

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-134
February 2021

UNIVERSITY OF CENTRAL FLORIDA

For the Fiscal Year Ended
June 30, 2020



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 fiscal year, Dr. Alexander Cartwright served as President of the University of Central Florida from April 13, 2020, and Dr. Thad Seymour Jr. served as Interim President before that date. The following individuals served as Members of the Board of Trustees:

Beverly J. Seay, Chair from 7-18-19	John Lord through 1-6-20
Alex Martins, Vice Chair from 7-18-19 ^a	Caryl McAlpin from 1-7-20
Robert Garvy, Chair through 7-17-19 ^b	Harold Mills from 10-30-19 ^e
Kenneth Bradley	Michael Okaty from 1-7-20
Joseph D. Conte	Dr. William Self through 4-15-20 ^d
Danny Gaekwad	John R. Sprouls
Kyler Gray through 5-6-20 ^c	David Walsh
Dr. Joseph Harrington from 4-16-20 ^d	William E. Yeargin
Sabrina La Rosa from 5-7-20 ^c	

^a Vice Chair position vacant through 7-17-19.

^b Trustee served through 1-6-20.

^c Student Body President.

^d Faculty Senate Chair.

^e Trustee position vacant through 10-29-19.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Jeffrey M. Brizendine, CPA, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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UNIVERSITY OF CENTRAL FLORIDA

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of Central Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the University of Central Florida and its officers with administrative and stewardship responsibilities for University operations had:

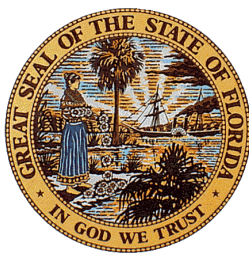
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2020. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the blended component units, represent 0.6 percent, 6.3 percent, and 0.4 percent, respectively, of the assets, liabilities, and net position reported for the University of Central Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, on our consideration of the University of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely 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 effectiveness of 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* in considering the University of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2020, and June 30, 2019.

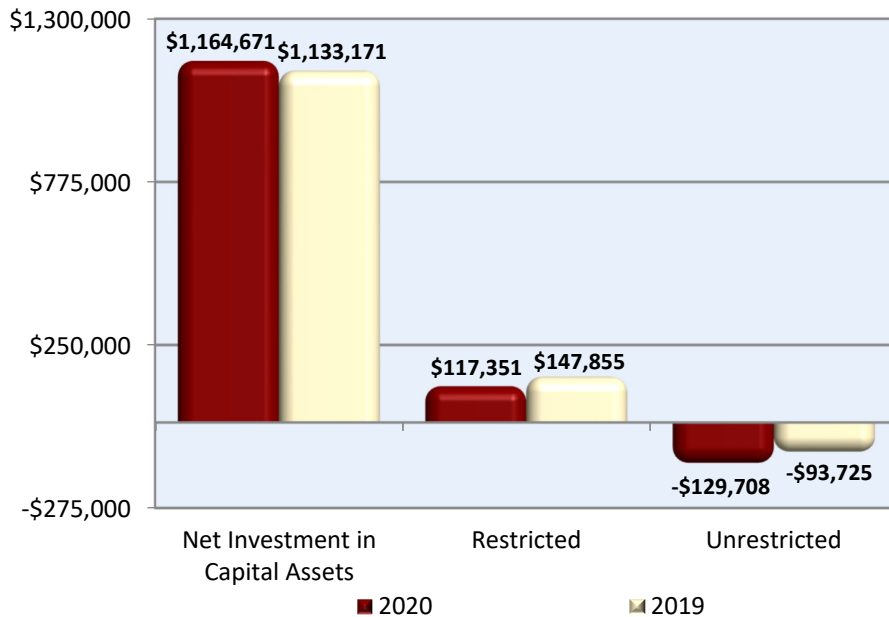
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$2.3 billion at June 30, 2020. This balance reflects a \$82.4 million, or 3.8 percent, increase as compared to June 30, 2019, primarily from an increase of deferred outflows related to postemployment benefits. Liabilities and deferred inflows of resources increased by \$117.4 million, or 12 percent, totaling \$1.1 billion at June 30, 2020, resulting primarily from annual changes in actuarial determined amounts for other postemployment benefits and pensions. As a result, the University's net position decreased by \$35 million, resulting in a year-end balance of \$1.2 billion.

