

**University of Central Florida
Foundation, Inc.**
**(A Discrete Component Unit of the
University of Central Florida)**

Single Audit Report
Year Ended June 30, 2012

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Independent Auditor's Report

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

We have audited the accompanying statement 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, 2012 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year information was derived from the Foundation's financial statements for the year ended June 30, 2011, which were audited by other auditors whose report, dated October 20, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 audit to obtain reasonable assurance about whether the 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 financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, 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, and grant 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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as shown in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The Supplementary and Other Information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information for the year ended June 30, 2011, was audited by other auditors whose report, dated October 20, 2011, expressed an unqualified opinion on such information in relation to the financial statements as a whole. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis, as required by Chapter 10.650, *Rules of the Auditor General*, State of Florida, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Other information 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.

McGladrey LLP

Orlando, Florida
October 5, 2012

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Management's Discussion and Analysis

The Management of the University of Central Florida Foundation, Inc.(the Foundation) (a discrete component unit of the University of Central Florida (the University or UCF)), prepared the following discussion and analysis of the Foundation's financial statements, including its two blended component units, Knights Crossing Student Housing, LLC and the University of Central Florida Real Estate Foundation, LLC, as of and for the years ended June 30, 2012 and 2011. This discussion and analysis is intended to serve as an introduction to the Foundation's financial statements. It should be read in conjunction with the financial statements and notes thereof.

This report consists of the following:

- Management's Discussion and Analysis
- 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 statements 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.

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

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Management's Discussion and Analysis

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, 2012, 2011, and 2010, by approximately \$206, \$206 and \$184.2 million, respectively. The following schedule is a summary of the Foundation's statements of net assets.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 23,735,178	\$ 25,222,080	\$ 31,615,353
Capital assets, net	74,305,290	74,579,009	75,372,687
Other noncurrent assets	146,661,916	146,146,798	118,970,216
Total assets	\$ 244,702,384	\$ 245,947,887	\$ 225,958,256
Liabilities:			
Current liabilities	\$ 5,861,499	\$ 5,788,340	\$ 6,435,843
Noncurrent liabilities	32,795,779	34,155,928	35,319,330
Total liabilities	\$ 38,657,278	\$ 39,944,268	\$ 41,755,173
Net assets:			
Invested in capital assets – net of related debt	\$ 44,282,745	\$ 43,204,001	\$ 43,358,129
Restricted – expendable	33,545,984	34,949,849	16,600,415
Restricted – nonexpendable endowments	114,219,425	112,683,366	108,635,351
Unrestricted	13,996,952	15,166,403	15,609,188
Total net assets	\$ 206,045,106	\$ 206,003,619	\$ 184,203,083

During fiscal year 2012, total assets decreased by approximately \$1.2 million from fiscal year 2011. The Foundation's investment assets decreased by approximately \$2.7 million due to investment losses. This decrease was offset by an increase of approximately \$2.7 million in new net pledges. The remaining decrease in total assets was a combination of a decrease in cash of approximately \$405,000, a decrease in prepaids related to advanced funding to UCF for salaries of approximately \$535,000, and a decrease in other assets. Total liabilities decreased approximately \$1.3 million primarily due to payments on notes payable related to the Foundation's real estate. The changes in assets and liabilities resulted in an overall increase in net assets from fiscal year 2011 to 2012 of approximately \$41,000.

During fiscal year 2011, total assets increased by approximately \$20 million over fiscal year 2010. The Foundation's investment assets increased approximately \$28.6 million from new endowment contributions and from positive investment returns. The increase was partially offset by a \$1.8 million decrease in pledges receivable and a \$6.2 million decrease in cash. Total liabilities decreased approximately \$1.8 million primarily due to payments of approximately \$975,000 on notes payable related to the Foundation's real estate and to an overall decrease of approximately \$965,000 in both accounts payable and due to related parties. The changes in assets and liabilities resulted in an overall increase in net assets from fiscal year 2010 to 2011 of approximately \$21.8 million.

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Management's Discussion and Analysis

Restricted net assets are comprised of expendable and nonexpendable 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, 2012, approximately 55% of the Foundation's net assets are restricted nonexpendable net assets and 16% of net assets represent restricted expendable net assets. In addition, investments in capital assets net of related debt represent 22% of total net assets, which include land, buildings, and equipment, less any related debt outstanding used to acquire or construct those assets. The remaining balance of net assets, or approximately 7% 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

	2012	2011	2010
Operating revenue	\$ 23,674,092	\$ 47,569,683	\$ 28,917,921
Operating expenses	32,085,375	33,942,698	34,227,699
Operating gain (loss)	(8,411,283)	13,626,985	(5,309,778)
Nonoperating revenues	6,947,410	4,132,246	3,863,734
Gain (loss) before endowment contributions	(1,463,873)	17,759,231	(1,446,044)
Endowment contributions	1,505,360	4,041,305	1,928,695
Change in net assets	41,487	21,800,536	482,651
Net assets – beginning of year	206,003,619	184,203,083	183,720,432
Net assets – end of year	\$ 206,045,106	\$ 206,003,619	\$ 184,203,083

Analysis of Operating Revenues

	2012	2011	2010
Contributions	\$ 12,561,866	\$ 10,308,147	\$ 3,314,774
Rental income	9,020,542	9,799,387	11,347,864
Investment income (loss)	(1,136,387)	24,606,830	12,850,939
Other operating revenues	3,228,071	2,855,319	1,404,344
Total operating revenues	\$ 23,674,092	\$ 47,569,683	\$ 28,917,921

Operating Revenue – Operating revenue includes contributions, investment earnings, rent, and other operating receipts. At the end of fiscal year 2012 total operating revenue was less than fiscal year 2011 by \$23.9 million. During fiscal year 2012, investments reflected an overall decrease of \$1.1 million and fiscal 2011 investments returned an overall increase of \$24.6 million, resulting in a total decrease from prior fiscal year of \$25.7 million. The long-term pool of investment earnings, which includes interest, dividends, realized, and unrealized gains and (losses), returned (1.13)% for fiscal year 2012, 22.7% for fiscal year 2011, and 12.6% for fiscal year 2010. In addition, during fiscal year 2012 there was a decrease in rental income due to vacant space in one of the Foundation buildings. These decreases were partially offset by an increase in operating contribution revenue of \$2.25 million.

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Management's Discussion and Analysis

In fiscal year 2011, total operating revenue was more than fiscal year 2010 by \$18.7 million as a result of an increase in investment earnings totaling \$11.8 million and an increase in contributions of approximately \$7 million. The decrease in rental income during the year was offset by an increase in other operating revenues.

Nonoperating Revenues and Transfers – Nonoperating revenues include University support for the Foundation, other University revenues to support programs, UCF Athletics Association (UCFAA) support and UCF Convocation support for athletics fund-raising and giving programs. The corresponding expense related to University and UCFAA support for the Foundation is included in the operating expense section of the statements of revenues, expenses, and changes in net assets. During fiscal year 2012, University support for the Foundation including salaries and expenses increased by approximately \$2.4 million from fiscal year 2011. This is a result of the University's investment in the Foundation's fund-raising efforts. In addition, UCFAA provided an increase of \$384,000 to the Foundation for athletics fund-raising and programs during the year from fiscal year 2011.

During fiscal year 2011, support from the University for the Foundation salaries and expenses decreased \$80,000, which was offset by an increase of \$156,000 in restricted program support; therefore, overall University support was \$76,000 more than in fiscal year 2010. In addition, UCFAA provided \$192,000 in support for athletics fund-raising and giving programs during fiscal year 2011; therefore the total increase for nonoperating revenues over fiscal year 2010 was approximately \$268,000.

Endowment Contributions – Approximately \$1.5 million in donor-restricted endowment contributions was recognized in fiscal year 2012, \$4 million was recognized in fiscal year 2011, and \$1.9 million in fiscal year 2010. During fiscal years 2010, 2011 and 2012, there was no state matching gift money appropriated from the Florida Board of Education Challenge Grant Program provided through 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

	2012	2011	2010
Operating expenses:			
Building operations	\$ 7,038,882	\$ 7,178,709	\$ 7,685,847
Fund-raising	5,213,307	3,903,397	2,844,769
Management and general	4,864,194	5,009,708	4,326,820
Athletics	4,265,062	5,456,957	1,244,639
Academic support	3,891,142	3,654,347	10,396,209
Student aid	2,803,976	4,082,471	2,993,224
Alumni relations	2,019,402	2,743,269	2,537,260
General University support	1,734,437	1,621,945	1,907,287
Research	254,973	291,895	291,644
Total operating expenses	\$ 32,085,375	\$ 33,942,698	\$ 34,227,699

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Management's Discussion and Analysis

Operating expenses for fiscal year 2012 were approximately \$1.9 million less than fiscal year 2011. In fiscal year 2011, operating expenses were \$285,000 less than fiscal year 2010. The following highlights summarize the significant changes from the previous years:

- In fiscal year 2012, building operations expenses were approximately \$140,000 less than fiscal year 2011 primarily due to vacant building space. Fiscal year 2011 building operations expenses were approximately \$500,000 lower than fiscal year 2010. This was primarily due to reduced federal and state tax expenses related to less taxable building rent as well as one-time costs in fiscal year 2010 as a result of the Foundation refinancing variable rate bonds to fixed rate notes during fiscal year 2010.
- Fiscal year 2012 fund-raising expenses increased approximately \$1.3 million over fiscal year 2011 and increased approximately \$1.1 million over fiscal year 2010. In both years, there was a significant staffing increase in the development office since the Foundation increased fund-raising efforts in order to support the University's increasing programs and activities. During fiscal year 2012, the Foundation created a communications department, in which a portion of the Pegasus Magazine funding transferred from Alumni to Fundraising. This created an increase in fundraising expenses of \$165,000. In addition, there were increased expenses related to fund-raising consulting, and increased expenses related to athletic fund-raising.
- Management and general expenses in fiscal year 2012 decreased from fiscal year 2011 by approximately \$145,000 and increased in fiscal year 2011 over fiscal year 2010 by approximately \$683,000. During fiscal year 2011 the Foundation increased staff, increased expenses for information technology support systems, and increased expenses for data enrichment programs in its internal operations department to provide support for the Foundation's growth in fund-raising and alumni programs.
- Athletics expenses were \$1.2 million lower in fiscal year 2012 than in fiscal year 2011 and \$4.2 million higher in fiscal year 2011 than in fiscal year 2010. At the beginning of fiscal year 2011, the Foundation began accepting and administering athletics donations on behalf of UCFAA; therefore during fiscal year 2011 transfers to fund UCFAA operations were \$4.2 million higher than in fiscal year 2010. In fiscal year 2012, athletic revenues accepted and administered by the Foundation were approximately \$1.1 million less than in fiscal year 2011; therefore, the corresponding transfer to support the UCF Athletics Association, Inc. was also reduced.
- In fiscal year 2012, academic support increased over fiscal year 2011 by approximately \$237,000. In fiscal year 2011, academic support decreased from fiscal year 2010 by approximately \$6.7 million. During fiscal year 2010, there was \$6.8 million more funds transferred to the University to support building projects and College of Medicine operations than in fiscal year 2011.
- The University opened its College of Medicine (COM) to its first class in the fall of 2009 and the Foundation raised funds to support scholarships for the COM students. In fiscal year 2010 over \$1.7 million in scholarships for students in the college's charter class was transferred to the University. Over \$2.5 million was transferred during fiscal year 2011 and approximately \$800,000 was transferred during fiscal year 2012. Due to the significant amount of funding being transferred in fiscal year 2011, this resulted in a total decrease of student aid transferred to the university during fiscal year 2012 of approximately \$1.3 million from fiscal year 2011.

