legislation was enacted enabling university direct support organizations to finance projects, subject to the oversight and governance of the Florida Board of Governors. The Foundation had previously determined that the 2005 proviso language presented a limitation on the ability of the Foundation to refinance short term loans that were used to finance the acquisitions of the University Tower and Biomolecular buildings and the McCulloch Road property. The original intent of the Foundation was to refinance these properties with a long-term loan prior to the original repayment dates ranging from February 2006 through April 2006. During the current year, both Wachovia and SunTrust have extended the maturity dates into fiscal year 2007. Florida Statutes Section 1010.62(3)(a), enacted as of July 1, 2006, enables university direct support organizations to finance projects, subject to the oversight and governance of the Florida Board of Governors and provides an exemption for certain debt in existence as of the effective date of the statute. During fiscal year 2007, the Foundation intends to take the necessary steps to refinance the University Tower and Biomolecular loan and the McCulloch Road loan on a long-term basis.

SUBSEQUENT EVENTS

No significant events have occurred subsequent to June 30 that have a material impact requiring disclosure.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

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

The University is expected to continue to provide a portion of the Foundation's funding due to the increased potential of giving from annual and major gift contributors. Annual contributions and endowments have a direct impact on enhancing University programs. However, should the economy significantly affect state appropriations, this may have an impact on the amount of funding the Foundation receives from the University.

In addition, the Foundation is impacted by fixed income and equity returns. These factors affect the market value of the Foundation's investments and the calculated spending amount on endowment funds. The Foundation's operating revenues are sensitive, in part, to future economic volatility of the financial markets. Also, a portion of the interest expense related to real estate is affected by the market interest rates.

For additional information concerning the operations and financial information of the Foundation, contact the Foundation at (407) 882-1220.

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

STATEMENTS OF NET ASSETS
JUNE 30, 2006 and 2005

ASSETS	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,669,475	\$ 8,682,695
Short-term investments	29,207,913	20,044,020
Investment interest and other receivables	355,018	134,805
Due from related parties	372,722	223,457
Pledges receivable—net	6,674,509	3,761,735
Prepaid expenses and other assets	489,667	876,935
Property held for sale	<u>875,000</u>	<u>-</u>
Total current assets	<u>45,644,304</u>	<u>33,723,647</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	2,330,008	4,712,350
Pledges receivable—net	14,715,273	9,506,191
Long-term investments	94,987,528	79,235,483
Prepaid expenses and other noncurrent assets	566,919	630,639
Capital assets:		
Property and equipment—net	184,785	61,944
Rental property—net	35,862,896	36,331,750
Other property	<u>18,715,675</u>	<u>18,715,675</u>
Total capital assets	<u>54,763,356</u>	<u>55,109,369</u>
Total noncurrent assets	<u>167,363,084</u>	<u>149,194,032</u>
TOTAL ASSETS	<u>\$ 213,007,388</u>	<u>\$ 182,917,679</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,252,810	\$ 1,012,009
Due to related parties	1,437,918	328,713
Notes payable	14,686,034	14,632,464
Deferred revenue	440,038	4,916,440
Compensated absences	12,847	11,258
Deposits	58,000	-
Annuity obligations	28,883	790
Scholarship fund liability	<u>62,487</u>	<u>28,193</u>
Total current liabilities	<u>17,979,017</u>	<u>20,929,867</u>
NONCURRENT LIABILITIES:		
Deferred revenue	2,327,025	2,359,718
Annuity obligations	566,890	564,936
Compensated absences	192,721	173,124
Deposits	-	58,000
Notes payable	<u>27,347,862</u>	<u>27,625,424</u>
Total noncurrent liabilities	<u>30,434,498</u>	<u>30,781,202</u>
Total liabilities	<u>48,413,515</u>	<u>51,711,069</u>
NET ASSETS:		
Invested in capital assets—net of related debt	20,022,131	19,391,194
Restricted:		
Expendable	51,517,856	33,445,527
Nonexpendable endowments	82,164,225	67,141,221
Unrestricted	<u>10,889,661</u>	<u>11,228,668</u>
Total net assets	<u>164,593,873</u>	<u>131,206,610</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 213,007,388</u>	<u>\$ 182,917,679</u>

See notes to financial statements.

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
Net realized and unrealized gains on investments	\$ 4,046,538	\$ 3,631,795
Contributions (net of uncollectible pledge receivables of \$249,468 and \$164,313, respectively)	23,497,978	18,752,690
Rent	8,380,393	6,942,103
Interest and dividends	3,078,757	2,254,143
Dues and other revenues—net	1,384,890	695,216
Advertising and royalties	693,728	614,798
Loss on sale of property held for sale and other assets	-	(7,800)
License plate proceeds	<u>304,398</u>	<u>272,132</u>
Total operating revenues	<u>41,386,682</u>	<u>33,155,077</u>
OPERATING EXPENSES:		
Building operations	5,826,753	4,423,234
Alumni relations	4,334,527	5,978,447
Fund-raising	3,990,909	3,286,263
Management and general	3,300,049	2,539,623
Student aid	3,178,341	1,961,943
Academic support	2,178,618	2,963,568
Athletics	1,750,799	2,162,339
General university support	1,168,813	740,384
Research	296,118	211,471
Property held for sale	<u>141,186</u>	<u>141,273</u>
Total operating expenses	<u>26,166,113</u>	<u>24,408,545</u>
OPERATING INCOME	15,220,569	8,746,532
NONOPERATING REVENUES—University support	<u>3,173,683</u>	<u>3,011,114</u>
INCOME BEFORE ENDOWMENT CONTRIBUTIONS	18,394,252	11,757,646
ENDOWMENT CONTRIBUTIONS	<u>14,993,011</u>	<u>6,999,889</u>
INCREASE IN NET ASSETS	33,387,263	18,757,535
NET ASSETS—Beginning of year	<u>131,206,610</u>	<u>112,449,075</u>
NET ASSETS—End of year	<u>\$ 164,593,873</u>	<u>\$ 131,206,610</u>

See notes to financial statements.

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from contributions	\$ 12,881,744	\$ 16,040,237
Rental receipts	8,282,178	6,912,247
Proceeds from sale of other property and property held for sale	-	200
Receipts from interest and dividends	3,012,677	2,216,298
All other receipts	2,279,033	1,458,094
Payments for building operations	(3,397,529)	(2,269,700)
Payments for fundraising activities	(1,156,445)	(1,306,264)
Payments to the University for salaries and benefits	(4,283,730)	(2,669,501)
Payments for University programs and construction	(9,180,892)	(12,011,636)
Payments for general and administrative functions	(686,484)	(665,049)
Payments for interest	(1,785,037)	(1,170,783)
Payments for income taxes	974	(27,423)
	<u>5,966,489</u>	<u>6,506,720</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(24,577,287)	(15,663,095)
Proceeds from sales and maturities of investments	4,419,658	4,106,815
	<u>(20,157,629)</u>	<u>(11,556,280)</u>
Net cash used in investing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(873,406)	(12,359,506)
Principal payments on notes payable	(961,970)	(898,394)
Purchase of tenant improvements (to be reimbursed)	(100,035)	-
Proceeds from the University and State	100,000	-
Proceeds from notes issued	1,065,440	14,584,560
	<u>(769,971)</u>	<u>1,326,660</u>
Net cash (used in) provided by capital and related financing activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Principal payments on notes payable	(327,462)	(238,721)
Endowment contributions received for other than capital purposes	11,893,011	6,999,889
	<u>11,565,549</u>	<u>6,761,168</u>
Net cash flows provided by noncapital financing activities		
(DECREASE) INCREASE IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS	(3,395,562)	3,038,268
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS—Beginning of year	<u>13,395,045</u>	<u>10,356,777</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS—End of year	<u>\$ 9,999,483</u>	<u>\$ 13,395,045</u>

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 15,220,569	\$ 8,746,532
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,219,419	1,057,394
Amortization	120,567	84,733
Recognition of royalty revenue	(299,620)	(307,899)
Provision for cancellation of pledges	237,330	164,313
Loss on sale of property held for sale and other assets		7,800
Net realized and unrealized gains on investments	(4,046,538)	(3,631,795)
Budget allocation from the State through the University	3,098,683	3,011,114
Donated securities	(638,271)	(479,364)
Donation of property held for sale	(875,000)	
Proceeds from the University and State for operations	75,000	
Changes in operating assets and liabilities:		
Investment interest and other receivables	(210,945)	(48,936)
Due from related parties	(47,111)	121,058
Pledges receivable	(8,286,603)	(6,476,218)
Prepaid expenses and other assets	361,058	(502,442)
Accounts payable, accrued expenses, compensated absences, and deposits	261,993	218,681
Due to related parties	1,109,205	155,792
Deferred revenue	(1,293,450)	4,398,252
Annuity obligations	(593)	7,119
Scholarship fund liability	(39,204)	(19,414)
Net cash provided by operating activities	<u>\$ 5,966,489</u>	<u>\$ 6,506,720</u>

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC. (a discrete component unit of the University of Central Florida)

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting—The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for business type activities, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. As permitted by Governmental Accounting Standards Board (“GASB”) Statement of Governmental Accounting Standards (“SGAS”) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Foundation has elected to not apply Financial Accounting Standards Board (“FASB”) statements and interpretations issued after November 30, 1989.

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

The net assets of the Foundation are in three categories as follows:

Invested in Capital Assets—Net of Related Debt—Representing funds that consist of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to and expended on the acquisition, construction, or improvement of those assets.