The University's operating revenues totaled \$566.3 million for the 2019-20 fiscal year, representing a 1.3 percent increase compared to the 2018-19 fiscal year. Operating expenses totaled \$1.3 billion for the 2019-20 fiscal year, representing an increase of 6.4 percent as compared to the 2018-19 fiscal year due mainly to increases in compensation and employee benefits and scholarships, fellowships, and waivers.

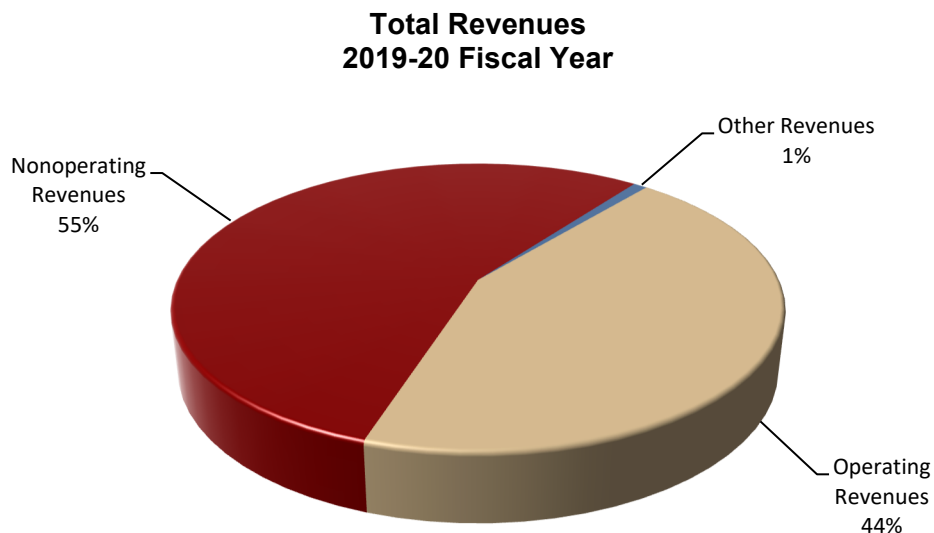
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:

Net Position (In Thousands)



The deficit unrestricted net position for 2020 and 2019 can be attributed primarily to the full recognition of certain long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable and net pension liabilities) in the current unrestricted funds that are expected to be paid over time. Additional information about the University's deficit position in individual funds is presented in Note 3. in the accompanying notes to financial statements.

The following chart provides a graphical presentation of University revenues by category for the 2019-20 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Units
 - UCF Finance Corporation
 - University of Central Florida College of Medicine Self-Insurance Program
- Discretely Presented Component Units
 - University of Central Florida Foundation, Inc.
 - University of Central Florida Research Foundation, Inc.
 - UCF Athletics Association, Inc.
 - UCF Convocation Corporation
 - UCF Stadium Corporation
 - Central Florida Clinical Practice Organization, Inc.
 - UCF Academic Health, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2020	2019
Assets		
Current Assets	\$ 623,245	\$ 601,080
Capital Assets, Net	1,302,709	1,286,116
Other Noncurrent Assets	91,445	128,598
Total Assets	2,017,399	2,015,794
Deferred Outflows of Resources	234,747	153,916
Liabilities		
Current Liabilities	124,556	141,798
Noncurrent Liabilities	889,696	759,988
Total Liabilities	1,014,252	901,786
Deferred Inflows of Resources	85,580	80,623
Net Position		
Net Investment in Capital Assets	1,164,671	1,133,171
Restricted	117,351	147,855
Unrestricted	(129,708)	(93,725)
Total Net Position	\$ 1,152,314	\$ 1,187,301

Total liabilities as of June 30, 2020, increased by \$112.4 million, or 12.5 percent. Deferred outflows of resources increased by \$80.8 million, or 52.5 percent. Deferred inflows of resources increased by \$5 million, or 6.1 percent. These changes were primarily related to annual changes in actuarial determined amounts for other postemployment benefits and pensions.