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Management's Discussion and Analysis

- Alumni relations expenses decreased during fiscal year 2012 from fiscal year 2011 by approximately \$724,000 and increased during fiscal year 2011 compared to fiscal year 2010 by approximately \$200,000. During fiscal year 2012 the Pegasus magazine program was transferred to the Foundation's new communications department under fund-raising. The transfer created a decrease of \$380,000 in Alumni expenses. In addition, decreases in salary and other expenses accounted for the remainder of the decrease.
- General University support increased in fiscal year 2012 by approximately \$112,000 from fiscal year 2011 and decreased during fiscal year 2011 from fiscal year 2010 by \$285,000. The Foundation transferred approximately \$128,000 in additional salary support to the University during fiscal year 2012 from 2011 and \$260,000 in additional salary support to the University during fiscal year 2010 than in fiscal year 2011.
- Research expenses were approximately the same during fiscal years 2012, 2011 and 2010.

Analysis of Cash Flows

The statement of cash flows provides information about the Foundation's major sources and uses of cash and cash equivalents. For purposes of cash flow, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

	2012	2011	2010
Cash flows:			
Net cash provided by (used in) operating activities	\$ 1,194,282	\$ (2,744,693)	\$ (11,194,757)
Net cash provided by (used in) investing activities	1,800,480	(3,724,804)	13,708,737
Net cash used in capital and related financing activities	(4,567,646)	(3,442,553)	(2,954,213)
Cash flows provided by noncapital financing activities	1,167,695	3,696,230	1,299,992
Change in cash, restricted cash, and cash equivalents	(405,189)	(6,215,820)	859,759
Cash, restricted cash, and cash equivalents – beginning of year	16,520,168	22,735,988	21,876,229
Cash, restricted cash, and cash equivalents – end of year	\$ 16,114,979	\$ 16,520,168	\$ 22,735,988

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Management's Discussion and Analysis

Overall cash, restricted cash, and cash equivalents decreased in fiscal year 2012 compared to fiscal year 2011 by approximately \$405,000 and decreased in fiscal year 2011 compared to fiscal year 2010 by approximately \$6.2 million, due to the following:

- The Foundation's change in net cash provided by operating activities in fiscal year 2012 increased \$3.9 million over fiscal year 2011. During fiscal year 2012, the Foundation received approximately \$2.1 million less in contributions received and provided less payments to the University related to salaries and benefits, funding for building construction, and funding for scholarships resulting in an overall increase in operating cash. The Foundation's net cash used in operating activities decreased \$8.45 million from fiscal year 2010 to 2011. During fiscal year 2011, the Foundation provided \$6.8 million less in payments to the University related to funding building construction. In addition, there was over \$2.3 million more in contributions partially offset by a net total decrease related to reduced rent receipts, increase in expenditures, and increase in other revenues.
- In fiscal year 2012, there was an increase in net cash provided by investing activities of approximately \$5.5 million compared to fiscal year 2011. This was primarily due to \$21.6 million less in purchases of new investments offset by \$16.2 less in proceeds from sales of investments. In fiscal year 2011, there was a decrease in net cash provided by investing activities of \$17.4 million. This was due to a higher amount of sales of investments in fiscal year 2010 of \$29.7 million partially offset by a higher amount in investment purchases of \$12.2 million in fiscal year 2010 resulting in a net total change in cash from investments of approximately \$17.4 million. During fiscal year 2010, the Foundation sold investments in the nonendowed pool and created a liquidity pool of cash equivalents in order to meet current projected spending needs
- In fiscal year 2012, there was approximately \$1.1 million more cash used in capital and related financing activities compared to fiscal year 2011. The Foundation paid \$580,000 more in principal payments on debt and paid \$579,000 more in purchases of capital assets during fiscal year 2012 over fiscal year 2011. In addition, net cash used in capital and related financing activities was higher in fiscal year 2011 compared to fiscal year 2010 by approximately \$488,000. As a result of refinancing debt in fiscal year 2010 from a variable to a fixed interest rate, the Foundation paid more in interest during fiscal year 2011 than in fiscal year 2010.
- Net cash provided by noncapital and related financing activities was \$2.5 million less in fiscal year 2012 than in fiscal year 2011 and \$2.4 million more in fiscal year 2011 than in fiscal year 2010. The Foundation received more in endowment contributions in fiscal year 2011 than in fiscal year 2012 and in 2010.

Capital Assets

	2012	2011	2010
Property and equipment – net	\$ 648,591	\$ 779,318	\$ 900,096
Rental and other property – net	73,656,699	73,799,691	74,472,591
Total capital assets	\$ 74,305,290	\$ 74,579,009	\$ 75,372,687

University of Central Florida Foundation, Inc.
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Management's Discussion and Analysis

Capital Assets – The Foundation's investment in capital assets as of June 30, 2012 and 2011 was approximately \$90.7 million and \$89.2 million less accumulated depreciation of approximately \$16.4 million and \$14.6 million, leaving a net value of approximately \$74.3 million and \$74.6 million, respectively. The investment in capital assets includes land, buildings, building improvements, and equipment. After purchases of new assets and depreciation of existing assets, the Foundation's total capital assets decreased approximately \$273,000 in fiscal year 2012 from fiscal year 2011 and \$794,000 in fiscal year 2011 from fiscal year 2010.

As of June 30, 2012, the Foundation owns eight buildings and five parcels of land. Additional information can be found in Note 5, Capital Assets, and Note 6, Long-Term Liabilities.

Debt Administration – At June 30, 2012 and 2011, the Foundation had approximately \$32.6 million and \$34.2 million in debt outstanding, respectively. The following table summarizes debt outstanding:

Long-Term Debt

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Fairwinds Alumni Center	\$ 646,849	\$ 808,561	\$ 970,273
Research Pavilion, Innovative Center, and OTECH buildings:			
2009 Series Note – taxable	6,315,000	7,185,000	7,385,000
2009 Series Note – tax exempt	12,540,000	12,540,000	12,540,000
University Tower and Bio-Molecular buildings:			
2008 Series Note – tax exempt	9,470,000	9,795,000	10,105,000
McCulloch Road property	1,895,000	2,095,000	2,400,000
Renewal Annuity Notes:			
Annuity Note A	985,255	986,260	987,197
Annuity Note B	985,255	986,260	987,197
Total	<u>32,837,359</u>	34,396,081	35,374,667
Less deferred amount on 2009 refunding	<u>(197,455)</u>	(239,990)	(415,441)
Total debt	<u><u>\$ 32,639,904</u></u>	<u>\$ 34,156,091</u>	<u>\$ 34,959,226</u>

During fiscal year 2012, the Foundation paid approximately \$1.6 million related to principal payments on its notes. During fiscal year 2011, the Foundation paid approximately \$979,000 related to principal payments on its notes. During fiscal year 2010, the Foundation paid off the principal of all five of the variable rate Orange County Industrial Development Authority Notes and reissued the debt with 2009 Series tax-exempt and taxable fixed rate notes. Additional information on the Foundation's long-term debt obligations can be found in Note 6, Long-Term Liabilities.

**University of Central Florida Foundation, Inc.
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Management's Discussion and Analysis

Legislative Changes Affecting Direct Support Organizations – During the 2005 state 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. 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 the Biomolecular Research Annex 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. 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 2009, the Foundation took the necessary steps to refinance the University Tower and Biomolecular buildings. During fiscal years 2012 and 2011, SunTrust extended the note on the McCulloch Road property until 2013 and 2012, respectively.

Effective July 1, 2011, state matching funds have been temporarily suspended for donations received in the major gifts matching program for donations received after June 30, 2011.

Economic Factors That May Affect the Future

The economic outlook 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. The economy affects state appropriations to the University which may result in a change in the amount of support the Foundation receives from the University in the next fiscal year.

Overall, the global economy has affected contributions during the past two years and changes in the economy are expected to continue to have an impact on the Foundation. The investment markets specifically affect the endowment and other investments held by the Foundation. These factors affect the fair value of the Foundation's investments and the calculated spending amount on endowment funds. In addition, the Foundation's operations are impacted by fixed income and equity returns and 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. Currently, some improvement has been seen in the economic environment and this may result in an improved outlook for the various sources of revenue during the next fiscal year.

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, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,641,057	\$ 15,649,780
Investments	5,312,803	6,053,082
Investment interest and other receivables	120,477	217,400
Due from related parties	20,821	71,298
Pledges receivable, net	2,139,195	2,104,546
Prepaid expenses and other assets, net	500,825	1,125,974
Total current assets	23,735,178	25,222,080
Noncurrent assets:		
Cash and cash equivalents	473,922	870,388
Investments	140,257,849	142,238,318
Pledges receivable – net	3,855,210	1,155,885
Beneficial remainder trust	1,614,321	1,540,257
Prepaid expenses and other noncurrent assets, net	460,614	341,950
Property and equipment – net	648,591	779,318
Rental and other property – net	73,656,699	73,799,691
Total noncurrent assets	220,967,206	220,725,807
Total assets	244,702,384	245,947,887
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	1,188,742	742,277
Due to related parties	1,038,274	1,227,264
Scholarship liability	52,965	112,459
Long-term liabilities – current portion:		
Notes payable-net	3,281,334	3,411,187
Deferred revenue	191,342	196,563
Annuity obligations	63,790	63,790
Compensated absences	33,988	29,415
Deposits	11,064	5,385
Total current liabilities	5,861,499	5,788,340
Noncurrent liabilities:		
Notes payable-net	29,358,570	30,744,904
Due to related parties	-	137,110
Deferred revenue	2,559,585	2,368,406
Annuity obligations	465,495	496,723
Compensated absences	390,867	390,804
Deposits	21,262	17,981
Total noncurrent liabilities	32,795,779	34,155,928
Total liabilities	38,657,278	39,944,268
Net assets		
Invested in capital assets – net of related debt	44,282,745	43,204,001
Restricted:		
Expendable	33,545,984	34,949,849
Nonexpendable endowments	114,219,425	112,683,366
Unrestricted	13,996,952	15,166,403
Total net assets	\$ 206,045,106	\$ 206,003,619

See Notes to the 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, 2012 and 2011

	2012	2011
Operating revenues:		
Contributions (net of provisions for uncollectible pledge receivables of \$1,131,169 and \$83,694)	\$ 12,561,866	\$ 10,308,147
Rental income	9,020,542	9,799,387
Net realized and unrealized (losses) gains on investments	(3,763,188)	22,104,891
Interest and dividends	2,626,801	2,501,939
Dues and other revenues, net	2,526,513	2,194,548
License plate proceeds	358,503	347,448
Advertising and royalties	343,055	313,323
Total operating revenues, net	23,674,092	47,569,683
Operating expenses:		
Building operations	7,038,882	7,178,709
Fund-raising	5,213,307	3,903,397
Management and general	4,864,194	5,009,708
Athletics	4,265,062	5,456,957
Academic support	3,891,142	3,654,347
Student aid	2,803,976	4,082,471
Alumni relations	2,019,402	2,743,269
General University support	1,734,437	1,621,945
Research	254,973	291,895
Total operating expenses	32,085,375	33,942,698
Operating (loss) gain	(8,411,283)	13,626,985
Nonoperating revenues:		
University support	6,307,490	3,940,079
UCFAA support	576,122	192,167
UCF Convocation support	63,798	-
(Loss) gain before endowment contributions	(1,463,873)	17,759,231
Endowment contributions	1,505,360	4,041,305
Change in net assets	41,487	21,800,536
Net assets – beginning of year	206,003,619	184,203,083
Net assets – end of year	\$ 206,045,106	\$ 206,003,619