Restricted—Restricted funds include:

Expendable—Representing funds that are subject to donor, grantor, or other outside party restrictions to use for the benefit of various programs at the University, including the expendable portion of endowment funds.

Nonexpendable—Representing the nonexpendable portion of endowment funds that are subject to donor, grantor, or other outside party restrictions as to use for the benefit of various programs at the University. Earnings on endowment funds are included in expendable funds for expenditure.

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

Operating Activities—Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities which are in support of the University's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, hold, invest, and administer charitable contributions for the University.

Revenue Recognition—Contributions are recognized as increases in net assets when received or when pledged unconditionally. Assets donated to the Foundation are recorded at their estimated fair values at the dates of donation. Donated services are not recognized as revenue by the Foundation. Rent revenue is recognized on the straight-line basis over the terms of the respective leases.

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

Rent Revenue—In accordance with SFAS Statement No. 13, "Accounting for Leases," income on leases which include scheduled increases in rental rates over the lease term (other than scheduled increases based on the Consumer Price Index) are recognized on a straight-line basis. The Foundation recognizes revenues from recoveries from tenants of operating expenses the Foundation paid on the tenant's behalf. These operating expenses include items such as real estate taxes, insurance and other property operating costs. During 2006 and 2005, the Foundation recognized \$2,010,645 and \$1,635,163, respectively, in rent revenue for recoveries from tenants.

Cash, Restricted Cash, and Cash Equivalents—The Foundation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Noncurrent restricted cash and cash equivalents at June 30, 2006 and 2005 include cash that is restricted by the donor or contractually restricted due to loan covenants and is not expected to be used during the Foundation's next fiscal year.

Investments—Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses, and changes in net assets. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Gains or losses on sale of the investments are based on the specific identification method.

Derivatives—The Foundation discloses all derivatives in accordance with requirements of the GASB. The Foundation currently uses interest rate swaps to manage its effective borrowing rate associated with certain debt. As of June 30, 2006 and 2005, the Foundation has two variable-to-fixed interest rate swaps (see Note 6, ***Interest Rate Swaps***) with a total notional amount of \$10,155,000.

Pledges Receivable—In accordance with SGAS No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all unconditional pledges that are verifiable, probable, and measurable are recorded at their estimated realizable value on a discounted basis. The Foundation has established an allowance account to absorb the uncollectible portion of pledges. At June 30, 2006 and 2005, an allowance, based on management’s estimate, of approximately \$665,200 and \$416,400 was available to absorb any uncollectible balances, respectively.

Prepaid Expenses and Other Assets—Prepaid expenses and other assets consist of bond issuance costs and other prepaid items. Bond issuance costs are amortized on a straight-line basis over the life of the related bonds.

Capital Assets—Capital assets include property and equipment (including rental property and other property), which is stated at cost as of the date of acquisition (market value for donated property). The Foundation has a capitalization threshold of \$1,000. Property with a permanent diminution in value is stated at estimated net realizable value. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	7–39
Equipment and furniture	3–7

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

Scholarship Fund Liability—The Foundation acts as agent for a scholarship fund endowment. Earnings based on the current spending rate are recorded as a liability for scholarships to the extent that the purchasing power of the endowment fund is conserved in perpetuity, as required by Florida Statute 1010.10. If earnings do not meet the spending rate, additional contributions to the fund are made by the donor to be distributed as scholarships.

Deferred Revenue—Deferred revenue relates primarily to rent and royalty payments received in advance and conditional contributions.

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

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

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

Recent Accounting Pronouncements— In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*. This statement is effective for financial statements for periods beginning after June 15, 2004 and establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and foreign currency risk. The Foundation adopted this statement on July 1, 2004.

The GASB issued other new or modifications to, or interpretations of, existing accounting guidance during 2006 and 2005. The Foundation has carefully considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the reported financial position or operations of the Foundation in the near term.

Reclassification— Certain prior year amounts have been reclassified to conform to current year presentation.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents—At June 30, 2006 and 2005, the total recorded amount of cash, restricted cash, and cash equivalents of the Foundation's deposits was approximately \$9,999,500 and \$13,395,000, respectively. Operating bank balances were approximately \$9,997,500 and \$12,706,200 as of June 30, 2006 and 2005, respectively.

Cash deposits consist of non interest-bearing demand deposits, money market accounts with maturity dates of less than 90 days, and cash deposits swept on an overnight basis from operating bank accounts into interest bearing money market accounts, with maturity dates of less than 90 days. At June 30, 2006 and 2005, approximately \$9,697,500 and \$12,506,200 in cash deposits were not insured by federal deposit insurance, respectively.

Investments—The goal of the Foundation's investment program for endowments is set forth in the investment policy manual as approved by the Foundation's Board of Directors. Such goal is to provide a total return from assets invested that will preserve the purchasing power of the endowment assets, while generating an income stream to support the activities of the colleges and units of the University. The investment policy manual includes endowment target allocations of 70% in a long-term pool of equities, with an allowable range of 65-75%, and 30% domestic fixed income, with an allowable range of 25-35%.

The objective for non endowed assets is to produce the greatest possible total return with a minimum of risk. The investment policy manual includes a target allocation of 20% domestic equity and 80% domestic fixed income for short-term assets and a target allocation of 50% domestic equity and 50% domestic fixed income for intermediate term assets, both with an allowable range of plus or minus 5%.

The Foundation's uncategorized investments as of June 30, 2006 and 2005, excluding mutual funds, are uninsured and registered in SunTrust Bank's ("SunTrust") nominee name as custodian for the Foundation, with securities held by the Foundation's agent in the Foundation's name. Mutual funds do not have specific securities and are held in book entry form.

Investments consist of the following at June 30, 2006 and 2005:

	2006	2005
Equity securities	\$ 9,315,530	\$ 8,451,825
Mutual funds—equity	63,044,619	51,122,538
Mutual funds—bonds	<u>51,835,292</u>	<u>39,705,140</u>
Total investments	124,195,441	99,279,503
Less current investments	<u>29,207,913</u>	<u>20,044,020</u>
Noncurrent investments	<u>\$ 94,987,528</u>	<u>\$ 79,235,483</u>

For the fiscal years ended June 30, 2006 and 2005, the Foundation recorded approximately \$2,058,801 and \$1,228,800, respectively, in net realized gains on investments.

Custodial Credit Risk for Investments—Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2006 and 2005, the Foundation had no securities of this nature.

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

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule represents the ratings of Foundation debt instruments using Moody's or Standard and Poor's, nationally recognized statistical rating organizations.

Debt Security Type	Quality Rating	Fair Value
Bond Mutual Funds	S&P A-1+	\$ 51,385,214
Bond Mutual Funds	Moody's Aaa	<u>450,078</u>
		<u>\$ 51,835,292</u>

The Foundation's investment policy requires a rating of no lower than Aa or its equivalent for debt instruments.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Foundation's investment policy provides the following guidelines:

- Short term intermediate fixed income funds have an average maturity and duration not to exceed 120% of the Merrill Lynch 1-3 Year Government/Corporate Index.
- Core fixed income funds have an average maturity and duration not to exceed 120% of the Lehman Brothers Aggregate Index.

The following schedule represents weighted average maturities for debt instruments.

Investment Type	Duration	Fair Value
Bond Mutual Funds	One to five years	\$ 51,385,214
Bond Mutual Funds	Less than one year	<u>450,078</u>
		<u>\$ 51,835,292</u>

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment’s fair value. As of June 30, 2006 and 2005, the Foundation did not have any fixed income investments subject to this risk. The Foundation’s investment policy does not address this type of risk.

3. PROPERTY HELD FOR SALE

Property held for sale consists of the following at June 30, 2006 and 2005:

	June 30, 2005	Additions	Deletions	June 30, 2006
Property held for sale:				
Land	\$ -	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>875,000</u>	<u>-</u>	<u>875,000</u>
Total property held for sale	<u>\$ -</u>	<u>\$ 875,000</u>	<u>\$ -</u>	<u>\$ 875,000</u>
	June 30, 2004	Additions	Deletions	June 30, 2005
Property held for sale:				
Land	\$ -	\$ -	\$ -	\$ -
Other	<u>3,600</u>	<u>-</u>	<u>3,600</u>	<u>-</u>
Total property held for sale	<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ -</u>

In 2005, property held for sale was disposed at a realized loss of \$3,600. In 2006, other property was received as a donation, intended to be sold with proceeds used in support of an endowment.

4. ENDOWMENTS

The Foundation authorizes expenditures for the uses and purposes for which endowment funds were established.