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

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
Operating Revenues	\$ 566,256	\$ 558,896
Less, Operating Expenses	<u>1,278,481</u>	<u>1,201,207</u>
Operating Loss	(712,225)	(642,311)
Net Nonoperating Revenues	<u>666,127</u>	<u>627,432</u>
Loss Before Other Revenues	(46,098)	(14,879)
Other Revenues	<u>11,111</u>	<u>104,394</u>
Net Increase (Decrease) In Net Position	(34,987)	89,515
Net Position, Beginning of Year	<u>1,187,301</u>	<u>1,097,786</u>
Net Position, End of Year	<u><u>\$ 1,152,314</u></u>	<u><u>\$ 1,187,301</u></u>

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2019-20 and 2018-19 fiscal years:

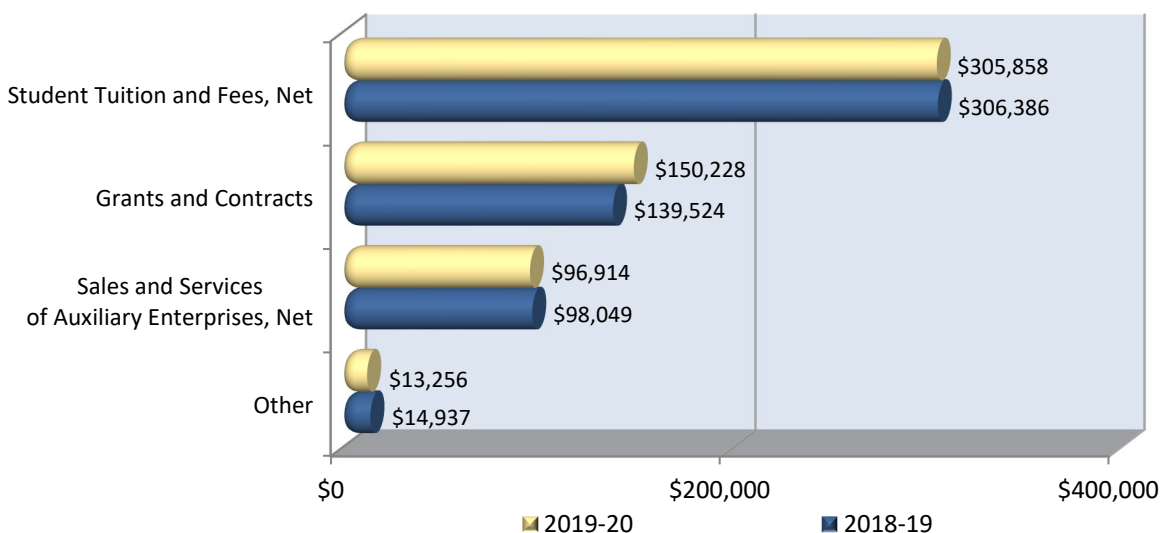
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
Student Tuition and Fees, Net	\$ 305,858	\$ 306,386
Grants and Contracts	150,228	139,524
Sales and Services of Auxiliary Enterprises, Net	96,914	98,049
Other	<u>13,256</u>	<u>14,937</u>
Total Operating Revenues	<u><u>\$ 566,256</u></u>	<u><u>\$ 558,896</u></u>

The following chart presents the University's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues (In Thousands)



Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

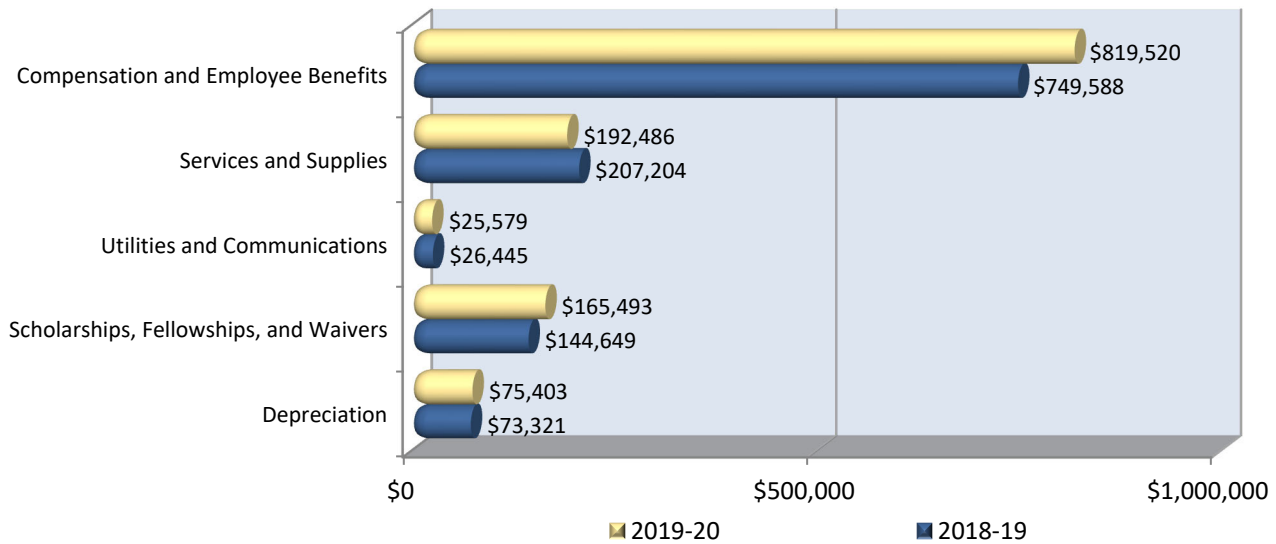
The following summarizes operating expenses by natural classification for the 2019-20 and 2018-19 fiscal years:

Operating Expenses For the Fiscal Years (In Thousands)

	2019-20	2018-19
Compensation and Employee Benefits	\$ 819,520	\$ 749,588
Services and Supplies	192,486	207,204
Utilities and Communications	25,579	26,445
Scholarships, Fellowships, and Waivers	165,493	144,649
Depreciation	75,403	73,321
Total Operating Expenses	\$ 1,278,481	\$ 1,201,207

The following chart presents the University's operating expenses for the 2019-20 and 2018-19 fiscal years:

Operating Expenses (In Thousands)



Operating expenses increased \$77.3 million, or 6.4 percent, over the 2018-19 fiscal year. Compensation and employee benefits increased by \$70 million. Salaries increased \$25.6 million due to investments in the University faculty hiring plan including support personnel, growth in post-doctoral medical resident programs, and annual salary increases. Retirement and benefit expenses including actuarial determined pension expenses and healthcare expenses increased \$44.4 million. Services and supplies decreased by \$14.7 million, or 7.1 percent, due to a decrease in startup costs related to the Downtown Campus and decreased travel expenses because of a travel freeze in response to the COVID-19 pandemic. Scholarships, fellowships, and waivers increased by \$20.8 million, or 14.4 percent, resulting from increased awards for the Florida Bright Futures Scholarship Program and Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
State Noncapital Appropriations	\$ 378,429	\$ 383,229
Federal and State Student Financial Aid	264,065	231,707
Investment Income	28,695	31,338
Other Nonoperating Revenues	40,405	24,131
Loss on Disposal of Capital Assets	(323)	(614)
Interest on Capital Asset-Related Debt	(5,952)	(6,678)
Other Nonoperating Expenses	(39,192)	(35,681)
Net Nonoperating Revenues	<u><u>\$ 666,127</u></u>	<u><u>\$ 627,432</u></u>

Net nonoperating revenues increased by \$38.7 million, or 6.2 percent, primarily due to a rise in Federal and State student financial aid of \$32.4 million. The University received Federal CARES Act funding for emergency student financial aid awards in response to the COVID-19 pandemic and additional funds for the Florida Bright Futures Scholarship Program in the 2019-20 fiscal year.