See Notes to the 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, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Receipts from contributions	\$ 9,784,815	\$ 11,915,148
Rental receipts	9,064,436	9,831,060
All other receipts	3,321,136	3,329,191
Payments for building operations	(3,066,432)	(3,695,449)
Payments for fundraising activities	(1,717,681)	(1,031,806)
Payments to the University for salaries and benefits	(3,761,862)	(6,256,361)
Payments for University programs, scholarships, and athletics	(11,656,901)	(15,843,584)
Payments for general and administrative functions	(839,849)	(956,553)
Payments for income taxes	66,620	(36,339)
Net cash provided by (used in) operating activities	1,194,282	(2,744,693)
Cash Flows From Investing Activities		
Purchases of investments	(16,124,935)	(37,726,909)
Proceeds from sales and maturities of investments	15,161,184	31,324,107
Receipts from interest and dividends, net of fees	2,874,231	2,677,998
Disbursement for loan receivable	(110,000)	-
Net cash provided by (used in) investing activities	1,800,480	(3,724,804)
Capital and Related Financing Activities		
Purchase or construction of capital assets	(1,538,735)	(959,701)
Principal paid on capital debt	(1,395,000)	(815,002)
Proceeds from the University for tenant improvements	6,848	28,021
Interest paid on capital debt	(1,640,759)	(1,695,871)
Net cash used in capital and related financing activities	(4,567,646)	(3,442,553)
Noncapital financing activities		
Principal paid on debt	(163,723)	(163,584)
Endowment contributions received for other than capital purposes	1,505,360	4,041,305
Interest paid on debt	(173,942)	(181,491)
Net cash flows provided by noncapital financing activities	1,167,695	3,696,230
Change in cash, restricted cash and cash equivalents	(405,189)	(6,215,820)
Cash, restricted cash, and cash equivalents – beginning of year	16,520,168	22,735,988
Cash, restricted cash, and cash equivalents – end of year	\$ 16,114,979	\$ 16,520,168
Supplemental Disclosure of Noncash Related Investing Activities		
Unrealized (losses) gains on investments	\$ (6,011,459)	\$ 19,954,897

(Continued)

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Statements of Cash Flows (Continued)
Years Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of the change in net assets to net cash provided by (used in) operating activities:		
Operating (loss) gain	\$ (8,411,283)	\$ 13,626,985
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and capital asset retirements	1,812,454	1,753,379
Amortization	99,754	237,294
Recognition of royalty revenue	(185,910)	(186,141)
Provision for potentially uncollectible pledges and other receivables	1,131,169	168,182
Net realized and unrealized (gains) losses on investments	3,763,188	(22,104,891)
Budget allocation from the state through the University UCFAA support allocation	6,307,490	3,783,127
Proceeds from the University and UCFAA for operations	576,122	179,226
Donated securities	63,798	169,893
Interest and dividend income, net of investment fees	(48,077)	(99,079)
Interest paid on debt	(2,883,831)	(2,677,998)
Changes in assets and liabilities:		
Investment interest and other receivables	1,814,701	1,877,362
Due from related parties	95,984	(60,474)
Pledge receivables	44,569	(64,450)
Prepaid expenses and other assets	(3,865,144)	1,846,607
Accounts payable, accrued expenses, compensated absences and deposits	601,430	(257,475)
Due to related parties	460,062	(300,080)
Deferred revenue	(326,100)	(609,085)
Annuity obligations	297,804	62,476
Scholarship fund liability	(63,790)	13,339
Net cash provided by (used in) operating activities	\$ 1,194,282	\$ (2,744,693)

See Notes to the Financial Statements.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The University of Central Florida Foundation, Inc. and its two blended component units (the "Foundation") serve as a Direct Support Organization (DSO) for the University of Central Florida (the "University" or "UCF"), 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 (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.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The Foundation prepares its financial statements on the accrual basis of accounting in accordance with government 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 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 in the general ledger. For 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 related unspent proceeds, 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. As a general practice, the Foundation applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Nonexpendable Endowments – 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. Net earnings or losses 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 and nonoperating activities: Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities that 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 benefit of the University. Operating revenues also include rental revenue from leasing of Foundation owned facilities. Nonoperating revenues include certain revenue sources that provide additional funding not included in operating revenues and include University related support, endowment contributions, and transfers to related parties.

Revenue recognition: Contributions are recognized as increases in net assets when received or when pledged unconditionally, with the exception of pledges to the endowment which are recognized when received. Assets donated to the Foundation are recorded at their estimated fair values at the dates of donation. Donated services are not recognized by the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are met.

Rent revenue: In accordance with guidance related to 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), is 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 fiscal years 2012 and 2011, the Foundation recognized \$2,868,644 and \$3,135,944, respectively, in rent revenue for recoveries from tenants.

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.

Cash, restricted cash, and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Noncurrent cash and cash equivalents at June 30, 2012 and 2011, include cash that is unrestricted, 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 the sale of the investments are based on the weighted-average cost method. Investments that are expected to be used within the next 12 months are classified as current investments. Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and amounts subject to other restrictions as well as investments not expected to be used during the Foundation's next fiscal year.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Pledges receivable: In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, all eligible 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 to absorb the uncollectible portion of pledges. At June 30, 2012 and 2011, an allowance, based on management's estimate, of \$2,184,413 and \$1,053,244, respectively, was available to absorb any uncollectible balances.

Prepaid expenses and other assets: Prepaid expenses and other assets consist of note issuance costs and other prepaid items. Note issuance costs are amortized on a straight-line basis over the life of the related notes.

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 (fair value for donated property). The Foundation had a capitalization threshold of \$1,000 as of June 2011, and effective fiscal year 2012 the threshold increased to \$5,000. 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:

	<u>Years</u>
Buildings and improvements	7 – 39
Equipment and furniture	3 – 7

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

Impairment of capital assets: The Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2012 and 2011.

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 to the extent that the historic dollar value is maintained or represents additional contributions to the fund to be distributed.

Deferred revenue: Deferred revenue relates primarily to rent and royalty payments received in advance or conditional contributions.

Annuity obligations: The Foundation is obligated under agreements with certain donors to provide annuities based on the fair 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 or their beneficiaries.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

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 and 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.

Pronouncements issued but not yet effective: The GASB issued new or modifications to, or interpretations of, existing accounting guidance during 2012 and 2011. The Foundation's management has not yet determined the effect these statements will have on the Foundation's financial statements.

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments

Cash, restricted cash, and cash equivalents: At June 30, 2012 and 2011, the recorded amount of cash, restricted cash, and cash equivalents of the Foundation's deposits was \$16,114,979 and \$16,520,168, respectively. Included in fiscal years 2012 and 2011 is \$350,000 and \$100,000, respectively, on deposit with Fairwinds Credit Union which is subject to withdrawal restrictions. Operating bank account balances were \$16,631,771 and \$17,015,363, respectively, as of June 30, 2012 and 2011.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts, with maturity dates of less than 90 days. At June 30, 2012 and 2011, approximately \$14,527,907 and \$12,136,067, respectively, in cash deposits are not insured by federal deposit insurance and are not collateralized.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

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 also provides information on asset classes, target allocations, and ranges of acceptable investment categories. However, the policy does not address specific types of risks such as credit risk, interest rate risk, and foreign currency risk that the Foundation may be exposed to as outlined below.

The objective for nonendowed assets is to produce the greatest possible total return with a minimum of risk. The investment policy manual provides information on asset classes, target allocations, and ranges of acceptable investment categories for nonendowed assets. The Foundation's investments as of June 30, 2012 and 2011, 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:

	<u>2012</u>	<u>2011</u>
Equity securities	\$ 1,760,226	\$ 1,663,417
Hedge funds	16,285,813	14,532,661
Private equity funds	83,198	80,264
Real assets	1,643,919	2,008,761
Real Estate Investment Trusts (REITs)	120,354	165,859
Exchange traded funds	1,496,242	1,569,076
Mutual funds – equity	76,251,969	82,937,408
Mutual funds – bonds	47,928,931	45,333,954
Total investments	145,570,652	148,291,400
Less current investments	5,312,803	6,053,082
Noncurrent investments	\$ 140,257,849	\$ 142,238,318

The following schedule provides a breakdown of net realized and unrealized gains and losses for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Net realized gains on investments	\$ 2,248,271	\$ 2,149,994
Net unrealized gains (losses) on investments	(6,011,459)	19,954,897
Total net realized and unrealized gains (losses) on investments	\$ (3,763,188)	\$ 22,104,891

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 2. Cash, Restricted Cash, Cash Equivalents and Investments (Continued)

Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as part of the change in the fair value of 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.

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 the Foundation's debt instruments as of June 30, 2012 using Standard and Poor's (S&P), nationally recognized statistical ratings quality organization:

Debt Security Type	Quality Rating	Fair Value
Bond Mutual Funds	S&P AAA	\$ 6,243,638
Bond Mutual Funds	S&P AA+	1,608,238
Bond Mutual Funds	S&P AA	24,104,521
Bond Mutual Funds	S&P AA-	5,998,492
Bond Mutual Funds	S&P A	1,263,395
Bond Mutual Funds	S&P BBB	5,505,320
Bond Mutual Funds	S&P BBB-	55,094
Bond Mutual Funds	S&P BB	3,150,233
Real Assets Fixed Income	S&P AA+	1,114,012
Total		\$ 49,042,943

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. Interest rate risk as of June 30, 2012 is as follows:

Investment Type	Average Duration	Fair Value
Bond Mutual Funds	Greater than five years	\$ 6,148,250
Bond Mutual Funds	One to five years	35,362,065
Bond Mutual Funds	Less than one year	6,418,616
Real Assets Fixed Income	One to five years	1,114,012
Total		\$ 49,042,943

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, 2012 and 2011, the Foundation did not have any equity or fixed income investments subject to this risk.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 3. Pledges Receivable

Pledges receivable and the related allowance for potentially uncollectible amounts at June 30 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Current pledges receivable:		
Due in one year or less	\$ 2,918,737	\$ 2,784,395
Less allowance for doubtful amounts	(779,542)	(679,849)
Current pledges receivable, net	<u>2,139,195</u>	<u>2,104,546</u>
Noncurrent pledges receivable:		
Due in greater than one year	5,260,082	1,529,280
Less allowance for doubtful amounts	(1,404,872)	(373,395)
Noncurrent pledges receivable, net	<u>3,855,210</u>	<u>1,155,885</u>
Total pledges receivable, net	<u>\$ 5,994,405</u>	<u>\$ 3,260,431</u>

Noncurrent pledges receivable are net of discounts amounting to \$160,832 and \$98,356 at June 30, 2012 and 2011, respectively. Pledges receivable were discounted using a risk-free interest rate at the time the pledge was initially recognized. Discount rates used range from .73% to 6.00%.