The Foundation's general spending calculation for eligible endowments equaled 4.5% for fiscal years 2006 and 2005. The calculation is based on an average of the December 31 market balances for each of the immediately preceding three years. The following displays the total ending endowment balances for nonexpendable endowments or donor-restricted endowments:

	2006	2005
Total endowment balance	\$ 95,580,670	\$ 78,836,569
Less appreciation portion deemed restricted expendable	<u>13,416,445</u>	<u>11,695,348</u>
Permanently restricted nonexpendable balance	<u>\$ 82,164,225</u>	<u>\$ 67,141,221</u>

5. CAPITAL ASSETS

Capital assets are summarized as follows:

	June 30, 2005	Additions	Retirements	June 30, 2006
Property and equipment (depreciable):				
Equipment and furniture	\$ 399,723	\$ 177,150	\$ -	\$ 576,873
Less accumulated depreciation	<u>(337,779)</u>	<u>(54,309)</u>	<u>-</u>	<u>(392,088)</u>
Net property and equipment	<u>61,944</u>	<u>122,841</u>	<u>-</u>	<u>184,785</u>
Rental property:				
Land (nondepreciable)	9,205,181	-	-	9,205,181
Buildings and improvements (depreciable)	32,847,585	696,256	-	33,543,841
Less accumulated depreciation	<u>(5,721,016)</u>	<u>(1,165,110)</u>	<u>-</u>	<u>(6,886,126)</u>
Net rental property	<u>36,331,750</u>	<u>(468,854)</u>	<u>-</u>	<u>35,862,896</u>
Other property (nondepreciable):				
Rosen School of Hospitality Management—land	8,282,403	-	-	8,282,403
Knights Crossing/Knights Court—land	9,733,000	-	-	9,733,000
Lake Pickett—land	<u>700,272</u>	<u>-</u>	<u>-</u>	<u>700,272</u>
Total other property	<u>18,715,675</u>	<u>-</u>	<u>-</u>	<u>18,715,675</u>
Total net capital assets	<u>\$ 55,109,369</u>	<u>\$ (346,013)</u>	<u>\$ -</u>	<u>\$ 54,763,356</u>

	June 30, 2004	Additions	Retirements	June 30, 2005
Property and equipment (depreciable):				
Equipment and furniture	\$ 391,806	\$ 7,917	\$ -	\$ 399,723
Less accumulated depreciation	<u>(287,227)</u>	<u>(50,552)</u>	<u>-</u>	<u>(337,779)</u>
Net property and equipment	<u>104,579</u>	<u>(42,635)</u>	<u>-</u>	<u>61,944</u>
Rental property:				
Land (nondepreciable)	4,320,181	4,885,000	-	9,205,181
Buildings and improvements (depreciable)	25,381,005	7,466,580	-	32,847,585
Less accumulated depreciation	<u>(4,714,174)</u>	<u>(1,006,842)</u>	<u>-</u>	<u>(5,721,016)</u>
Net rental property	<u>24,987,012</u>	<u>11,344,738</u>	<u>-</u>	<u>36,331,750</u>
Other property (nondepreciable):				
Rosen School of Hospitality Management—land	8,282,403	-	-	8,282,403
Knights Crossing/Knights Court—land	9,733,000	-	-	9,733,000
Lake Pickett—land	<u>700,272</u>	<u>-</u>	<u>-</u>	<u>700,272</u>
Total other property	<u>18,715,675</u>	<u>-</u>	<u>-</u>	<u>18,715,675</u>
Total net capital assets	<u>\$ 43,807,266</u>	<u>\$ 11,302,103</u>	<u>\$ -</u>	<u>\$ 55,109,369</u>

Depreciation expense was charged to the following operating expense accounts for the years ended June 30, 2006 and 2005:

	2006	2005
Building operations	\$ 1,175,003	\$ 1,014,241
Management and general	<u>44,416</u>	<u>43,153</u>
	<u>\$ 1,219,419</u>	<u>\$ 1,057,394</u>

Other property consists of the following at June 30, 2006 and 2005:

Rosen School of Hospitality Management Project—The Foundation received a contribution from a donor of \$18,282,403 during fiscal 2001 to purchase land and facilitate the construction of a new hospitality management building to be located near Universal Studios in Orange County. The Foundation purchased a 20-acre tract of land with the donation for \$8,282,403, including closing costs of approximately \$82,400 on May 21, 2001. In October 2001, the Foundation transferred \$10,000,000 in cash to the University to be used for the construction of the building. The building was completed in December 2003 and a certificate of occupancy was obtained on December 15, 2003.

Knights Crossing/Knights Court Land—Knights Crossing Student Housing LLC (“KKSH”) through a series of transactions was deeded an 87.8-acre tract of land from CAPFA Capital Corp. (“CAPFA”), a public body corporate and politic of the State of Florida, on February 15, 2001. CAPFA owns the 1,176-unit apartment complex to be used exclusively by UCF students and other eligible individuals. KKSH leased the land back to CAPFA over a 30-year period under a ground lease. CAPFA obtained a mortgage based on the ground lease and improvements to the land to fund the purchase of the

apartment complex and is to annually remit to KKSH any remaining funds after operating expenses (as defined), debt service, and subordinated management fees. KKSH recorded the value of the land as a capital contribution at \$9,733,000 based on an independent appraisal dated August 28, 2001.

During fiscal 2006 and 2005, the Foundation received a payment of \$262,000 and \$0, respectively, for surplus rent under the ground lease.

Lake Pickett Property—The Foundation received a contribution in the amount of \$187,661 from the University in 2003 to help fund the acquisition of a 5.5 acre piece of land to be used for a women’s rowing team training site. The Foundation purchased the property on September 30, 2002 for \$700,272, including closing costs of \$16,389. The purchase was acquired with a promissory note from SunTrust for \$528,000 (see Note 6, **Lake Pickett Note**) and the above noted contribution.

6. NONCURRENT LIABILITIES

A summary of changes in non current liabilities is as follows:

	June 30, 2005	Additions	Payments/ Deletions	June 30, 2006	Amount Due Within 1 Year
Orange County Industrial Development Authority notes:					
1996A Series Bond Fund	\$ 4,815,000	\$ -	\$ 345,000	\$ 4,470,000	\$ 355,000
1997 Revenue Bond	1,995,000	-	160,000	1,835,000	170,000
1997 Note	587,032	-	30,433	556,599	32,834
2000A Series Bond Fund	9,430,000	-	140,000	9,290,000	145,000
2000B Series Bond Fund	6,420,000	-	250,000	6,170,000	270,000
Sports Center Note	1,975,658	-	326,146	1,649,512	239,835
Lake Pickett Note	468,630	-	36,537	432,093	26,951
Fairwinds Alumni Center	1,384,560	1,065,440	-	2,450,000	245,000
University Tower and Biomolecular Buildings					
2004A Series Note—tax exempt	2,516,664	-	-	2,516,664	2,516,664
2004A Series Note—tax exempt	5,033,336	-	-	5,033,336	5,033,336
2004B Series Note—taxable	2,850,000	-	-	2,850,000	2,850,000
McCulloch Road Property	2,800,000	-	-	2,800,000	2,800,000
Purchase money mortgages:					
Mortgage A	991,004	-	658	990,346	707
Mortgage B	991,004	-	658	990,346	707
Total notes payable	<u>\$ 42,257,888</u>	<u>\$ 1,065,440</u>	<u>\$ 1,289,432</u>	<u>\$ 42,033,896</u>	<u>\$ 14,686,034</u>
Deferred revenue	\$ 7,276,158	\$ 186,151	\$ (4,695,246)	\$ 2,767,063	\$ 440,038
Annuity obligations	\$ 565,726	\$ 30,639	\$ (592)	\$ 595,773	\$ 28,883
Compensated absences	\$ 184,382	\$ 89,529	\$ (68,343)	\$ 205,568	\$ 12,847
Deposits	\$ 58,000	\$ -	\$ -	\$ 58,000	\$ 58,000

	June 30, 2004	Additions	Payments/ Deletions	June 30, 2005	Amount Due Within 1 Year
Orange County Industrial Development Authority notes:					
1996A Series Bond Fund	\$ 5,150,000	\$ -	\$ 335,000	\$ 4,815,000	\$ 345,000
1997 Revenue Bond	2,145,000	-	150,000	1,995,000	160,000
1997 Note	615,291	-	28,259	587,032	30,422
2000A Series Bond Fund	9,780,000	-	-	9,780,000	140,000
2000B Series Bond Fund	6,420,000	-	350,000	6,070,000	250,000
Sports Center Note	2,213,151	-	237,493	1,975,658	239,420
Lake Pickett Note	503,764	-	35,134	468,630	26,306
Fairwinds Alumni Center	-	1,384,560	-	1,384,560	240,000
University Tower and Biomolecular Buildings					
2004A Series Note—tax exempt	-	2,516,664	-	2,516,664	2,516,664
2004A Series Note—tax exempt	-	5,033,336	-	5,033,336	5,033,336
2004B Series Note—taxable	-	2,850,000	-	2,850,000	2,850,000
McCulloch Road Property	-	2,800,000	-	2,800,000	2,800,000
Purchase money mortgages:					
Mortgage A	991,618	-	614	991,004	658
Mortgage B	991,618	-	614	991,004	658
Total notes payable	<u>\$ 28,810,442</u>	<u>\$ 14,584,560</u>	<u>\$ 1,137,114</u>	<u>\$ 42,257,888</u>	<u>\$ 14,632,464</u>
Deferred revenue	\$ 3,101,832	\$ 4,917,837	\$ (743,511)	\$ 7,276,158	\$ 4,916,440
Annuity obligations	\$ 528,131	\$ 37,595	\$ -	\$ 565,726	\$ 790
Compensated absences	\$ 176,704	\$ 57,639	\$ (49,961)	\$ 184,382	\$ 11,258
Deposits	\$ 2,578	\$ 58,000	\$ (2,578)	\$ 58,000	\$ -

Orange County Industrial Development Authority Notes—On February 8, 1996, the Foundation entered into two loan agreements with the Orange County Industrial Development Authority (the “Authority”) for the purpose of refinancing a note payable that had been issued in 1994 to finance the purchase of the Research Pavilion office building. Both loan agreements have terms and conditions designed to provide payments on underlying bonds issued by the Authority, bear interest at adjustable rates until such time as the Foundation may elect to exercise its conversion option to a fixed rate, and are secured by the Research Pavilion and a bank letter of credit. The 1996A loan agreement, in the original amount of \$5,200,000, bore interest at rates ranging from 1.97% to 3.99% in fiscal 2006 and 1% to 3.02% in fiscal 2005. Effective February 3, 1998, the Foundation entered into an interest rate swap agreement to hedge the 1996A loan agreement (see Interest Rate Swaps). The loan agreements call for monthly payments of interest and annual payments of principal through February 1, 2016. The Foundation may elect early redemption on any interest payment date. The remaining principal outstanding on the 1996A loan at June 30, 2006 and 2005 was \$4,470,000 and \$4,815,000, respectively.