Other Revenues

This category is composed of State capital appropriations, capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2019-20 and 2018-19 fiscal years:

Other Revenues
For the Fiscal Years
(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
State Capital Appropriations	\$ 9,338	\$ 13,849
Capital Transfers In	-	78,269
Capital Grants, Contracts, Donations, and Fees	1,773	12,276
Total	<u><u>\$ 11,111</u></u>	<u><u>\$ 104,394</u></u>

Other revenues were \$11.1 million for the 2019-20 fiscal year. This represents a \$93.3 million decrease compared to the 2018-19 fiscal year due primarily to the transfer of the convocation center residential, parking, and retail assets from the UCF Convocation Corporation to the University in the 2018-19 fiscal year and a decrease in donations related to the Downtown Campus.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and

use of cash related to purchasing or selling investments and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows		
For the Fiscal Years		
(In Thousands)		
	2019-20	2018-19
Cash Provided (Used) by:		
Operating Activities	\$ (587,238)	\$ (524,569)
Noncapital Financing Activities	632,128	602,054
Capital and Related Financing Activities	(82,972)	(100,304)
Investing Activities	75,155	25,309
Net Increase in Cash and Cash Equivalents	37,073	2,490
Cash and Cash Equivalents, Beginning of Year	28,274	25,784
Cash and Cash Equivalents, End of Year	\$ 65,347	\$ 28,274

Cash and cash equivalents increased \$37.1 million. Cash used by operating activities increased by \$62.7 million compared to the 2018-19 fiscal year primarily due to an increase in cash payments to and on behalf of employees for compensation and benefits and payments to students for scholarships and fellowships. Cash inflows from noncapital financing activities increased by \$30.1 million primarily due to an increase in cash received from Federal and State student financial aid and State appropriations net of pass-through disbursements and CARES Act funding. Cash used by capital and related financing activities decreased by \$17.3 million primarily due to decreased construction activities as many large projects such as the Downtown Campus were completed. Cash provided by investing activities increased by \$49.8 million primarily due to the liquidation of equity investments.

Major sources of funds came from State noncapital appropriations (\$379.2 million), net student tuition and fees (\$302.9 million), Federal and State student financial aid (\$264.1 million), grants and contracts (\$150.4 million), and net sales and services of auxiliary enterprises (\$100.5 million). Major uses of funds were for payments made to and on behalf of employees (\$769.5 million), payments to suppliers (\$219.2 million), payments to students for scholarships and fellowships (\$165.5 million), and payments related to the purchase or construction of capital assets totaling (\$100 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the University had \$2.3 billion in capital assets, less accumulated depreciation of \$963.5 million, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$75.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2020	2019
Land	\$ 43,016	\$ 43,016
Construction in Progress	34,516	113,518
Buildings	1,100,552	1,016,409
Infrastructure and Other Improvements	44,199	36,052
Furniture and Equipment	39,974	42,003
Library Resources	28,768	27,452
Leasehold Improvements	11,173	7,088
Works of Art and Historical Treasures	511	578
Capital Assets, Net	\$1,302,709	\$1,286,116

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2020, were incurred on projects completed: UCF Downtown Academic Building, the John C. Hitt Library Renovations Phase 1A, UCF Downtown Parking Garage, UCF Downtown Central Energy Plant, and projects currently in progress: Partnership IV, Roth Athletic Center, and Student Union Expansion. The University's major construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	\$ 43,306
Completed to Date	(34,516)
Balance Committed	\$ 8,790

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

Debt Administration

As of June 30, 2020, the University had \$158.5 million in outstanding capital improvement debt payable, and loans and notes payable, representing a decrease of \$10.8 million, or 6.4 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2020	2019
Capital Improvement Debt	\$ 96,126	\$ 108,453
Loans and Notes Payable	62,347	60,861
Total	\$ 158,473	\$ 169,314

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a modest increase in State funding is anticipated in the 2020-21 fiscal year. The University manages this through the continual efficient and strategic use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments. The budget that the Florida Legislature adopted for the 2020-21 fiscal year included \$32.3 million in base funding increases for the State University System of which the University received \$1.5 million.