Note 4. Endowments

The Foundation authorizes expenditures for the uses and purposes for which endowment funds were established. The State of Florida has adopted FS 1010.10, which provides policy for administration related to investment of endowment funds and the ability to spend net appreciation.

The Foundation's general spending calculation for eligible endowments was calculated in accordance with the Foundation's investment policy and used a spending rate of 4.5% for fiscal years 2012 and 2011.

The following displays the total ending endowment balances for nonexpendable endowments or donor-restricted endowments:

	<u>2012</u>	<u>2011</u>
Total endowment balance	\$ 121,087,980	\$ 125,668,734
Less appreciation (loss) portion deemed restricted expendable	6,868,555	12,985,368
Permanently restricted nonexpendable balance	<u>\$ 114,219,425</u>	<u>\$ 112,683,366</u>

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 5. Capital Assets

Capital assets are summarized as follows:

	June 30, 2011	Increases	Decreases	June 30, 2012
Property and equipment:				
Equipment and furniture	\$ 1,758,838	\$ 32,652	\$ -	\$ 1,791,490
Less accumulated depreciation	(979,520)	(163,379)	-	(1,142,899)
Net property and equipment	779,318	(130,727)	-	648,591
Rental and other property:				
Land (nondepreciable)	47,640,384	-	-	47,640,384
Buildings and improvements	39,160,375	1,166,226	(67,083)	40,259,518
Construction-in-progress – (nondepreciable)	341,648	1,606,274	(1,309,651)	638,271
Site improvements	333,231	39,402	-	372,633
Less accumulated depreciation	(13,675,947)	(1,596,251)	18,091	(15,254,107)
Net rental and other property	73,799,691	1,215,651	(1,358,643)	73,656,699
Total net capital assets	\$ 74,579,009	\$ 1,084,924	\$ (1,358,643)	\$ 74,305,290
<hr/>				
	June 30, 2010	Increases	Decreases	June 30, 2011
Property and equipment:				
Equipment and furniture	\$ 1,695,839	\$ 79,981	\$ (16,982)	\$ 1,758,838
Construction-in-progress – software (nondepreciable)	6,938	-	(6,938)	-
Less accumulated depreciation	(802,681)	(178,885)	2,046	(979,520)
Net property and equipment	900,096	(98,904)	(21,874)	779,318
Rental and other property:				
Land (nondepreciable)	47,640,384	-	-	47,640,384
Buildings and improvements	38,415,200	769,039	(23,864)	39,160,375
Construction-in-progress – (nondepreciable)	326,247	913,320	(897,919)	341,648
Site improvements	231,014	102,217	-	333,231
Less accumulated depreciation	(12,140,254)	(1,553,369)	17,676	(13,675,947)
Net rental and other property	74,472,591	231,207	(904,107)	73,799,691
Total net capital assets	\$ 75,372,687	\$ 132,303	\$ (925,981)	\$ 74,579,009

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the following operating expense accounts for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Building operations	\$ 1,604,683	\$ 1,558,373
Management and general	154,947	189,658
	<u>\$ 1,759,630</u>	<u>\$ 1,748,031</u>

Other property consists of the following at June 30, 2012 and 2011:

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 in Orange County. A portion of that contribution, \$8,282,403, funded the purchase of 20-acre tract of land for \$8,282,403 including closing costs of approximately \$82,400, on May 21, 2001. The land is recorded as a capital asset of the Foundation and is subject to a long-term ground lease with the UCF Hospitality School Student Housing Foundation, Inc. with a one-time minimal payment at the execution of the lease.

Knights Crossing/Knights Court Land: On February 15, 2001, 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. 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. On an annual basis, CAPFA remits 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 years 2012 and 2011, there were no payments received for surplus rent under the ground lease due to maintenance and renovations.

Health Sciences Campus at Lake Nona: During fiscal 2007, the Tavistock Group donated 45 net usable acres of land with a fair value of \$17,425,000 to the Foundation. The University built the UCF Health Sciences Campus at Lake Nona on the land. During fiscal 2008, the Tavistock Group and the Foundation reconfigured the land, which increased the number of usable acres to 50 acres, which allowed for other medical entities to be located on adjoining property at Lake Nona. The additional five usable acres added value to the Foundation's land in the approximate fair value estimated amount of \$2,995,000 as of the date of the contribution. The land is recorded as a capital asset of the Foundation and is subject to a long-term ground lease with the University with a one-time minimal payment at the execution of the lease.

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Notes to Financial Statements

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities is as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 7,185,000	\$ -	\$ 870,000	\$ 6,315,000	\$ 920,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular – 2008 Series Note-tax exempt	9,795,000	-	325,000	9,470,000	345,000
McCulloch Road Property	2,095,000	-	200,000	1,895,000	1,895,000
Fairwinds Alumni Center	808,561	-	161,712	646,849	161,713
Renewal Annuity Note:					
Annuity Note A	986,260	-	1,005	985,255	1,079
Annuity Note B	986,260	-	1,005	985,255	1,079
Less deferred amount on 2010 refunding	(239,990)	-	(42,535)	(197,455)	(42,536)
Total notes payable	<u>\$ 34,156,091</u>	<u>\$ -</u>	<u>\$ 1,516,187</u>	<u>\$ 32,639,904</u>	<u>\$ 3,281,335</u>
Deferred revenue	\$ 2,564,969	\$ 789,870	\$ 603,912	\$ 2,750,927	\$ 191,342
Annuity obligations	560,513	32,562	63,790	529,285	63,790
Compensated absences	420,219	80,561	75,925	424,855	33,988
Deposits	23,366	8,960	-	32,326	11,064
	June 30, 2010	Additions	Reductions	June 30, 2011	Amount Due Within One Year
Research Pavilion, Innovative Center and Orlando Tech Center – Series 2009 Notes					
2009 Series Note – taxable	\$ 7,385,000	\$ -	\$ 200,000	\$ 7,185,000	\$ 870,000
2009 Series Note – tax exempt	12,540,000	-	-	12,540,000	-
University Tower and Biomolecular – 2008 Series Note-tax exempt	10,105,000	-	310,000	9,795,000	325,000
McCulloch Road Property	2,400,000	-	305,000	2,095,000	2,095,000
Fairwinds Alumni Center	970,273	-	161,712	808,561	161,713
Renewal Annuity Note:					
Annuity Note A	987,197	-	937	986,260	1,005
Annuity Note B	987,197	-	937	986,260	1,005
Less deferred amount on 2010 refunding	(415,441)	-	(175,451)	(239,990)	(42,536)
Total notes payable	<u>\$ 34,959,226</u>	<u>\$ -</u>	<u>\$ 803,135</u>	<u>\$ 34,156,091</u>	<u>\$ 3,411,187</u>
Deferred revenue	\$ 2,604,662	\$ 681,667	\$ 721,360	\$ 2,564,969	\$ 196,563
Annuity obligations	516,536	101,967	57,990	560,513	63,790
Compensated absences	365,307	112,134	57,222	420,219	29,415
Deposits	21,592	1,774	-	23,366	5,385

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

**Research Pavilion, Innovative Center (IC), and the
Orlando Tech Center (OTC)**

Refinanced Debt issued on December 17, 2009:

On December 17, 2009, the Foundation entered into a \$19,925,000 16-year note, maturing October 1, 2025 for the purpose of refinancing the variable rate debt originally issued in 1996 through the Orange County Industrial Development Authority (described below) to fixed rate debt issued with Branch Banking and Trust (BB&T). The note is comprised of a \$12,540,000, tax-exempt portion with a fixed rate of 4.96%, and a \$7,385,000 taxable portion with a fixed rate of 5.83%. The buildings and lease revenue represent the security for the loan. Lease revenue related to the buildings is the source of the debt repayment and totaled \$6,045,927 during fiscal year 2012 and \$6,876,217 during fiscal year 2011. Of these amounts, \$1,885,509 during fiscal year 2012 and \$1,246,700 during fiscal year 2011 was used to pay principal and interest on the notes.

The Foundation allocated the 2009 note based on the remaining principal balances of the buildings and the associated bonds. The \$12,540,000 tax-exempt note is comprised of \$3,656,921 related to the Research Pavilion and \$8,883,079 related to OTC. The \$7,385,000 taxable note is comprised of \$1,782,881 related to IC and \$5,602,119 related to OTC. As of June 30, 2012 and 2011, the total remaining principal outstanding for both the taxable and tax exempt series is \$18,855,000 and \$19,725,000, respectively.

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. The tax exempt portion of the loan totaled \$7,550,000 and the taxable portion of the loan totaled \$2,850,000 of which \$1,160,000 was held in escrow by Wachovia for expected capital and tenant improvements to the two buildings which was subsequently spent.

On December 30, 2008, the Foundation paid off the principal total of the variable rate debt and entered into a \$10,400,000 tax-exempt, 5.67% fixed rate, 20-year agreement maturing April 1, 2029, with BB&T Bank. Of the total \$10,400,000 issued, \$8.1 million relates to the University Tower and \$2.3 million relates to the Biomolecular building. Lease revenues related to both facilities are the security for the note and the source of debt repayment, which totaled \$2,974,615 during fiscal year 2012 and \$2,916,170 during fiscal year 2011, respectively. Of these amounts, \$880,377 and \$882,953 during fiscal years 2012 and 2011, respectively, were used to pay interest and principal on the loans. As of June 30, 2012 and 2011, the remaining principal outstanding is \$9,470,000 and \$9,795,000, respectively.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

McCulloch Road Property Loan: On April 21, 2005, the Foundation entered into a \$2,800,000 loan with SunTrust 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 were used for development and other capital costs associated with the land. The loan is due on April 1, 2013, and bears interest at a variable rate based on the one-month LIBOR plus 310 basis points. The rate ranged from 3.29% to 3.40% during fiscal year 2012 and 3.15% to 3.34% during fiscal year 2011. The land is used as security for the note and unrestricted funds are the source of debt repayment. During fiscal years 2012 and 2011, respectively, the Foundation paid interest and principal payments totaling \$269,873 and \$381,218. As of June 30, 2012 and 2011, the remaining principal outstanding is \$1,895,000 and \$2,095,000, respectively.

Fairwinds Credit Union Line of Credit: On November 2, 2004, the Foundation obtained a \$2.45 million line of credit from Fairwinds Credit Union, which is a related party due to an executive being on the board of directors, for the purpose of constructing the Fairwinds Alumni Center. The total construction costs were estimated to be approximately \$5.8 million, with funds provided through contributions. Pledged revenue is used to repay the line of credit. As of June 30, 2006, the full amount of \$2.45 million of the line of credit had been used for construction. On June 21, 2012, the Foundation, with the approval of Fairwinds Credit Union, agreed to a loan modification for the remaining principal amount of \$646,849. Such modification provided for a compensating balance in the amount of \$250,000, in lieu of the previous requirement to maintain a minimum Debt Service Coverage Ratio of no less than 1.10 to 1.0. The loan is due on December 31, 2016, and bears interest at a fixed rate of 4.59%. During fiscal years 2012 and 2011, \$195,165 and \$202,567 was paid in interest and principal respectively. As of June 30, 2012 and 2011, the remaining principal outstanding is \$646,849 and \$808,561, respectively.