On March 1, 1997, the Foundation entered into a \$3,570,000 loan agreement (1997 Revenue Bond) with the Authority for the purpose of purchasing the Foundation’s building, which houses the Institute for Simulation and Training (“IST”). As with the 1996 loan agreements, terms and conditions are designed to provide payments on underlying bonds issued by the Authority. The loan is secured by a bank letter of credit and the building that houses the IST, and bears interest at rates ranging from 2.09% to 4.08% in fiscal 2006 and 1.04% to 3.12% in fiscal 2005, and calls for monthly payments of interest and annual payments of principal to March 1, 2017. The Foundation may elect early redemption on any interest payment date. The remaining principal outstanding at June 30, 2006 and 2005 was \$1,835,000 and \$1,995,000, respectively.

The Foundation financed an early redemption of the 1997 Revenue Bond in 1999, due to a change in the tax status related to a portion of the building, in the amount of \$725,000 through an 18-year loan of

comparable value, which bears a taxable interest rate of 7.65% and requires monthly payments of interest and principal. The remaining principal outstanding on the loan at June 30, 2006 and 2005 was \$556,599 and \$587,032, respectively.

On May 18, 2000, the Foundation entered into two loan agreements with the Authority for the purpose of providing funds to pay the cost of four buildings and certain unimproved real property comprising the Orlando Tech Center (the "OTC"). Terms and conditions are designed to provide payments on underlying bonds issued by the Authority. The loans bear interest at adjustable rates until such time as the Foundation may elect to exercise its conversion option to a fixed rate, and are secured by the OTC and a bank letter of credit. Effective July 1, 2003, the Foundation exercised a conversion of \$4,840,000 taxable bonds to nontaxable since the majority of the space is occupied by a nontaxable tenant. The 2000A loan agreement, in the original amount of \$4,940,000, bore interest at rates ranging from 1.99% to 5.40% in fiscal 2006 and 1.01% to 3.02% in fiscal 2005. Effective October 31, 2001, the Foundation entered into an interest rate swap agreement to hedge the 2000A loan agreement (see Interest Rate Swaps). The 2000B loan agreement, in the original amount of \$11,890,000, bore interest ranging from 3.29% to 5.13% in fiscal 2006 and 1.37% to 3.36% in fiscal 2005. The loan calls for monthly payments of interest and annual payments of principal through March 1, 2025. The Foundation may elect early redemption on any interest payment date. The remaining principal outstanding at June 30, 2006 and 2005 was \$15,460,000 and \$15,850,000, respectively.

Sports Center Note—On May 22, 2002, the Foundation entered into a \$2,800,000 loan agreement with SunTrust Bank for the purpose of the University constructing the Wayne Densch Sports Center Building. The loan is secured by pledged revenues and deposits in the funds and accounts established with this loan and bears a fixed interest rate of 5.44%. Quarterly payments of interest and annual payments of principal are due through April 1, 2012. The Foundation may elect early redemption of the loan without penalty. The remaining principal outstanding at June 30, 2006 and 2005 was \$1,649,512 and \$1,975,658, respectively.

Lake Pickett Note—On September 30, 2002, the Foundation entered into a \$528,000 loan agreement with SunTrust Bank for the purpose of the University using the land purchased from the proceeds of the loan for a women's rowing team training site. The loan is secured by pledged revenues and certain deposits. The loan bears a fixed interest rate of 5.09%. Semiannual payments of interest and annual payments of principal are due through October 1, 2014; however, the Foundation may elect early redemption of the loan without penalty. The remaining principal outstanding at June 30, 2006 and 2005 was \$432,093 and \$468,630, respectively.

An operating lease was also entered into on September 30, 2002 between the Foundation and the University to lease the Lake Pickett property for the women's rowing team training site. The term of the lease is 15 years and shall automatically renew for successive five-year terms unless the lessee notifies the lessor, in writing, 12 months prior to the expiration of the lease term. Lease payments in the amount of 125% of the scheduled mortgage payment and certain other expenses are due semiannually. During 2006 and 2005, approximately \$49,800 and \$62,900 in lease payments were paid or payable by the University on behalf of the University of Central Florida Athletic Association, Inc. ("Athletics"), a direct support organization of the University. The additional 25% collected may be applied toward the annual principal payment.

Fairwinds Credit Union Line of Credit—The Foundation obtained a \$2.45 million line of credit from Fairwinds Credit Union for the purpose of constructing the Fairwinds Alumni Center. The total construction costs are estimated to be approximately \$5.8 million, with funds provided through contributions. Pledged contributions will be used to repay the line of credit. Semi-annual payments of interest and annual payments of principal are due through June 30, 2014 and bears interest at a fixed rate of 4.625%. As of June 30, 2006, the full amount of \$2.45 million of the line of credit had been used for construction and was outstanding.

University Tower and Biomolecular Building Loans—On December 20, 2004, the Foundation entered into a \$10,400,000 loan with Wachovia Bank for the purpose of acquiring two properties, the University Tower and the Biomolecular Research Annex office buildings. University Tower, located in the Research Parkway, was acquired on December 21, 2004, for a total cost of \$7,550,000. The intended purpose is to provide office space for rent to the University and to commercial tenants. As of June 30, 2006, approximately 33 percent of the University Tower's rentable space was either rented or available for rental to commercial tenants with the remaining 67 percent rented to the University. The Biomolecular Research Annex, also located in the Research Parkway, was acquired on March 29, 2005, for a total cost of \$1,690,000. Its intended purpose is to provide office and research facilities solely for the University. The remaining loan proceeds of \$1,054,659 are held in escrow by Wachovia for expected capital and tenant improvements to the two buildings. The proportion of the loan that corresponds to the space rented to commercial tenants bears interest at a variable rate based on the one-month LIBOR rate plus 23 basis points, whereas the proportion of the loan that corresponds to the space rented to the University bears interest at a variable rate based on 67 percent of the one-month LIBOR rate plus 13 basis points. The loan is currently classified as a short-term loan, with repayment required as of April 1, 2007. The remaining principal outstanding as June 30, 2006 was \$10,400,000.

McCulloch Road Property Loan—On April 21, 2005, the Foundation entered into a \$2,800,000 loan with SunTrust Bank for the purpose of acquiring an 8.5 acre tract of land north of the University. Land was purchased on April 21, 2005 at a cost of \$2,600,000 and will be further developed for future retail operations. The remaining funds of \$200,000 are being held by the Foundation to be used for future capital costs associated with the land. The loan is due on April 1, 2007 and bears interest at a variable rate based on the one-month LIBOR rate plus 89 basis points. The remaining principal outstanding as June 30, 2006 was \$2,800,000.

Purchase Money Mortgages—In September 1997, two parcels of land with an estimated fair value of \$1,000,000 each were transferred to two Charitable Remainder Annuity Trusts (the "Trusts"), which named the Foundation as the irrevocable beneficiary of the Trusts. In October 1997, the Foundation purchased the land from the Trusts with two \$1,000,000 purchase money mortgage notes payable to the Trusts. The mortgage notes bear interest at 7.13%, include quarterly installment payments with an aggregate balloon payment of unpaid principal and interest of \$1,963,715 on October 17, 2017. These notes were previously secured by the land held for sale. On September 25, 2003, the land was sold for \$2,000,000 and the Foundation received net proceeds, after approximately \$114,700 in closing costs, of \$1,885,300. The proceeds have been invested to accrue the amount needed for the balloon payment in 2017. The remaining principal balance at June 30, 2006 and 2005 was \$1,980,692 and \$1,982,008, respectively.

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

Covenants—The provisions of the Orange County Industrial Development Authority, Purchase Money Mortgages, Sports Center, Lake Pickett, University Tower and Biomolecular buildings, and McCulloch Road property loans contain certain covenants requiring the Foundation to, among other things, maintain use of property, provide insurance coverage, and to timely report financial performance. Additionally, the Orange County Industrial Development Authority and Purchase Money Mortgages require the Foundation to maintain a minimum debt service ratio (as defined) over the life of the loans. The Foundation was in compliance with all loan covenants for fiscal years 2006 and 2005.

Interest Expense—Total interest expense for the years ended June 30, 2006 and 2005 was approximately \$1,785,000 and \$1,170,800, respectively, and is included in the various operating expense line items in the accompanying statements of revenues, expenses, and changes in net assets, respectively.

