

Advancement | UCF Foundation, Inc.

BOARD OF DIRECTORS Joint Audit and Finance Committee Meeting Minutes

Wednesday, September 30, 2020
10:00 a.m. – 12:00 p.m.

LOCATION: Virtual Meeting

ATTENDEES: Eva Tukdarian, *Audit Chair*, Alan Florez, *Finance Chair*, Jessica Blume, Clint Bullock, Paul Gregg, Kevin Miller, Tony Moreno, Mark Plaumann, Kyle Simpson

ABSENT: Teresa Borcheck, Karl Hodges

STAFF: Hina Behal, Jen Cerasa, Glen Dawes, Lauren Ferguson, Erick Kepfer, Ashley McConnell, Chris Meister, Joseph Mera, Robert Taft (UCF Internal Audit)

GUEST: Aaron Crall, Molly Duvall, Bryan Simkanich, *CliftonLarsonAllen, LLP (CLA)*

These are minutes from concurrent meetings of the UCF Foundation Board's Finance Committee and Audit Committee.

Audit Committee Chair, Eva Tukdarian, called the Audit Committee meeting to order at 12:02 p.m.
Finance Committee Chair, Alan Florez, called the Finance Committee meeting to order at 12:02 p.m.

Chair Florez noted that the meetings were covered by the Florida Sunshine Law and that the public and press were invited to attend.

A quorum of the Audit Committee was confirmed.
A quorum of the Finance Committee was confirmed.

Chair Florez noted that members of both committees had the opportunity to review the agenda packet in advance of the meeting and inquired if any conflicts of interest were present. No conflicts of interest were disclosed by the members of the committees.

ACCEPTANCE OF MINUTES

A motion was made by Jessica Blume and seconded by Mark Plaumann to approve the minutes of the Audit Committee meeting held on April 2, 2020. The motion passed unanimously by the Audit Committee.

A motion was made by Kevin Miller and seconded by Tony Moreno to approve the minutes of the Finance Committee meetings held on June 1, 2020 and July 28, 2020. The motion passed unanimously by the Finance Committee.

UCF FOUNDATION AUDIT PRESENTATION

Aaron Crall, Principal with CliftonLarsonAllen LLP (CLA), in collaboration with his colleagues Molly Duval and Bryan Simkanich presented the draft audited financial statements and single audit for the year ended June 30, 2020. The audit, which was completed in accordance with Government Auditing Standards, resulted in an “unmodified opinion”, the highest level of assurance, and there were no adjustments, passed adjustments, or disagreements with management over application of accounting policies, and no issues in performing the audit. Furthermore, the FY20 audit did not reveal any significant deficiencies or material weaknesses in the Foundation’s internal controls.

The risk-based audit focused heavily on investment and endowment activity, revenue recognition, and long-term debt. The audit team employed Harvest Investments for valuation of alternative investment portfolio holdings. Harvest Transparent Investment Valuations are specialists in the field and validated the value of the funds and accuracy of the fund manager.

The auditors also addressed the Foundation’s response to COVID-19 and stated that the remote audit environment was efficient and conducive to the necessary testing, with little to no impact on audit operation. Internal controls and information technology were considered as limitations that could make organizations unusually susceptible to fraud.

It was reported that the Foundation’s total net position as of June 30, 2020 was \$322.2 million, which is a slight increase from the previous year. The Committee discussed significant points from the income and cash flow statements, including:

- Fewer philanthropic contributions following the close of the IGNITE campaign.
- Lower returns in the investment portfolio due to market conditions and the impact of COVID-19.
- An increase in rental revenue associated with the Lake Nona Cancer Center (LNCC).
- \$2.8 million in proceeds from Continuing Care Retirement Community (CCRC) permanent financing which was subsequently applied to the fulfillment of a \$5 million Liquidity Support Agreement for the same.

It was also noted that the Foundation did not receive a full year of rental payments for the Digital Learning Center and therefore received a waiver from the lender on the related debt covenant. The Foundation was in compliance with all other loan covenants for fiscal year 2020.

EXECUTIVE SESSION

The Audit Committee held an executive session without the presence of staff. The Finance Committee was invited to participate in discussion, but not permitted to vote.

A motion was made by Paul Gregg and seconded by Jessica Blume to recommend approval of the draft audited financial statements for the year ended June 30, 2020 to the UCF Foundation Executive Committee. The motion passed unanimously by the Audit Committee.

RESULTS OF OPERATIONS – AS OF JUNE 30, 2020

Glen Dawes presented financial statements and quarterly reports for the period ended 6/30/2020. It was noted that total assets at the end of the quarter were \$396,904,284, approximately \$868K less than the close of the prior year. It was noted that philanthropic contributions have dropped following the close of the IGNITE campaign and that volatile market conditions have significantly impacted the Foundation’s investment portfolio returns. These primary factors played largely into the change in net position for FY20, which was significantly less than in previous years.

The Foundation Division Budget Summary and Real Estate Budget Summary compared actual amounts to budgeted amounts through June 30, 2020. At the close of the fiscal year, the Foundation operation was ahead of budget in both sources and uses. Operating expenses were down largely as a result of COVID-19 impact on operations including restrictions on travel and events and salaries for positions held vacant. Aside from revenue and expenses related to Lake Nona Cancer Center agreement that was finalized in June 2020, and therefore was not included in the budget, real estate remained on budget.

The FY20 debt service was slightly more than \$3 million. UCF Foundation staff stated that the Foundation is currently in the process of refinancing two of their outstanding notes for cost savings and additional proceeds. The refinance transaction terms were within the limits previously approved by the committee.

The Vice Presidents' and Deans' expenses were provided to the committee for review. There were no questions at regarding these items.

LNCC FIRST AMENDMENT TO PROMISSORY NOTE & MORTGAGE

Jen Cerasa presented for consideration a proposed Amendment to the Promissory Note and Mortgage for Lake Nona Cancer Center (LNCC). The purpose of the First Amendment to the Promissory Note and Mortgage was to provide for an extension of time for payment of the first quarterly principal payment on the Promissory Note for the UCF Lake Nona Cancer Center from December 1, 2020 until July 1, 2021 and shift the remaining payment schedule accordingly. This will allow critical time needed by UCF, UCF Academic Health (UCFAH) and private tenants to manage the COVID-19-related delays in planning, construction, and occupation of the building and resulting financial impacts. All other terms on the \$50 million interest free note would remain the same.

A motion was made by Clint Bullock and seconded by Eva Tukdarian to accept and recommend approval of the First Amendment to Promissory Note and Mortgage to the UCF Foundation Board of Directors. The motion passed unanimously by the Finance Committee.

PUBLIC COMMENTS

There were no public comments.

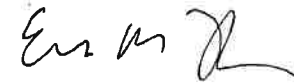
Chair Florez adjourned the Finance Committee meeting at 2:00 p.m. and thanked the members of both committees for their participation.

There being no further business to discuss, Chair Tukdarian adjourned the Audit Committee meeting at 2:00 p.m.

Respectfully submitted,



Alan Florez '98, Chair
Finance Committee
UCF Foundation Board of Directors



~~Eva Tukdarian 06/17/2021 15:46 EDT~~
Eva Tukdarian '90'91, Chair
Audit Committee
UCF Foundation Board of Directors

Prepared by: Ashley McConnell, Executive Assistant, UCF Foundation

Approved by Finance Committee on December 14, 2020.

Approved by Audit Committee on April 15, 2021.