Renewal Annuity Notes: 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% and 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 and restricted and unrestricted funds are the source of debt repayments. 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 purchase money mortgage notes were converted to renewal annuity notes with the same terms. The remaining principal balance as of June 30, 2012 and 2011 is \$1,970,510 and \$1,972,520, respectively.

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

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Covenants: The provisions of the Research Pavilion, IC and OTC notes, Renewal Annuity Notes, Fairwinds Alumni Center, University Tower and Biomolecular building notes, and the McCulloch Road property loan contain certain covenants requiring the Foundation to, among other things, maintain use of property, provide insurance coverage, and timely reporting of financial performance. Additionally, certain notes require the Foundation to maintain a minimum debt service ratio over the life of the loans. The Foundation was in compliance with all loan covenants for fiscal years 2012 and 2011.

Interest expense: Total interest expense for the year ended June 30, 2012 was approximately \$1,798,476 plus the amortization of the deferred refunding loss in the amount of \$42,535 for a total interest expense in fiscal year 2012 of \$1,841,011. In fiscal year 2011 interest expense was approximately \$1,917,037 plus the amortization of the deferred refunding loss in the amount of \$175,450 for a total interest expense in fiscal year 2011 of \$2,092,487. These amounts are 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 debt agreements, subsequent to June 30, 2012, are as follows:

	Principal	Interest	Total
2013	\$ 3,323,870	\$ 1,697,574	\$ 5,021,444
2014	1,504,028	1,566,590	3,070,618
2015	1,584,198	1,478,647	3,062,845
2016	1,669,381	1,386,013	3,055,394
2017	1,592,862	1,291,960	2,884,822
2018-2022	11,338,020	4,374,731	15,712,751
2023-2027	10,200,000	1,636,523	11,836,523
2028-2029	1,625,000	124,126	1,749,126
Totals:	<u>\$ 32,837,359</u>	<u>\$ 13,556,164</u>	<u>\$ 46,393,523</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, 2012, 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 and/or their beneficiaries 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, 2012 and 2011, there were payments of \$63,790 and \$57,990, respectively, made on annuities. Payments to the annuitants are made from donated funds restricted to this purpose or from unrestricted funds. The accretion for all of the annuity obligations was approximately \$32,562.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Deferred revenue: Deferred revenue at June 30, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Credit card royalties	\$ 1,131,606	\$ 1,017,517
Planned giving from donors	1,614,321	1,540,257
Prepaid rent from tenants	-	7,195
Other	5,000	-
Total deferred revenue	<u>2,750,927</u>	<u>2,564,969</u>
Less current portion	<u>191,342</u>	<u>196,563</u>
Noncurrent deferred revenue	<u>\$ 2,559,585</u>	<u>\$ 2,368,406</u>

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, 2012 and 2011. At June 30, 2012 and 2011, the liability for paid leave for Foundation employees was \$424,855 and \$420,219, respectively. Compensated absences are funded by a combination of unrestricted and restricted sources of funds.

Note 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 support by the University 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 fiscal years 2012 and 2011 were approximately \$419,000 and \$537,000, respectively.

Note 8. Related Party Transactions

The Foundation considers the University and its related direct support organizations (DSOs) to be related parties for the purpose of the financial statements. The DSOs include the University of Central Florida Research Foundation, Inc., UCF Athletics Association, Inc., UCF Convocation Corporation, Inc., and UCF Golden Knights Corporation, Inc.

The Foundation is the primary fundraiser for the University; in return, the University and the DSOs provide monetary support, as well as administrative fees that are assessed by the Foundation. (see Note 10). The Foundation also receives rents and reimbursement for certain operating expenses from the University related to rents received related to the Research Pavilion, Orlando Tech Center, Innovative Center, University Tower, and the Biomolecular Research Annex buildings. The Foundation receives administrative and fundraising support from the University pertaining to expenses for salaries and related benefits that are funded as part of the University support. The Foundation and University are parties to a long term 99 year ground lease as discussed in Note 5 for use of land at Lake Nona for the Health Sciences Campus.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 8. Related-Party Transactions (Continued)

Significant transactions between the Foundation, University, and their related DSOs in 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Funds received to support UCF programs and activities of the Foundation:		
From the University:		
General Foundation support	\$ 5,223,194	\$ 3,075,853
Alumni support	1,084,296	707,375
Restricted program support	-	156,951
Total from the University	6,307,490	3,940,179
From UCF Athletics Association, Inc.:		
Fundraising support activities	576,122	192,167
From UCF Convocation Corporation, Inc.:		
Fundraising support activities	63,798	-
Total funds received to support the Foundation from related parties	\$ 6,947,410	\$ 4,132,346
Funds received for rent and reimbursements related to leases:		
From the University and affiliated entities:		
Total revenues	\$ 8,776,880	\$ 9,482,211
Total rent and reimbursements related to leases from related parties	\$ 8,776,880	\$ 9,482,211

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 8. Related-Party Transactions (Continued)

	<u>2012</u>	<u>2011</u>
Receivables:		
From the University	\$ -	\$ 56,625
From UCF Athletic Association, Inc.	2,018	12,941
From UCF Convocation Corporation	18,803	1,732
Total receivables from related parties	\$ 20,821	\$ 71,298
Payables:		
To the University:		
Rent reimbursements	\$ 164,512	\$ 197,145
Payables for programs	34,722	108,534
	<u>199,234</u>	<u>305,679</u>
To UCF Research Foundation, Inc.	2,000	-
To UCF Convocation Corporation, Inc.	386	6,273
To UCF Golden Knights Corporation, Inc.	463,706	590,259
To UCF Athletic Association, Inc.	372,948	462,163
Total payables to related parties	\$ 1,038,274	\$ 1,364,374

In addition to the organizations identified above as related, the Foundation, from time to time, conducts business with entities whose officers or directors are members of the Foundation's Board of Directors. The Foundation has established policies and procedures in order to consummate such business as arm's length transactions, generally through competitive or negotiated procurement processes.

As identified in Note 6, Long Term Liabilities, the Foundation obtained a line of credit from Fairwinds Credit Union in 2004. A competitive Request for Proposal was issued to banking and credit institutions, with Fairwinds providing the most favorable terms. Subsequent to this transaction, during fiscal year 2009, the CEO of Fairwinds became a member of the Foundation Board of Directors and remained a board member during fiscal years 2012 and 2011.

During fiscal years 2012 and 2011, the Foundation invested a portion of liquid assets with CNL. In fiscal year 2010, CNL was selected by the Foundation's independent investment consultant who performed the due diligence process. An officer of CNL served on the Foundation Board of Directors during fiscal year 2011.

Also included within Note 6 is disclosure related to a loan, specifically for the McCulloch property. SunTrust Bank provided the loan included in Note 6. In addition, SunTrust Bank provides investment custodial services for the Foundation. A board member of SunTrust served on the Foundation Board of Directors during fiscal years 2012 and 2011.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 8. Related-Party Transactions (Continued)

Portions of the Foundation's pledge receivable balance of approximately \$37,000 and \$19,000 as of June 30, 2012 and 2011, respectively, are commitments made by several members of the Foundation's Board of Directors. In addition, the Foundation received approximately \$308,000 and \$181,000 during fiscal years 2012 and 2011, respectively, in contributions and other revenues from various members of the Foundation's Board of Directors.

Note 9. Operating Leases Paid to the Foundation

The Foundation leases office space to the University and other entities under operating leases with existing terms of one to six years. (see Note 6).

At June 30, 2012, approximate future minimum rental payments to be received under noncancelable operating leases are as follows:

	University- Affiliated Tenants	Commercial Tenants	Total
2013	\$ 6,337,515	\$ 176,673	\$ 6,514,188
2014	1,946,194	131,646	2,077,840
2015	-	72,452	72,452
2016	-	49,791	49,791
2017	-	1,997	1,997
	\$ 8,283,709	\$ 432,559	\$ 8,716,268

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.

Total lease revenue for the years ended June 30, 2012 and 2011, were approximately \$9,021,000 and \$9,799,000, respectively.

Note 10. Administrative Fees

In order to support its operations, the Foundation assesses a revenue fee and an overhead fee on funds it holds that are designated for University purposes. These fees are fully funded by the contributions and other revenues received and are included in the Foundation's contribution and various other revenue. The revenue fee represents an assessment for fund-raising, processing, administration, and management of monies received by the Foundation and totals 4% of donations and other revenue received of approximately \$871,000 for fiscal year 2012 and 3% of donations and other revenue received of approximately \$792,000 for fiscal year 2011.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 10. Administrative Fees (Continued)

The overhead fee represents an allocation for management and administration of endowed funds and is assessed on all endowments, including eminent scholar chairs, major gifts, other, etc. that represents a transfer from restricted to unrestricted funds. The overhead fee is assessed on a monthly basis, is based on the fair value of the fund, and totals an annual rate of 2.25% on endowed funds, resulting in a fee of approximately \$2,708,000 for fiscal year 2012 and totals an annual rate of 2% on endowed funds, resulting in a fee of approximately \$2,374,000 for fiscal year 2011.

Note 11. Pension Plans

Florida Retirement System: Various University employees working in regularly established positions of the Foundation are covered by the Florida Retirement System (FRS), a state-administered cost sharing, multiple-employer, public employee defined benefit retirement plan (the Plan). Plan provisions are established by Chapter 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238 Florida Statutes; and FRS 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 to enroll as members of the Plan.

Members of the Plan vest at six years of service or eight years for new employees enrolled after July 1, 2011. All members are eligible for normal retirement benefits based on the plan definition of normal retirement date which is determined on the date they enrolled in the plan. 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.

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 FRS 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 FRS 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 2011 and 2010 fiscal years, the contribution rate for regular class members was 10.77% and 9.85% respectively, which included 1.11% in both years for the postemployment health insurance supplement and 0.03% and 0.05%, respectively, for administrative costs. As of July 1, 2011, legislation changed the Plan into a contributory system, requiring an employee contribution rate of 3.00% during fiscal year 2012 and a 4.91% employer contribution rate which included 1.11% for the postemployment health insurance supplement and 0.03% for administrative costs.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Notes to Financial Statements

Note 11. Pension Plans (Continued)

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 prior to 2012) for fiscal years ended June 30, 2011, and 2010 totaled \$184,317, and \$142,315 respectively, which were equal to the required contributions for each fiscal year. Contributions made to the Plan in fiscal year ended June 30, 2012 by the Foundation totaled \$78,635, while employees contributed \$47,625.

State University System Optional Retirement Program: Pursuant to Section 121.35, Florida Statutes, the Florida legislature created an Optional Retirement Program (the 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 FRS 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 may elect to participate in the Program rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributed on behalf of the participant an amount equal to 10.43% of the participant's gross monthly compensation during 2011. 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. As of July 1, 2011, following legislative changes, the Program became contributory, with a 3.00% required contribution from employees during fiscal year 2012 and a 7.92% contribution from employers, which included an administrative cost of .01% and an unfunded actuarial liability cost of 0.49%.

There were 50, 49 and 44 Foundation funded participants during fiscal years 2012, 2011, and 2010, respectively. Required contributions made to the Program, net of employee contributions, totaled \$309,601, \$372,504 and \$304,182 during fiscal years 2012, 2011 and 2010, respectively. In addition, employee contributions were made in the amount of \$117,274, \$124,519 and \$76,879 during fiscal years 2012, 2011, and 2010, 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 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 employees. 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. As of July 1, 2011, legislative changes also required a 3% employee contribution into the Investment Program which has the same contribution rates as the FRS Plan.