Principal and Interest Requirements—Minimum principal and estimated interest payments required under all loan agreements, subsequent to June 30, 2006, are as follows:

	Principal	Interest
2007	\$ 14,686,034	\$ 1,581,490
2008	1,553,221	901,622
2009	1,631,342	845,840
2010	1,720,518	787,912
2011	1,805,810	727,516
2012–2016	8,762,545	592,489
2017–2021	6,814,426	189,090
2022–2026	<u>5,060,000</u>	<u>117,133</u>
	<u>\$ 42,033,896</u>	<u>\$ 5,743,092</u>

The interest rates used to calculate future interest payments are the stated interest rates for the fixed rate loans. The effective interest rate at June 30, 2006 was used to estimate future interest payments on variable rate loans.

Annuity Obligations—Annuity obligations represent the recorded annuity liability for the future payments to donors related to planned giving transactions where assets have been received by the Foundation. The liability is initially recorded at the estimated present value of the future payments and is reduced by current year payments and increased by the yearly accretion of the discount or receipt of new donor annuities. As of June 30, 2006 and 2005, there were payments of \$592 and \$0, respectively, made on annuities. During 2005, the Foundation received one new annuity with a present value of \$7,118, and the accretion for all of the annuity obligations was approximately \$30,500. During 2004, the Foundation received two new annuities with a present value of \$13,373, and the accretion for all of the annuity obligations was approximately \$30,000.

Deferred Revenue—Deferred revenue at June 30 is comprised of the following:

	2006	2005
Deferred contributions	\$ -	\$ 4,100,000
Credit card royalties	1,282,033	1,381,653
Planned giving from donors	1,344,614	1,260,641
Prepaid rent from tenants	38,239	486,366
Other	<u>102,177</u>	<u>47,498</u>
	2,767,063	7,276,158
Less current portion	<u>440,038</u>	<u>4,916,440</u>
	<u>\$ 2,327,025</u>	<u>\$ 2,359,718</u>

Deferred contributions are comprised of three separate amounts and represent funds received just prior to June 30, 2005 for which either conditions exist that were not yet satisfied as of June 30, or in which memoranda of understanding were not complete. Once the conditions are met or upon completion of the memoranda of understanding, these deferred contributions will be classified as gifts to the Foundation. There were no such contributions as of June 30, 2006.

Deposits—Deposits represent tenant security payments made by occupants of the University Tower, other than University tenants. Deposits become current in the year that the lease terminates.

Compensated Absences—Compensated absences represent the amount of unused vacation and sick time that has accrued as of June 30, 2006 and 2005. At June 30, 2006 and 2005, the liability for paid leave for Foundation employees was approximately \$205,600 and \$184,400, respectively.

Interest Rate Swaps—As a means to lower its borrowing costs over time, the Foundation entered into two interest rate swaps in connection with its issuance of bonds to finance the purchase of several office buildings.

Effective February 3, 1998, the Foundation entered into a 19-year interest rate swap agreement with a notional amount of \$5,215,000. Under the terms of the agreement, the Foundation owes interest calculated at a fixed rate of 4.65% and receives interest calculated at a variable rate (3.66% as of June 30, 2006) based on the BMA Municipal Swap Index. The agreement terminates on February 1, 2017. As of June 30, 2006, the swap had a negative fair value of approximately \$107,874. Under generally accepted governmental accounting standards, the fair value and subsequent changes in fair value are not required to be recorded. Further, the Foundation was not exposed to credit risk since the fair value of the swap had a negative value as of June 30, 2006. However, the swap exposes the Foundation to basis risk should the relationship between BMA and 7-day remarketing rate converge, changing the synthetic rate on the bonds.

Effective October 31, 2001, the Foundation entered into a 9-year, 4-month interest rate swap agreement with a notional amount of \$4,940,000 relating to the tax-exempt portion of the Orlando Tech Center. Under the terms of the agreement, the Foundation owes interest calculated at a fixed rate of 4.03% and receives interest calculated at a variable rate (3.97% as of June 30, 2006) based on the BMA Municipal Swap Index. The agreement terminates on March 1, 2011. As of June 30, 2006, the swap had a negative fair value of approximately \$62,265. Under generally accepted governmental accounting standards, the fair value and subsequent changes in fair value are not required to be recorded. Further, the Foundation

was not exposed to credit risk since the fair value of the swap had a negative value as of June 30, 2006. However, the swap exposes the Foundation to basis risk should the relationship between BMA and 7-day remarketing rate converge, changing the synthetic rate on the bonds.

Under the 1998 swap agreement, only the net difference in interest calculated at fixed and variable rates is actually exchanged with the counter parties to the agreements. The notional amount is the basis on which interest is calculated; however, the notional amount is not exchanged. Under the 2001 swap, the bank reimburses the Foundation monthly and the Foundation pays the fixed rate semiannually. A termination of the swaps may result in the Foundation's making or receiving a termination payment. However, the Foundation does not anticipate nonperformance by either of the counter parties.

As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are as follows:

Fiscal Year Ending June 30	1998 Swap Agreement				2001 Swap Agreement			
	Principal	Interest	Interest Rate Swap, Net	Total	Principal	Interest	Interest Rate Swap, Net	Total
2007	\$ 262,500	\$171,271	\$ 230,010	\$ 401,281	\$ 145,000	\$191,005	\$ 2,844	\$ 193,849
2008	275,000	156,807	21,182	177,989	155,000	184,994	2,754	187,748
2009	287,500	141,745	19,270	161,015	165,000	178,579	2,659	181,238
2010	305,000	125,984	17,428	143,412	175,000	171,762	2,557	174,319
2011	320,000	109,426	15,130	124,556	4,160,000	97,795	1,456	99,251
2012	340,000	91,970	12,886	104,856	-	-	-	-
2013	362,500	73,416	10,498	83,914	-	-	-	-
2014	380,000	53,765	7,973	61,738	-	-	-	-
2015	405,000	33,017	5,304	38,321	-	-	-	-
2016	425,000	4,719	5,036	9,755	-	-	-	-
2017	152,500	1,693	1,807	3,500	-	-	-	-
Total	<u>\$3,515,000</u>	<u>\$963,813</u>	<u>\$ 346,524</u>	<u>\$1,310,337</u>	<u>\$4,800,000</u>	<u>\$824,135</u>	<u>\$ 12,270</u>	<u>\$ 836,405</u>

7. PASS-THROUGH DONATIONS

Certain tangible properties are donated as gifts in kind directly to the University. These donations, which are passed through the Foundation, are recognized as university support but are not recognized as revenue by the Foundation because the Foundation serves only as an agent for the University. Total pass-through donations received in 2006 and 2005 was approximately \$304,600 and \$22,480,800, respectively. In 2005 the University received a significant gift of approximately \$22 million of intellectual property and related equipment intended for research purposes.

8. RELATED PARTY TRANSACTIONS

The Foundation considers the University and Athletics to be related parties for the purpose of the financial statements.

The Foundation has a variety of transactions with these organizations, primarily through the support activities provided by the Foundation for the University and for Athletics. The Foundation is the primary fundraiser for both organizations; in return, the University and Athletics provide monetary support, as well as administrative fees that are assessed by the Foundation, for such activities (see Note 11). The Foundation also receives rents and reimbursement for certain operating expenses from the University related to rents received from the Research Pavilion, Orlando Tech Center, IST, and University Tower and the Biomolecular Research Annex buildings. The Foundation receives rent from Athletics for the use of the Lake Pickett land used for the women's rowing team.

The following significant transactions between the Foundation, University, and Athletics were noted in 2006 and 2005.

	<u>Fiscal Year</u>	
	<u>2006</u>	<u>2005</u>
Funds received to support activities of the Foundation:		
From the University:		
General support	\$2,409,934	\$2,354,354
Alumni support	<u>763,749</u>	<u>656,760</u>
	3,173,683	3,011,114
From Athletics—Fundraising support activities	<u>757,502</u>	<u>603,944</u>
Total funds received to support the Foundation from related parties	<u>\$3,931,185</u>	<u>\$3,615,058</u>
Funds received for rent and reimbursements related to leases:		
From the University:		
Total revenues	\$7,005,725	\$5,625,382
Common area maintenance expenses payable to UCF	<u>143,971</u>	<u>486,366</u>
	7,149,696	6,111,748
From Athletics—Total receipts	<u>55,640</u>	<u>62,864</u>
Total rent and reimbursements related to leases from related parties	<u>\$7,205,336</u>	<u>\$6,174,612</u>
Receivables:		
From the University:		
Rent receivables	\$ 193,687	\$ 83,865
Program receivables	<u>680</u>	<u>54,841</u>
	194,367	138,706
From Athletics—Receivables	<u>178,354</u>	<u>84,751</u>
Total receivables from related parties	<u>\$ 372,721</u>	<u>\$ 223,457</u>
Payables:		
To the University:		
Rent reimbursements	\$ 209,545	\$ -
Payables for programs	<u>124,970</u>	<u>328,713</u>
To Athletics—Payables to Athletics	<u>1,103,403</u>	<u>-</u>
Total payables to related parties	<u>\$1,228,373</u>	<u>\$ 328,713</u>

9. OPERATING LEASES PAID TO THE FOUNDATION

The Foundation leases office space and the Lake Pickett land to the University and other entities under operating leases with existing terms of 1 to 15 years (see Notes 5 and 6).