University of Central Florida Foundation, Inc.
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Notes to Financial Statements

Note 11. Pension Plans (Continued)

There were 17, 16, and 14 participants during fiscal years 2012, 2011, and 2010, and required contributions made to the PEORP totaled \$41,209, \$87,734, and \$69,614 respectively. Employee participant contributions totaled \$25,178 during 2012.

Other Postemployment Healthcare Benefits: During the year ended June 30, 2008, the University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As required by Section 112.081, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. The University subsidizes the premium rates paid by retirees, including Foundation funded participants, by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) rates. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. During the years ended June 30, 2012, 2011 and 2010, the University recorded a net OPEB obligation of approximately \$25,828,000, \$15,988,000 and \$10,810,000, which represents the unfunded liability for providing these benefits (subsidies) to its retirees.

Note 12. 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 University employees is the responsibility of the state of Florida.

During the year ended June 30, 2012, basic types of insurance coverage remained the same as the types of coverage for June 30, 2011. No settlements have exceeded coverage levels in place during the past three fiscal years.

Note 13. Contingencies

The Foundation participates in state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Foundation. Liabilities, if any, from such audits, if any, are recorded when the amounts of such liabilities become reasonably determinable.

Supplementary Information

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, 2012

	Unrestricted	Restricted		Invested in Capital Assets, Net of Related Debt	Total
		Expendable	Nonexpendable Endowments		
Operating revenues:					
Contributions	\$ 202,798	\$ 12,359,068	\$ -	\$ -	\$ 12,561,866
Rent	9,020,542	-	-	-	9,020,542
Net realized and unrealized losses					
on investments	131,700	(3,894,888)	-	-	(3,763,188)
Interest and dividends	374,729	2,252,072	-	-	2,626,801
Dues and other revenues – net	13,952	2,512,561	-	-	2,526,513
License plate revenues	358,503	-	-	-	358,503
Advertising and royalties	-	343,055	-	-	343,055
Total operating revenues	10,102,224	13,571,868	-	-	23,674,092
Operating expenses:					
Building operations	5,475,442	-	-	1,563,440	7,038,882
Fundraising	4,846,135	367,172	-	-	5,213,307
Management and general	4,686,095	-	-	178,099	4,864,194
Athletics	-	4,265,062	-	-	4,265,062
Academic support	89,853	3,801,289	-	-	3,891,142
Student aid	201,665	2,602,311	-	-	2,803,976
Alumni relations	1,814,980	204,422	-	-	2,019,402
General university support	1,444,869	289,568	-	-	1,734,437
Research	-	254,973	-	-	254,973
Total operating expenses	18,559,039	11,784,797	-	1,741,539	32,085,375
Operating gain (loss)	(8,456,815)	1,787,071	-	(1,741,539)	(8,411,283)
Nonoperating revenues:					
University Support	6,307,490	-	-	-	6,307,490
UCFAA Support	576,122	-	-	-	576,122
UCF Convocation Support	63,798	-	-	-	63,798
Change in net assets before endowment contributions					
	(1,509,405)	1,787,071	-	(1,741,539)	(1,463,873)
Endowment contributions					
	-	-	1,505,360	-	1,505,360
Change in net assets					
	(1,509,405)	1,787,071	1,505,360	(1,741,539)	41,487
Transfers:					
Net transfers in (out)	(47,041)	16,342	30,699	-	-
Internal fees in (out)	3,207,278	(3,207,278)	-	-	-
Net transfer adjustments in (out)	-	-	-	-	-
Capital asset adjustments in (out)	(2,820,283)	-	-	2,820,283	-
Total transfers	339,954	(3,190,936)	30,699	2,820,283	-
Net surplus /(deficit)	(1,169,451)	(1,403,865)	1,536,059	1,078,744	41,487
Net assets – Beginning of year	15,166,403	34,949,849	112,683,366	43,204,001	206,003,619
Net assets – End of year	\$ 13,996,952	\$ 33,545,984	\$ 114,219,425	\$ 44,282,745	\$ 206,045,106

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, 2011

	Unrestricted	Restricted Expendable	Nonexpendable Endowments	Invested in Capital Assets, Net of Related Debt	Total
Operating revenues:					
Contributions	\$ 388,664	\$ 9,919,483	\$ -	\$ -	\$ 10,308,147
Rent	9,792,387	7,000	-	-	9,799,387
Net realized and unrealized losses on investments	873,393	21,231,498	-	-	22,104,891
Interest and dividends	426,390	2,075,549	-	-	2,501,939
Dues and other revenues – net	574	2,193,974	-	-	2,194,548
License plate revenues	347,448	-	-	-	347,448
Advertising and royalties	-	313,323	-	-	313,323
Total operating revenues	11,828,856	35,740,827	-	-	47,569,683
Operating expenses:					
Building operations	5,644,276	-	-	1,534,433	7,178,709
Athletics	-	5,456,957	-	-	5,456,957
Management and general	4,831,609	-	-	178,099	5,009,708
Student aid	204,990	3,877,481	-	-	4,082,471
Fundraising	3,649,371	254,026	-	-	3,903,397
Academic support	78,672	3,575,675	-	-	3,654,347
Alumni relations	1,184,339	1,558,930	-	-	2,743,269
General university support	1,126,714	495,231	-	-	1,621,945
Research	-	291,895	-	-	291,895
Total operating expenses	16,719,971	15,510,195	-	1,712,532	33,942,698
Operating gain (loss)	(4,891,115)	20,230,632	-	(1,712,532)	13,626,985
Nonoperating revenues:					
University Support	3,783,128	156,951	-	-	3,940,079
UCFAA Support	192,167	-	-	-	192,167
Change in net assets before endowment contributions	(915,820)	20,387,583	-	(1,712,532)	17,759,231
Endowment contributions	-	-	4,041,305	-	4,041,305
Change in net assets	(915,820)	20,387,583	4,041,305	(1,712,532)	21,800,536
Transfers:					
Net transfers in (out)	(838,832)	1,003,197	(164,365)	-	-
Internal fees in (out)	2,861,657	(2,861,657)	-	-	-
Net transfer adjustments in (out)	-	(171,075)	171,075	-	-
Capital asset adjustments in (out)	(1,549,790)	(8,614)	-	1,558,404	-
Total transfers	473,035	(2,038,149)	6,710	1,558,404	-
Net surplus /(deficit)	(442,785)	18,349,434	4,048,015	(154,128)	21,800,536
Net assets – beginning of year	15,609,188	16,600,415	108,635,351	43,358,129	184,203,083
Net assets – end of year	\$ 15,166,403	\$ 34,949,849	\$ 112,683,366	\$ 43,204,001	\$ 206,003,619

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

Chairs Under the Eminent Scholars Program
Schedule of Receipts, Expenditures and Endowments Balances
Year Ended June 30, 2012

Description Endowed	Beginning Corpus Balance June 30,2011	Beginning Net Balance June 30,2011	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings (Losses)	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30,2012	Ending Total Balance June 30,2012
Agere Systems Eminent Scholar Chair of Computer Science	\$ 1,020,000	\$ 1,223,023	\$ -	\$ -	\$ (15,400)	\$ (24,613)	\$ (9,625)	\$ -	\$ 1,020,000	\$ 1,173,385
Al and Nancy Burnett Eminent Scholar Chair in Accounting	1,020,500	1,687,544	-	-	(20,291)	(32,425)	(54,949)	-	1,020,500	1,579,879
Beat M. and Jill L. Kahlil Endowed Chair in Oncology Nursing	480,000	517,596	-	-	(6,967)	(11,136)	-	-	480,000	499,493
Bert Fish Eminent Scholar Chair In Nursing	1,020,000	1,197,550	-	-	(15,527)	(24,816)	(7,236)	-	1,020,000	1,149,971
Carl H. Galloway, Jr. Chair for Excellence in Business	1,000,000	1,988,370	-	-	(22,199)	(35,474)	(156,393)	-	1,000,000	1,774,304
Charles N. Millican Chair of Computer Science	1,000,000	1,268,590	-	-	(15,414)	(24,636)	(34,663)	-	1,000,000	1,193,877
Cobb Family Eminent Scholar Chair	1,082,500	1,526,359	-	-	(18,837)	(30,102)	-	-	1,082,500	1,477,420
Darden Chair in Restaurant Management	1,020,000	1,389,325	-	-	(17,715)	(28,313)	-	-	1,020,000	1,343,297
Della Phillips Martha Schenck Chair of American Private Enterprise	1,000,000	1,498,769	-	-	(17,362)	(27,745)	-	-	1,000,000	1,453,662
Dr. Neil Euliano Endowed Chair in Italian Studies	1,020,000	1,020,818	-	-	(13,730)	(21,943)	-	-	1,020,000	985,145
Florida Hospital Foundation Endowed Chair in Cardiovascular Research	1,750,341	2,009,716	-	-	(26,632)	(42,562)	-	-	1,750,341	1,940,522
Howard Phillips Eminent Scholar Endowed Chair in Real Estate	1,020,000	1,114,828	-	-	(14,316)	(22,880)	(24,805)	-	1,020,000	1,052,827
Jim Heistand NAIOP Eminent Scholar Endowed Chair in Real Estate	817,500	899,781	-	-	(12,114)	(19,359)	-	-	817,500	868,308
Judith and David Albertson Eminent Scholar Endowed Chair	480,000	502,222	-	-	(6,760)	(10,806)	-	-	480,000	484,656
Lester N. Mandell Eminent Scholar Endowed Chair	615,100	667,630	-	-	(8,986)	(14,365)	-	-	615,100	644,279
Lockheed Martin Eminent Scholar Chair of Science and Math	1,758,835	2,225,129	200	27,600	(26,849)	(44,015)	(53,098)	-	1,759,035	2,128,967
Mildred W. Coyle Eminent Scholar Endowed Chair	1,020,000	1,138,461	-	-	(14,238)	(22,756)	(7,725)	-	1,020,000	1,093,742
Orange County Convention and Visitors Bureau Endowed Chair	4,000,004	4,046,762	-	-	(52,269)	(83,533)	-	-	4,000,004	3,910,960
Orange County Eminent Scholar Endowed Chair in Economic Research	1,020,000	1,277,153	-	-	(14,929)	(23,861)	-	-	1,020,000	1,238,363
Robert N. Heintzelman Eminent Scholar Endowed Chair Fund	1,020,570	1,231,378	-	-	(15,263)	(24,394)	(21,013)	-	1,020,570	1,170,708
SunTrust, NA Eminent Scholar Chair of Banking	1,020,000	1,906,152	-	-	(22,522)	(35,991)	-	-	1,020,000	1,847,639
William S. and Alice M. Jenkins Eminent Scholar Chair of Community Arts	1,007,547	1,302,838	-	100	(16,959)	(27,100)	(22,447)	-	1,007,547	1,236,432
Total Endowed	\$ 25,192,897	\$ 31,639,994	\$ 200	\$ 27,700	\$ (395,279)	\$ (632,825)	\$ (391,954)	\$ -	\$ 25,193,097	\$ 30,247,836

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 discrete component unit of the University of Central Florida)

Endowments Under Major Gifts Program
Schedule of Receipts, Expenditures and Endowments Balances
Year Ended June 30, 2012

Description Endowed	Beginning	Beginning	Corpus	Gifts to	Interest	Administrative	Other	Transfers	Ending	Ending
	Corpus Balance	Net Balance	Contributed During	Spending	Income and				Corpus Balance	Total Balance
	June 30,2011	June 30,2011	The Year	During	Earnings	Fees	Expenditures		June 30,2012	June 30,2012
				The Year	(Losses)					
ABC Fine Wine & Spirits Undergraduate Scholarship Endowment**	\$ 630,000	\$ 803,425	\$ -	\$ -	\$ (10,577)	\$ (16,904)	\$ -	\$ -	\$ 630,000	\$ 775,944
Accounting Advisory Board Research Support Fund	342,629	431,207	-	-	(5,119)	(8,178)	-	-	342,629	417,910
Accounting Advisory Board Endowed Scholarship	159,130	217,674	-	-	(2,456)	(3,926)	(17,500)	-	159,130	193,792
Al Ghazali Endowed Distinguished Professorship in Islamic Studies	690,543	765,745	-	-	(10,174)	(16,261)	-	-	690,543	739,310
Alex Alexander Endowed Professorship	195,679	270,396	-	-	(2,972)	(4,746)	(277)	-	195,679	262,401
Alumni Trust "A" Endowment	150,480	191,170	17,052	80	(2,023)	(4,011)	(6,370)	-	167,532	195,898
Alumni Trust "B" Endowment	150,000	205,187	-	-	(2,694)	(4,304)	(2,740)	-	150,000	195,449
Alumni Trust "C" Endowment	150,040	191,411	-	-	(2,521)	(4,030)	(4,114)	-	150,040	180,746
Alumni Trust "D" Endowment	151,167	170,965	-	-	(2,272)	(3,631)	(2,726)	-	151,167	162,336
Anheuser Busch Academic Enhancement Fund	750,000	892,691	-	-	(10,724)	(17,141)	-	-	750,000	864,826
ARDA Timeshare Professorship	150,000	184,264	-	-	(2,121)	(3,391)	-	-	150,000	178,752
Arthur and Sally Hillman Computer Science Graduate Fellowship	299,069	325,068	-	-	(4,173)	(6,671)	(10,000)	-	299,069	304,224
AT&T Wireless Endowed Scholarship	150,000	157,889	-	-	(2,094)	(3,346)	(1,500)	-	150,000	150,949
BE 2000 Leadership Endowed Scholarship Fund	1,063,996	1,515,129	-	-	(18,765)	(29,988)	(70,000)	-	1,063,996	1,396,376
Blue Cross and Blue Shield of Florida Endowed Professorship in Nursing	300,000	375,121	-	-	(4,337)	(6,933)	(4,355)	-	300,000	359,496
Bob Neel Rotary Club of Orlando Endowed Scholarship	187,500	196,552	-	-	(2,617)	(4,153)	-	-	187,500	189,752
Business Ethics Endowed Scholarship	145,000	154,750	-	-	(2,032)	(3,248)	(3,000)	-	145,000	146,470
C.G. Avery Professorship Endowment	151,430	221,268	-	-	(2,680)	(4,281)	(10,554)	-	151,430	203,753
CAE Link Endowed Professorship	180,000	300,131	-	-	(3,159)	(5,051)	(9,328)	-	180,000	282,593
CBA Department of Marketing Endowed Faculty Development Account	164,672	187,483	-	-	(2,303)	(3,684)	-	-	164,672	181,496
Central Florida Chapter ROTC Endowed Scholarship	150,075	175,649	-	-	(2,314)	(3,696)	-	-	150,075	169,639
Central Florida Kidney Center Endowed Scholarship	150,000	162,763	-	3,000	(2,148)	(3,556)	(6,000)	-	150,000	154,059
CFH and MA Professorship in Conference and Convention Management	150,000	264,291	-	-	(2,658)	(4,248)	(4,892)	-	150,000	252,493
Chatlos Foundation Endowed Fund	1,020,000	1,294,246	-	-	(15,270)	(24,403)	(40,059)	-	1,020,000	1,214,514
Conway Garden Club Endowed Professorship Fund	150,000	169,084	-	-	(2,247)	(3,590)	-	-	150,000	163,247
Daniel D. Hammond Engineering Endowed Scholarship	244,687	257,778	-	-	(3,414)	(5,459)	(3,000)	-	244,687	245,905
Darden Restaurants Academic Excellence Fund	4,000,002	5,136,361	-	-	(57,643)	(92,122)	-	-	4,000,002	4,986,596
Davis-Shine Endowed Professorship in Conservation Biology	150,000	169,084	-	-	(2,247)	(3,590)	-	-	150,000	163,247
Devos Endowment for Academics and Sports	10,000,000	10,188,067	-	-	(137,160)	(219,203)	-	-	10,000,000	9,831,704
DeVos Orlando Magic Sport Business Management Endowed Scholarship Fund	150,000	160,485	-	-	(2,115)	(3,383)	-	-	150,000	154,987
DeVos Sport Business Management Program Endowed Fund	5,000,025	5,892,938	-	226,500	(69,785)	(120,589)	(470,243)	-	5,000,025	5,458,821
Dick and Shirley Wetherill Endowed Music Scholarship	242,699	293,927	-	-	(3,392)	(5,420)	(2,750)	-	242,699	282,365
Doris H. Lester Merit Scholarship Fund	150,000	146,226	-	-	(1,969)	(3,145)	-	-	150,000	141,112
Dorothy Anne Perkins Tomlinson Endowed Scholarship Fund	150,000	157,488	-	2,000	(2,081)	(3,428)	(2,000)	-	150,000	151,979
Dr. P. Phillips Institute for Research and Education in Real Estate	1,780,000	1,784,172	-	-	(23,575)	(37,676)	(14,396)	-	1,780,000	1,708,525
Dr. Pattisapu R.J. Gangadharam Endowed Fund for Hydrocephalus Research	187,700	201,761	-	-	(2,604)	(4,162)	(8,334)	-	187,700	186,661
Dr. Phillips Institute for the Study of American Business Activity	308,600	779,039	100	-	(9,226)	(14,755)	-	-	308,700	755,158
Edmond R. and Victoria Wirths Endowed Scholarship	267,589	296,627	-	-	(3,734)	(5,970)	(3,250)	-	267,589	283,673
Elizabeth Willey Scholarship Endowment	150,200	176,905	-	-	(2,328)	(3,718)	(3,850)	-	150,200	167,009
Ernst and Young Professorship Endowment	154,549	268,310	-	-	(3,158)	(5,005)	(17,387)	-	154,549	242,715
Frank M. Hubbard Engineering Endowed Scholarship	152,000	206,864	-	-	(2,572)	(4,110)	(10,000)	-	152,000	190,182
Fullerton Family Fund Endowed	151,819	154,644	-	-	(2,120)	(3,385)	(1,417)	-	151,819	147,722
Gerald R. Langston Endowed Scholarship	152,493	152,329	-	-	(2,051)	(3,278)	-	-	152,493	147,000
Gerry and Ruth Hartman Endowed Professorship	150,000	166,708	-	-	(2,214)	(3,541)	(2,171)	-	150,000	158,782
Harris Rosen Endowed Fund	2,170,000	2,350,351	-	-	(61,844)	(49,910)	-	-	2,170,000	2,238,597
Harris Rosen Endowed Fund	2,170,000	2,129,412	-	-	(28,643)	(45,776)	-	-	2,170,000	2,054,993
Harris Corporation Broadcast Center Endowment Fund	150,000	180,782	-	-	(2,121)	(3,392)	-	-	150,000	175,269
Helene Fuld Health Trust Scholarship Fund for Baccalaureate Nursing Students	575,000	572,692	50	-	(7,709)	(12,323)	-	-	575,050	552,710
HFTP Financial Management and Technology Professorship Endowed Fund	150,000	178,692	-	-	(2,133)	(3,411)	-	-	150,000	173,148
Hospitality and Travel Industry Education and Research Program	6,000,000	7,358,771	200	-	(83,733)	(133,835)	-	-	6,000,200	7,141,403
Hubbs Sea World Endowed Professorship	150,000	157,562	-	-	(2,094)	(3,348)	(2,018)	-	150,000	150,102
Hughes Simulation Systems Professorship	180,060	386,440	-	-	(3,709)	(5,927)	-	-	180,060	376,804
Hydrocephalus and Neuroscience Endowed Fund	157,500	158,014	-	75,000	(2,127)	(6,400)	(70,000)	-	157,500	154,487
J. Willard and Alice S. Marriot Foundation Academic Excellence Fund	150,000	168,194	-	-	(2,094)	(3,347)	-	-	150,000	162,753
Jack D. Holloway Endowed Scholarship	600,000	736,368	-	-	(9,358)	(14,955)	(28,000)	-	600,000	684,055
James and Annie Ying Eminent Scholar in Biology Program Endowment	150,000	164,254	-	-	(2,183)	(3,488)	-	-	150,000	158,583
John L. Brinson Endowed Scholarship	101,000	125,711	-	-	(1,604)	(2,562)	(6,500)	-	101,000	115,045
John L. Brinson Ethics Professorship	50,520	114,197	-	-	(975)	(1,558)	(2,500)	-	50,520	109,164

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

Endowments Under Major Gifts Program
Schedule of Receipts, Expenditures and Endowments Balances (Continued)
Year Ended June 30, 2012