At June 30, 2006, approximate future minimum rental payments to be received on non-cancelable leases are as follows:

	University Tenants	Commercial Tenants	Total
2007	\$2,797,504	\$ 759,936	\$3,557,440
2008	59,723	458,218	517,941
2009	58,915	471,682	530,597
2010	58,115	443,620	501,735
2011–2015	<u>274,838</u>	<u>-</u>	<u>274,838</u>
	<u>\$3,249,095</u>	<u>\$2,133,456</u>	<u>\$5,382,551</u>

Under the master lease agreement with the University for office building space, lease obligations are subject to availability of funds through the Legislature's annual budget process. Although the University's intent is to occupy such space for the foreseeable future, by law, the University cannot commit beyond one year. However, the Lake Pickett lease arrangement contains an additional covenant obligating the use of local revenue sources (i.e., student athletic fees) should the Legislature not appropriate funds for that purpose. Appropriately, amounts for future lease payments related to Lake Pickett are included in University tenants in the above schedule.

The Foundation is currently in the process of re-negotiating the lease with the University for space in the Research Pavilion. While the Foundation expects to complete this process in due course, accordingly, no amounts are included above for the space occupied by the University in the Research Pavilion.

Total lease payments received for the year ended June 30, 2006 and 2005 were approximately \$8,380,400 and \$6,926,500, respectively. The increase can be attributed primarily to having the new properties acquired during fiscal 2005 (University Tower, Biomolecular Research Annex, and McCulloch Road property) for a full fiscal year.

10. OPERATING LEASES PAID BY THE FOUNDATION

The Foundation has long-term commitments for automobiles leased for use by Foundation and other university employees, as well as for office copiers. These leased assets and the related commitments are not reported on the Foundation's statement of net assets. Operating lease payments are recorded as expenses of the related funds when paid or incurred, and are reported in the statement of revenues, expenses, and changes in net assets. Future minimum lease commitments for non cancelable operating leases with remaining terms in excess of one year as of June 30, 2006, are as follows.

	Automobiles	Copiers	Total
2007	\$ 75,366	\$ 31,885	\$ 107,251
2008	44,945	31,885	76,830
2009	16,079	31,885	47,964
2010	1,700	22,689	24,389
2011	-	1,608	1,608
	<u>\$ 138,090</u>	<u>\$ 119,952</u>	<u>\$ 258,042</u>

11. ADMINISTRATIVE FEES

In order to support its operations, the Foundation assesses a revenue fee, campaign fee, and an overhead fee on funds designated for University purposes. The revenue fee and campaign fee represent an assessment for fund-raising, processing, administration, and management of monies received by the Foundation and totals 3% of donations and other revenue received or approximately \$1,008,000 and \$546,500 for fiscal years 2006 and 2005, respectively. The overhead fee represents an assessment for management and administration of endowed funds and is assessed on all endowments, including eminent scholar chairs, major gifts, other, etc. The overhead fee is assessed on a quarterly basis, is based on the fair market value of the fund, and totals an annual rate of 1.5% for all endowed funds, resulting in a fee of approximately \$1,344,000 and \$1,119,800 for fiscal years 2006 and 2005, respectively.

12. PENSION PLANS

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

The Florida Legislature has reduced the vesting period from 10 to 6 years of service. Any member employed in a regularly established position on July 1, 2002, with a total of 6 or more years of creditable service will be considered vested. Former members who are not employed with a participating Plan employer on July 1, 2001, must return to covered employment for one year to become eligible for the

six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirement. These members will only be required to work the lesser of one year or the amount of time it would have taken to vest in their class of membership prior to July 1, 2001. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

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

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

The State of Florida establishes contribution rates for Plan members. During the 2005-06 fiscal year, the contribution rate was 7.83%, which includes 1.1% for the post-employment health insurance supplement and .05% for administrative costs. During the 2004–05 fiscal year, the contribution rate was 7.39%, which includes 1.11% for the post-employment health insurance supplement and .08% and .10% for administrative costs.

The Foundation’s liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the Foundation. The Foundation’s total contributions made to the Plan (none from employees) for fiscal years ended June 30, 2004, June 30, 2005, and June 30, 2006 totaled \$59,477, \$74,425, and \$94,161 respectively, which were equal to the required contributions for each fiscal year.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program rather than the Florida Retirement System, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant an amount equal to 10.43 percent of the participant's gross monthly compensation. A small amount remains in the Optional Retirement Program Trust Fund for program administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute by salary deduction an amount equal to the percentage contributed by the Foundation to the participant's annuity account.

There were 42, 34, and 31 Foundation participants during fiscal years 2006, 2005, and 2004, respectively. Required contributions made to the Program, net of employee contributions, totaled approximately \$260,600, \$252,400, and \$180,800 during fiscal years 2006, 2005, and 2004, respectively. In addition, employee contributions were made in the amount of \$94,370, \$65,810, and \$29,629 during fiscal years 2006, 2005, and 2004, respectively.

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

There were 11, 7, and 1 Foundation participants during fiscal years 2006, 2005, and 2004 and required contributions made to the PEORP totaled \$28,310, \$14,483 and \$1,906, respectively.

13. RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation purchases commercial insurance. Insurance for job-related illnesses or injuries to employees is the responsibility of the state of Florida.

During the year ended June 30, 2006, the insurance coverages remained the same as the coverages for June 30, 2005. No settlements have exceeded coverage levels in place during fiscal 2006 and 2005.

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UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2006

	Unrestricted	<u>Restricted</u> Expendable	Nonexpendable Endowments	Invested in Capital Assets, Net of Related Debt	Total
OPERATING REVENUES:					
Net realized and unrealized (loss)/gains on investments	\$ (197,165)	\$ 4,243,703	\$ -	\$ -	\$ 4,046,538
Contributions	861,442	22,636,536			23,497,978
Rent	8,330,593	49,800			8,380,393
Interest and dividends	1,055,461	2,023,296			3,078,757
Dues and other revenues—net	7,515	1,377,375			1,384,890
Advertising and royalties		693,728			693,728
Loss on sale of property held for sale and other assets					-
License plate proceeds	304,398				304,398
Total operating revenues	<u>10,362,244</u>	<u>31,024,438</u>			<u>41,386,682</u>
OPERATING EXPENSES:					
Building operations	4,651,747			1,175,006	5,826,753
Alumni affairs	218,183	4,116,344			4,334,527
Fund-raising	3,786,470	204,439			3,990,909
Management and general	3,255,633			44,416	3,300,049
Student aid	97,210	3,081,131			3,178,341
Academic support	84,921	2,093,697			2,178,618
Athletics		1,750,799			1,750,799
General university support	986,280	182,533			1,168,813
Research		296,118			296,118
Property held for sale		141,186			141,186
Total operating expenses	<u>13,080,444</u>	<u>11,866,247</u>		<u>1,219,422</u>	<u>26,166,113</u>
OPERATING INCOME (LOSS)	<u>(2,718,200)</u>	<u>19,158,191</u>		<u>(1,219,422)</u>	<u>15,220,569</u>
NONOPERATING REVENUES—University support	<u>2,409,934</u>	<u>763,749</u>			<u>3,173,683</u>
INCOME (LOSS) BEFORE ENDOWMENT CONTRIBUTIONS	<u>(308,266)</u>	<u>19,921,940</u>		<u>(1,219,422)</u>	<u>18,394,252</u>
ENDOWMENT CONTRIBUTIONS			<u>14,993,011</u>		<u>14,993,011</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(308,266)</u>	<u>19,921,940</u>	<u>14,993,011</u>	<u>(1,219,422)</u>	<u>33,387,263</u>
TRANSFERS	<u>(30,741)</u>	<u>(1,849,611)</u>	<u>29,993</u>	<u>1,850,359</u>	<u>-</u>
NET ASSETS—Beginning of year	<u>11,228,668</u>	<u>33,445,527</u>	<u>67,141,221</u>	<u>19,391,194</u>	<u>131,206,610</u>
NET ASSETS—End of year	<u>\$ 10,889,661</u>	<u>\$ 51,517,856</u>	<u>\$ 82,164,225</u>	<u>\$20,022,131</u>	<u>\$164,593,873</u>

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a component unit of the University of Central Florida)