Description Endowed	Beginning Corpus Balance June 30,2011	Beginning Net Balance June 30,2011	Corpus Contributed During The Year	Gifts to Spending During The Year	Interest Income and Investment Earnings (Losses)	Administrative Fees	Other Expenditures	Transfers	Ending Corpus Balance June 30,2012	Ending Total Balance June 30,2012
Kenneth G. Dixon School of Accounting Endowment Fund	\$ 5,020,500	\$ 5,588,531	\$ -	\$ -	\$ (72,068)	\$ (115,173)	\$ (81,538)	\$ -	\$ 5,020,500	\$ 5,319,752
Kimball Foundation Minority Scholarship Endowment	152,300	182,675	-	-	(2,377)	(3,800)	(4,000)	-	152,300	172,498
KPMG Peat Marwick Professorship Endowment	172,875	217,287	-	-	(2,863)	(4,573)	(4,537)	-	172,875	205,314
Langford Family Foundation Endowed Scholarship Fund	169,545	173,930	-	-	(2,327)	(3,716)	-	-	169,545	167,887
Lockheed Martin Professorship in Engineering	150,000	251,931	-	-	(2,920)	(4,667)	(15,807)	-	150,000	228,537
Lockheed Martin St. Laurent Professorship	160,000	275,519	-	-	(3,335)	(5,329)	(4,636)	-	160,000	262,219
Lockheed Martin Transition to Mathematics and Science Teaching Endowed Fund	677,500	729,307	-	-	(9,342)	(14,929)	(8,000)	-	677,500	697,036
Lucia C. Cooke Endowed Music Scholarship	162,903	207,023	-	-	(2,317)	(3,704)	-	-	162,903	201,002
Margaret Scott Brown Memorial Endowed Music Fund	242,649	255,258	-	-	(3,389)	(5,417)	-	-	242,649	246,452
Mary P. Mcnamara Scholarship Endowment #1	150,000	178,247	-	-	(2,345)	(3,750)	(3,000)	-	150,000	169,152
Mary P. Mcnamara Scholarship Endowment #2	150,000	158,076	-	-	(2,095)	(3,349)	-	-	150,000	152,632
McArdle Graduate Assistantship in Real Estate	150,000	151,666	-	-	(2,017)	(3,224)	-	-	150,000	146,425
Mid-Florida Home Builders Scholarship Endowment	150,000	195,769	-	-	(2,578)	(4,121)	(4,245)	-	150,000	184,825
Moss Family Endowed Scholarship Fund	594,891	631,568	-	-	(8,377)	(13,387)	-	-	594,891	609,804
NAIOP Jim Brown Endowed Real Estate and Business Ethics Scholarship	204,100	223,835	-	-	(2,858)	(4,566)	(6,000)	-	204,100	210,411
Northrop Grumman Scholarship Fund	214,743	404,061	-	-	(4,485)	(7,168)	-	-	214,743	392,408
Orlando Sentinel Endowed Scholarship	252,500	254,337	-	-	(3,326)	(5,316)	(2,400)	-	252,500	243,295
Orlando Shakespeare Theater Endowment in Playwriting	775,000	797,541	-	-	(10,737)	(17,160)	-	-	775,000	769,644
Progress Energy Endowed Scholarship	151,500	284,021	-	-	(2,846)	(4,549)	(4,000)	-	151,500	272,626
Robert E. and Elisabeth S. Carey Memorial Endowment	338,343	379,563	-	-	(4,724)	(7,551)	-	-	338,343	367,288
Robertson Student Support Fund	287,279	295,641	-	-	(3,954)	(6,324)	-	-	287,279	285,363
Sadler National Merit Scholarship Endowment	675,000	691,714	-	-	(9,439)	(15,085)	(9,253)	-	675,000	657,937
SAIC Endowed Professorship	150,000	179,795	-	-	(2,182)	(3,488)	(7,524)	-	150,000	166,601
Skura Family Endowed Freedom Scholarship	700,026	745,033	-	-	(9,899)	(15,821)	(4,878)	-	700,026	714,435
Sonny's Endowment for the President's Scholars Program	150,100	169,613	-	1,600	(2,095)	(3,411)	-	-	150,100	165,707
Suchoski Graduate Fellowship Endowed Fund in the School of Optics/CREOL	300,000	363,786	-	-	(4,517)	(7,219)	(2,000)	-	300,000	350,050
Tess and Abe Wise Endowed Professorship in Judaic Studies	157,176	179,071	-	-	(2,372)	(3,791)	(200)	-	157,176	172,708
Tony and Sonja Nicholson Endowment for the Nicholson School of Communication	1,767,795	1,874,243	-	235	(24,019)	(38,397)	(7,986)	-	1,767,795	1,804,076
UCF College of Engineering and Computer Science Alumni Chapter Scholarship Endowment	264,971	282,705	-	-	(3,698)	(5,910)	(9,900)	-	264,971	263,197
UCF History Endowment Fund	150,083	162,587	-	-	(2,106)	(3,364)	(174)	-	150,083	156,943
University Club of Orlando Scholarship Fund	157,500	163,451	-	-	(2,197)	(3,511)	(258)	-	157,500	157,485
University Club of Orlando LEADS Scholarship Fund #1	150,000	173,131	-	-	(2,280)	(3,642)	(3,838)	-	150,000	163,371
Vivian and Barry Woods Educational Endowment	227,250	242,223	10,000	-	(2,661)	(5,662)	(4,000)	-	237,250	239,900
Walt Disney World Academic Excellence Fund	2,560,002	2,777,237	-	-	(35,251)	(56,336)	(1,505)	-	2,560,002	2,684,145
Walt Disney World Co. Ride and Show Engineering Scholarship	300,000	309,464	-	-	(4,188)	(6,693)	(3,000)	-	300,000	295,583
Walter & Betty Boardman Endowed Professorship in Environmental Studies	151,500	323,979	-	-	(3,251)	(5,196)	-	-	151,500	315,532
Wharton Smith Group Endowed Professorship	150,000	179,661	-	-	(2,172)	(3,471)	(10,070)	-	150,000	163,948
William C. Schwartz Graduate Research Fellowship	161,249	201,376	-	-	(2,457)	(3,927)	-	-	161,249	194,992
Total Endowed	\$ 62,577,133	\$ 72,049,567	\$ 27,402	\$ 308,415	\$ (930,229)	\$ (1,452,314)	\$ (1,043,980)	\$ -	\$ 62,604,535	\$ 68,958,861

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

Other Information

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Directors and Terms

Term Expires June 30, 2015 – 12 Individuals

Judy Albertson
Richard O. Baldwin, Jr.
Scott Buescher
Hany Girgis
James R. Hopes
Phyllis Klock

Ronald C. Thow
Rajesh S. Toleti
Rick Walsh
Jean Gould
Rita Lowndes
Jorge Lopez

Term Expires June 30, 2014 – 8 Individuals

Anthony Connelly
James A. Jahna, Sr.
Nelson J. Marchioli
Margery L. Pabst

John R. Sprouts
Mark Calabrese*
Marcos Marchena
Larry Tobin*

Term Expires June 30, 2013 – 10 Individuals

Rita Adler
Melanie Fernandez*
James Ferrell
George Glance
Suresh Gupta

Anthony Nicholson
Harold Mills
Manhar R. Rama
Kevin Barkman
Beat Kahli

Term Expires June 30, 2012 – 8 Individuals

Jim Atchison
Larry Chastang
Carol Craig
Gerald Rutberg

Kenneth Bradley
JoAnne Puglisi
Michael Manglardi
Michael J. Grindstaff

* Audit Committee member

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Ex-Officio Members

President, University of Central Florida (UCF)	Dr. John C. Hitt
President, University of Central Florida Athletics Association	Mr. David Albertson
Chairman, Seminole County Board of County Commissioners	Mr. Bob Dallari
President, Florida High Tech Corridor Council, Inc.	Mr. Randy E. Berridge
Mayor, City of Orlando	The Honorable Buddy Dyer
Chair, UCF Board of Trustees	The Honorable Richard Walsh
Orange County Mayor, Orange County Board of County Commissioners	The Honorable Teresa Jacobs
Mayor, City of Oviedo	The Honorable Dominic Persampiere
President & CEO, Metro Orlando Economic Development Commission	Mr. Rick Weddle
Chair, UCF Alumni Association, Inc.	Mr. Todd Woodard

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

Officers and Executive Committee

Officers

Chair	Mr. Michael Manglardi, '84
Vice Chair	Mr. Marcos Marchena, '82
Co-Vice Chair	Mr. James W. Ferrell, '80
Secretary	Mr. Larry F. Tobin, '83
Treasurer	Ms. Melanie Fernandez, '86
Immediate Past Chair	Mr. Michael J. Grindstaff, Esq., '78
Chief Executive Officer	Mr. Robert J. Holmes, Jr.
Chief Financial Officer	Mr. Albert J. Francis, II, '77

Executive Committee

Mr. Michael Manglardi, Chair & Chair, Compensation Committee
Mr. Marcos Marchena, Vice Chair & Chair, Real Estate Committee
Mr. James Ferrell, Co-Vice Chair & Chair, Investment Committee
Mr. Larry Tobin, Secretary & Chair, Audit Committee
Ms. Melanie Fernandez, Treasurer & Chair, Finance Committee
Dr. John C. Hitt, President, UCF
Mr. Michael Grindstaff, Immediate Past Chair, Chair, UCF Board of Trustees &
Chair, Directorship Committee
Mr. Kenneth Bradley, Chair, Strategic Planning Committee
Ms. JoAnne Puglisi, Chair, Due Diligence Committee
Mr. Todd Woodard, Chair, UCF Alumni Association

Executive Support Staff

Mr. Robert J. Holmes, Jr., Foundation Chief Executive Officer
Ms. Joyce Henckler, Foundation Chief Development Officer
Mr. Ben McMahan, Foundation Chief Operating Officer
Mr. Thomas Messina, Foundation Associate VP & Executive Director Alumni Relations
Ms. Margaret Cole, Foundation Associate VP for Administration & Legal Counsel
Dr. Daniel C. Holsenbeck, Vice President for University Relations, UCF
Mr. Albert J. Francis, II, Foundation Chief Financial Officer
Mr. William F. Merck, II, Vice President for Administration and Finance, UCF



**Report of Independent Certified Public Accountants
on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements
Performed in Accordance
with *Government Auditing Standards***

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

We have audited the financial statements of University of Central Florida Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States 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

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As 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 management, the Audit Committee, the Board of Directors, the Florida Auditor General, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Orlando, Florida
October 5, 2012



**Independent Auditor's Report
on Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Project and on
Internal Control Over Compliance in Accordance With
Chapter 10.650, *Rules of the Auditor General***

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

Compliance

We have audited the University of Central Florida Foundation, Inc.'s (the Foundation's) compliance with the types of compliance requirements described in the Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of its major state financial assistance projects for the year ended June 30, 2012. The Foundation's major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state financial assistance projects is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state financial assistance projects for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on its major state financial assistance projects to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Directors, others within the entity, applicable state awarding agencies and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Orlando, Florida
October 5, 2012

University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2012

<u>State Agency, Project Title</u>	<u>CSFA Number</u>	<u>Expenditures</u>
Department of Education and Commissioner of Education University Major Gift Program	48.074	\$ 1,435,934
Department of Highway Safety and Motor Vehicles University of Central Florida License Plate Project	76.029	<u>401,250</u>
Total expenditures of state financial assistance		<u>\$ 1,837,184</u>

See Notes to Schedule of Expenditures of State Financial Assistance.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2012**

1. Basis of Accounting

The accompanying schedule of expenditures of state financial assistance includes the state project activity of the University of Central Florida Foundation, Inc. (the "Foundation"), a discrete component unit of the University of Central Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Nature of Funding

During fiscal year 2006, the State of Florida established a program in the form of matching grants for eligible donations for the establishment of permanent endowments. The program established standard policies and procedures to evaluate the eligibility of private donations submitted for the state matching funds, specify the purpose and use of endowment proceeds, determine monetary value of a gift, align pledge donations with requirements, and document the receipt of gifts and donations. All eligible contributions are matched in accordance with the percentage schedule set forth in the Florida Statutes Section 1011.94.

The University Major Gifts program has been temporarily suspended by the State of Florida, and no funding was received from the state in the form of matching funds during the year ended June 30, 2012. The expenditures under the University Major Gift program in the accompanying Schedule of Expenditures of State Financial Assistance represent expenditures of earnings on endowments that have received state matching funds in prior years. These expenditures include amounts spent from earnings on both the state match portion and the private donor portions of the endowments.

**University of Central Florida Foundation, Inc.
(A Discrete Component Unit of the University of Central Florida)**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

II – Financial Statements Findings

None reported.

III – State Financial Assistance Findings

None reported.

IV – Summary Schedule of Prior Audit Findings

No findings reported in prior audits.



**Management Letter Required By
Chapter 10.650 of the *Rules of the
Auditor General of the State of Florida***

The Board of Directors
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, 2012, and have issued our report thereon dated October 5, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Project and on Internal Control over Compliance in Accordance with Chapter 10.650, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 5, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the Auditor General*, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, no matters came to our attention requiring disclosure pursuant to these rules.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Orlando, Florida
October 5, 2012