CHAIRS UNDER THE EMINENT SCHOLARS PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
YEAR ENDED JUNE , 2006

Description Endowed	Beginning Corpus Balance June 30, 2005	Beginning Net Balance June 30, 2005	Corpus Contributed During the Year	Interest Income and Investment Earnings (Losses)	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30, 2006	Ending Total Balance June 30, 2006
Agere Systems Eminent Scholar Chair of Computer Science	\$ 840,000	\$ 885,331	\$ 180,000	\$ 81,930	\$ (22,275)	\$ -	\$ -	\$ 1,020,000	\$ 1,124,985
Al and Nancy Burnett Eminent Scholar Chair in Accounting	1,020,500	1,708,283	-	124,216	(25,644)	(45,979)	-	1,020,500	1,760,876
Bert Fish Memorial Eminent Scholar Chair in Nursing Education	1,020,000	1,188,604	700 *	86,995	(17,981)	(47,537)	-	1,020,000	1,210,781
Beat M. and Jill L. Kahli Endowed Chair in Oncology Nursing	120,000	118,387	180,000	14,867	(8,888)	-	-	300,000	304,365
Carl H. Galloway, Jr. Chair for Excellence in Business	1,000,000	2,032,251	-	143,564	(29,639)	(15,843)	-	1,000,000	2,130,333
Charles N. Millican Chair of Computer Science	1,000,000	1,761,360	-	117,295	(24,215)	(83,795)	-	1,000,000	1,770,646
Cobb Family Eminent Scholar Chair	1,077,500	1,455,149	1,000	106,988	(22,119)	(56,349)	-	1,078,500	1,484,668
Darden Eminent Scholar Chair in Restaurant Management	1,020,000	1,557,054	-	114,596	(23,658)	(65,285)	-	1,020,000	1,582,706
Della Phillips-Martha Schenck Chair of American Private Enterprise	1,000,000	1,407,459	-	103,582	(21,384)	(59,057)	-	1,000,000	1,430,600
Lester N. Mandell Eminent Scholar Endowed Chair	120,000	116,728	210,000	17,231	(10,239)	-	-	330,000	333,721
Lockheed Martin Eminent Scholar Chair of Science and Math	1,758,775	2,296,665	-	153,014	(31,590)	(79,170)	-	1,758,775	2,338,920
Mildred W. Coyle Eminent Scholar Endowed Chair in Education	1,020,000	1,040,907	-	78,573	(16,221)	-	-	1,020,000	1,103,259
Orange County Eminent Scholar Endowed Chair in Economic Research	1,020,000	1,144,630	-	82,632	(17,059)	-	-	1,020,000	1,210,203
Orlando-UCF Shakespeare Festival Eminent Scholar Endowed Chair in Playwriting	100,000	97,274	175,000	15,852	(8,824)	-	-	275,000	279,302
Robert N Heintzelman Eminent Scholar Endowed Chair Fund	1,020,000	1,163,336	-	84,422	(17,429)	(26,800)	-	1,020,000	1,203,529
SunTrust, N.A. Eminent Scholar Chair of Banking	1,020,000	1,721,024	-	125,410	(25,891)	(47,562)	-	1,020,000	1,772,982
William S. and Alice M. Jenkins Eminent Scholar Chair of Community Arts	<u>1,002,944</u>	<u>1,335,402</u>	<u>-</u>	<u>96,249</u>	<u>(19,870)</u>	<u>(56,478)</u>	<u>-</u>	<u>1,002,944</u>	<u>1,355,302</u>
TOTAL ENDOWED	<u>\$ 15,159,719</u>	<u>\$ 21,029,845</u>	<u>\$ 746,700</u>	<u>\$ 1,547,416</u>	<u>\$ (342,928)</u>	<u>\$ (583,855)</u>	<u>\$ -</u>	<u>\$ 15,905,719</u>	<u>\$ 22,397,180</u>

* Represents gifts to the spending account, therefore it is not included in the June 30, 2006 ending corpus balance.

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

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a component unit of the University of Central Florida)

ENDOWMENTS UNDER MAJOR GIFT PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2006

Description Endowed	Beginning	Beginning	Corpus	Interest	Administrative	Other	Transfers	Ending	Ending
	Corpus Balance June 30, 2005	Net Balance June 30, 2005	Contributed During the Year	Income and Investment Earnings (Losses)				Corpus Balance June 30, 2006	Total Balance June 30, 2006
ABC Liquors #2 Endowed Scholarship	\$ 150,000	\$ 208,786	\$ -	\$ 15,391	\$ (3,177)	\$ (8,300)	\$ -	\$ 150,000	\$ 212,700
ABC Liquors #3 Endowed Scholarship	150,000	192,537	-	13,599	(2,808)	(15,500)	-	150,000	187,829
ABC Liquors #4 Endowed Scholarship	150,000	176,063	-	12,973	(2,678)	(7,100)	-	150,000	179,258
Accounting Advisory Board Endowed Scholarship	159,130	216,852	-	14,002	(2,891)	-	-	159,130	227,963
Accounting Advisory Board Research Support Fund	313,629	347,258	24,000	27,194	(6,365)	-	-	337,629	392,087
Alex Alexander Endowed Professorship	195,679	245,584	-	16,765	(3,461)	(5,138)	-	195,679	253,749
Alumni Trust "A" Endowed Scholarship	150,000	192,378	-	14,144	(2,920)	(8,250)	-	150,000	195,351
Alumni Trust "B" Endowed Scholarship	150,000	212,741	-	15,642	(3,229)	(9,000)	-	150,000	216,153
Alumni Trust "C" Endowed Scholarship	150,040	195,527	-	14,373	(2,967)	(8,250)	-	150,040	198,683
Alumni Trust "D" Endowed Scholarship	151,166	168,401	-	12,656	(2,613)	(7,000)	-	151,166	171,444
Anheuser-Busch Academic Enhancement Fund	350,000	389,328	200,000	41,062	(14,627)	(1,119)	-	550,000	614,642
Fullerton Family Fund	151,819	156,184	-	11,749	(2,425)	-	-	151,819	165,507
ARDA Timeshare Professorship Endowed Fund	100,000	109,212	50,000	10,330	(3,719)	-	-	150,000	165,824
Arthur and Sally Hillman Computer Science Graduate Fellowship	299,069	291,690	-	22,317	(4,607)	-	-	299,069	309,399
AT&T Wireless Endowed Scholarship	150,000	159,791	-	11,555	(2,386)	-	-	150,000	168,960
BE 2000 Leadership Endowed Scholarship Fund	1,063,821	1,555,171	-	106,939	(22,077)	(54,000)	-	1,063,821	1,586,032
Blue Cross and Blue Shield of Florida Endowed Professorship in Nursing	250,000	272,465	50,000	23,888	(6,421)	-	-	300,000	339,932
Bob Neel Rotary Club of Orlando Endowed Scholarship Fund	187,500	190,056	-	14,444	(2,982)	-	-	187,500	201,518
Business Ethics Endowed Scholarship	145,000	157,769	-	11,290	(2,331)	(6,000)	-	145,000	160,728
C.G. Avery Professorship Scholarship	151,430	246,259	-	17,325	(3,577)	(4,565)	-	151,430	255,442
CAE/Link Endowed Professorship	180,000	280,532	-	19,198	(3,963)	(12,630)	-	180,000	283,137
Central Florida Chapter ROTC Endowed Scholarship	150,000	179,185	-	13,183	(2,722)	(7,516)	-	150,000	182,130
Central Florida Kidney Center Endowed Scholarship Fund	150,000	160,006	-	11,910	(2,459)	(4,000)	-	150,000	165,457
CFH and MA Professorship in Conference and Convention Management	150,000	256,063	9,000	17,103	(3,864)	(5,852)	-	159,000	272,449
Conway Garden Club Endowed Professorship Fund	150,000	172,434	-	12,449	(2,570)	-	-	150,000	182,313
Daniel D. Hammond Engineering Endowed Scholarship	244,687	248,150	-	18,848	(3,891)	-	-	244,687	263,107
Darden Restaurants Academic Excellence Fund	3,950,002	4,341,976	50,000	318,765	(67,298)	(800)	-	4,000,002	4,642,644
Davis Shine Endowed Professorship in Conservation Biology	150,000	172,434	-	12,449	(2,570)	-	-	150,000	182,313
Dick & Shirley Wetherill Endowed Music Scholarship	242,699	263,396	-	18,893	(3,901)	-	-	242,699	278,389
Dorothy Anne Perkins Tomlinson Endowed Scholarship Fund	150,000	152,458	-	11,555	(2,385)	(1,000)	-	150,000	160,627
Dr. Phillips Institute for the Study of American Business Activity	308,500	466,054	-	34,431	-	-	(19,034)	308,500	481,451
Edmond and Victoria Wirths Memorial Scholarship	267,589	259,986	-	20,475	(4,227)	-	-	267,589	276,234
Elizabeth Willey Endowed Scholarship	150,200	188,515	-	13,267	(2,739)	(12,600)	-	150,200	186,443
Ernst & Young Professorship Endowment	154,549	294,088	-	20,431	(4,218)	(6,462)	-	154,549	303,839
Florida Hospital Program Endowment	1,750,241	2,161,671	-	149,390	(30,841)	(70,000)	-	1,750,241	2,210,219
Frank M. Hubbard Engineering Endowed Scholarship	152,000	224,173	-	14,662	(3,027)	(9,000)	-	152,000	226,808
Gerry and Ruth Hartman Endowed Professorship	150,000	170,072	-	12,273	(2,534)	-	-	150,000	179,812
Harris and Trisha Rosen Endowed Fund	2,170,000	2,262,493	-	8,053	(33,626)	-	-	2,170,000	2,236,920
Harris and Trisha Rosen Endowed Fund	2,170,000	2,187,863	-	111,899	(32,083)	(160,000)	-	2,170,000	2,107,679
Harris Corporation Broadcast Center Endowment Fund	150,000	157,905	-	11,745	(2,425)	(4,225)	-	150,000	163,001
Hospitality and Travel Industry Education and Research Program	6,500,000	6,721,593	-	509,303	(101,535)	-	(500,000) **	6,000,000	6,629,362
									(Continued)
Hubbs-Sea World Endowed Professorship	150,000	155,799	-	11,590	(2,393)	-	-	150,000	164,996
Hughes Simulation Systems Professorship	180,000	345,506	-	23,981	(4,951)	(2,060)	-	180,000	362,477
Jack D. Holloway Endowed Scholarship	600,000	766,974	-	53,341	(11,012)	(29,000)	-	600,000	780,303
James and Annie Ying Eminent Scholar in Biology Program Endowment	150,000	168,010	-	12,101	(2,498)	(686)	-	150,000	176,926
John L. Brinson Endowed Scholarship	101,000	129,648	-	9,139	(1,887)	(5,250)	-	101,000	131,650
John L. Brinson Ethics Professorship	50,000	108,905	-	6,252	(1,291)	(2,500)	-	50,000	111,366
Kenneth G. Dixon School of Accounting Endowment Fund	2,510,000	2,441,570	2,510,500	350,151	(149,135)	-	-	5,020,500	5,153,086
Kimball Foundation Minority Endowed Scholarship	152,300	192,670	-	13,553	(2,798)	(16,000)	-	152,300	187,424

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a component unit of the University of Central Florida)

ENDOWMENTS UNDER MAJOR GIFT PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
YEAR ENDED JUNE 30, 2006

Description Endowed	Beginning	Beginning	Corpus	Interest	Administrative	Other	Transfers	Ending	Ending
	Corpus Balance June 30, 2005	Net Balance June 30, 2005	Contributed During the Year	Income and Investment Earnings (Losses)				Fees	Expenditures
KPMG Peat Marwick Professorship Endowment	172,875	239,420	-	16,310	(3,367)	(5,331)	-	172,875	247,031
Lockheed Martin Professorship in Engineering	150,000	265,527	-	18,890	(3,900)	(14,431)	-	150,000	266,087
Lockheed Martin/St. Laurent Professorship	160,000	294,512	-	21,569	(4,453)	(12,569)	-	160,000	299,059
Lockheed Martin Transition to Mathematics and Science Teaching Endowed Fund	277,500	279,261	162,500	23,800	(10,464)	-	-	440,000	455,096
Lucia C. Cooke Endowed Music Scholarship	162,904	183,490	-	12,912	(2,666)	-	-	162,904	193,736
Margaret Scott Brown Memorial Endowed Music Fund	242,649	255,860	-	18,867	(3,895)	(10,252)	-	242,649	260,579
Mary P. McNamara Endowed Scholarship #1	150,000	185,962	-	13,370	(2,760)	(11,300)	-	150,000	185,272
Mary P. McNamara Scholarship Endowment #2	100,000	107,452	50,000	10,203	(3,692)	-	-	150,000	163,962
Mid-Florida Home Builders Endowed Scholarship	150,000	201,633	-	14,697	(3,034)	(7,750)	-	150,000	205,546
Moss Family Endowed Scholarship	594,891	626,243	-	46,582	(9,617)	(15,000)	-	594,891	648,208
NAIOP Jim Brown Endowed Real Estate and Business Ethics Scholarship	204,100	215,708	-	15,904	(3,283)	(4,000)	-	204,100	224,329
Northrop Grumman Scholarship Fund	214,743	362,168	-	25,714	(5,309)	(4,000)	-	214,743	378,573
Progress Energy Endowed Scholarship Fund	151,500	259,204	-	18,395	(3,798)	(1,000)	-	151,500	272,801
RDV Sport Management Program Endowed Fund	5,000,025	4,988,619	-	383,219	(79,115)	-	-	5,000,025	5,292,723
Sadler National Merit Endowed Scholarship	675,000	694,650	-	52,564	(10,852)	(28,309)	-	675,000	708,053
Suchoski Graduate Fellowship Endowed Fund in the School of Optics/CREOL	260,000	276,819	40,000	23,021	(5,983)	(4,000)	-	300,000	329,858
Tess and Abe Wise Endowed Professorship in Judaic Studies	104,064	120,817	52,032	12,721	(2,619)	(1,561)	-	156,096	181,391
The Chatlos Foundation Endowed Fund	1,020,000	1,154,891	-	79,401	(16,392)	(5,000)	-	1,020,000	1,212,900
Tony and Sonja Nicholson Endowment for the Nicholson School of Communication	600,051	591,983	1,295,026 *	65,588	(53,114)	-	-	1,020,077	1,899,483
UCF College of Engineering and Computer Science Alumni Chapter Scholarship Endowed	264,471	270,267	-	20,374	(4,206)	(4,500)	1,500	264,471	283,434
UCF History Endowment Fund	100,055	104,493	50,028	11,576	(3,880)	-	-	150,083	162,218
University Club of Orlando LEADS Scholarship Fund #1	150,000	176,435	-	12,990	(2,682)	(5,600)	-	150,000	181,143
University Club of Orlando Scholarship Fund	177,500	201,942	10,000	15,343	(3,485)	(5,600)	-	187,500	218,201
Vivian and Barry Woods Educational Endowment	133,500	138,560	78,750	14,195	(5,428)	(2,000)	-	212,250	224,076
Walt Disney World Academic Excellence Fund	400,000	419,711	400,000	50,030	(12,000)	-	-	800,000	857,741
Walt Disney World Co. Ride and Show Engineering Scholarship	300,000	314,859	-	23,294	(4,809)	(5,000)	-	300,000	328,344
Wharton-Smith Group Endowed Professorship	100,000	110,875	-	8,079	(1,668)	-	-	100,000	117,286
Walter & Betty Boardman Endowed Professorship in Environmental Studies	151,500	296,093	-	21,010	(4,337)	(500)	-	151,500	312,265
William C. Schwartz Graduate Research Fellowship	160,844	174,875	5	12,534	(2,588)	(4,000)	-	160,849	180,826
TOTAL ENDOWED	\$40,230,221	\$44,826,504	\$ 5,031,841	\$ 3,331,181	\$ (860,499)	\$ (635,506)	\$ (517,534)	\$ 43,887,062	\$ 51,175,986

* Represents gifts to the spending account, therefore it is not included in the June 30, 2006 ending corpus balance

** \$500,000 transferred to a new endowment account, which has not yet been matched by the state

NOTE: The above endowments have been fully and partially funded with state matching funds.

(Concluded)

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

DIRECTORS AND TERMS
JUNE 30, 2006

Term Expires June 30, 2009—10 Individuals

Judith A. Albertson	Dean Johnston	Anthony Nicholson
Kevin Barkman	Beat Kahli	Janet Pino
Seth Bernstein	Roy Lassiter*	
R. Todd Bowers	Ivan Lefkowitz	

Term Expires June 30, 2008—10 Individuals

Kenneth W. Bradley	Stephen H. Goldman	Allen R. Weiss
Olga R. Calvet *	Tico Perez*	Scott W. Wells
John J. Carelli*	Jo Anne Puglisi	
Pat Christiansen	Timothy J. Seneff	

Term Expires June 30, 2007—10 Individuals

Jean-Marc Allard	Michael Manglardi
Michael “Micky” J. Grindstaff	Susan A. Morris
John Hillenmeyer	Garritt Toohey
Robert A. Mandell	Bruce E. Williams
Nan McCormick**	Cynthia Y. Yu

Term Expires June 30, 2006—7 Individuals

John V. D’Albora, Jr.	John Lowndes
J. Gary May	Patrick J. O’Malley *
Craig S. Miller	Ann Sonntag**
Rasesh H. Thakker	

* Audit Committee Member

** Completing unexpired term

(Continued)

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

EX-OFFICIO MEMBERS
JUNE 30, 2006

Ex-Officio Members

President, University of Central Florida (“UCF”)	Dr. John C. Hitt
President, Alumni Association	Mr. Scott Wells
President, Golden Knights Club	Mr. Mack McLaughlin
President, Greater Orlando Chamber of Commerce	Mr. Jacob V. Stuart
President, Economic Development Commission of Mid-Florida, Inc.	Mr. Raymond Gilley
Chair, Orange County Research and Development Authority	Mr. Jon D. Walls
Executive Director, Florida High Tech Corridor	Mr. Randolph E. Berridge
Chair, Orange County Commission	The Honorable Richard T. Crotty
Mayor, City of Orlando	The Honorable Buddy Dyer
Chair of the UCF Board of Trustees	The Honorable Richard A. Nunis

(Concluded)

UNIVERSITY OF CENTRAL FLORIDA FOUNDATION, INC.
(a discrete component unit of the University of Central Florida)

OFFICERS AND EXECUTIVE COMMITTEE
JUNE 30, 2006

Officers

Chair	Mr. Al Weiss
Chief Executive Officer	Mr. Robert J. Holmes, Jr.
Vice Chair	Ms. Olga M. Calvet*
Vice Chair	Mr. Michael J. "Micky" Grindstaff, Esq.
Secretary	Mr. Michael Manglardi, Esq.
Treasurer	Mr. R. Todd Bowers
Chief Financial Officer	Mr. George A. "Rocky" Yearwood

Executive Committee

Mr. Al Weiss, Chair & Chair, Campaign Steering Committee
Ms. Olga Calvet, Vice Chair & Chair, Directorship Committee*
Mr. J. Gary May, Chair, Investment Committee
Mr. Michael J. "Micky" Grindstaff Esq., Secretary & Chair, Real Estate Committee
Mr. Todd Bowers, Treasurer & Chair, Finance Committee
Dr. John C. Hitt, President, UCF
Mr. Robert J. Holmes, Jr., UCF Foundation, Inc., Chief Executive Officer
Dr. Daniel C. Holsenbeck, Vice President for University Relations, UCF
Ms. Deborah A. Komanski, Chair, Stewardship Committee
Mr. George A. "Rocky" Yearwood, UCF Foundation, Inc., Chief Financial Officer
Mr. John F. Lowndes, Immediate Past Chair
Mr. William F. Merck, II, Vice President for Administration and Finance, UCF*
Mr. Kenneth Bradley, Chair, Strategic Planning Committee
Dr. Richard A. Nunis, Chair, Capital Campaign Committee
Mr. John J. Carelli, Chair, Audit Committee*

* Audit Committee Member

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the University of Central Florida Foundation, Inc. (the "Foundation"), a discrete component unit of the University of Central Florida, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Audit Committee, Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 30, 2006