In addition to State funding, the University relies on other revenue streams to maintain the open access to, and high quality of, its academic programs. Net tuition and fee revenue decreased 0.2 percent from the 2018-19 fiscal year to the 2019-20 fiscal year. The decrease was primarily due to a 11 percent increase in tuition scholarship allowance. Overall, enrollment increased 1.4 percent with a student count of approximately 69,525. The change was primarily due to a 917 headcount increase in undergraduate students entering college for the first time and a 305 headcount increase in students pursuing a Master's degree. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students' success.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and resulted in governments enacting emergency measures such as travel bans, quarantine periods and social distancing requirements to combat the spread of the virus. In response to the State University System of Florida Board of Governors directive, the University asked students to vacate University housing residences in March 2020 and moved to an online learning platform for the remainder of the Spring academic term then extended through the summer academic term. In June 2020, the State University System Board of Governor's approved the University's Fall 2020 reopening plan that included enhanced cleaning and disinfecting, required face coverings, modified classroom capacity for face-to-face instruction, increased online instruction, COVID-19 testing and contact tracing, and reopening of student housing at reduced occupancy levels to allow for social distancing and quarantine space. The University's financial results for the 2020-21 fiscal year are anticipated to be affected as follows:

- Possible reduction of State funding; however, at this time these potential funding reductions are uncertain.

- No expected negative impact to net tuition and fee revenues as Fall 2020 enrollment slightly increased compared to Fall 2019.
- Cost increases related to increased online instruction and safety measures taken to keep students, faculty, and staff safe. These costs will be partially covered by Federal CARES Act funding awarded to the University for institutional costs incurred in response to COVID-19.
- Reduced fall Housing revenues, however, these reduced revenues will be partially offset by Housing cost savings. Additionally, the University has reserved cash to cover the full 2020-21 fiscal year Housing debt service payments.
- In order to provide additional support to students, faculty, and staff, the University extended existing parking permits originally expiring in August 2020 to December 2020. The reduction in parking permit revenue will be partially offset by cost savings and is not expected to have a material impact on the University's Parking segment. Additionally, the University has reserved cash to cover the full 2020-21 fiscal year Parking debt service payments.

Management continues to monitor the extent to which the coronavirus may impact University operations, but the extent of the financial impact will depend on future developments, which are highly uncertain and cannot be predicted.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

BASIC FINANCIAL STATEMENTS

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

June 30, 2020

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 49,198,478	\$ 15,329,610
Restricted Cash and Cash Equivalents	3,328,814	17,819,875
Investments	462,046,580	-
Accounts Receivable, Net	72,814,320	18,427,373
Loans and Notes Receivable, Net	477,611	-
Due from State	24,626,543	-
Due from Component Units	929,807	851,183
Due from University	-	25,157,084
Inventories	3,417,493	-
Other Current Assets	6,405,408	2,749,208
Total Current Assets	623,245,054	80,334,333
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,819,495	8,638,512
Restricted Investments	66,586,608	236,494,025
Loans and Notes Receivable, Net	3,104,605	12,614,980
Depreciable Capital Assets, Net	1,224,959,624	85,744,738
Nondepreciable Capital Assets	77,749,820	78,157,447
Due from Component Units	5,198,890	-
Other Noncurrent Assets	3,735,014	515,375
Total Noncurrent Assets	1,394,154,056	422,165,077
Total Assets	2,017,399,110	502,499,410
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	99,782,263	-
Pensions	123,390,111	-
Deferred Amount on Debt Refundings	11,575,149	4,539,859
Total Deferred Outflows of Resources	234,747,523	4,539,859
LIABILITIES		
Current Liabilities:		
Accounts Payable	13,480,150	6,467,580
Construction Contracts Payable	13,879,047	-
Salary and Wages Payable	8,945,639	-
Deposits Payable	7,146,083	-
Due to Component Units	25,157,084	851,183
Due to University	-	929,807
Unearned Revenue	31,421,704	15,904,897
Other Current Liabilities	3,340,699	2,182,567
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	7,460,000	-
Bonds Payable	-	9,965,000
Loans and Notes Payable	2,621,000	5,175,000
Compensated Absences Payable	4,779,149	106,123
Other Postemployment Benefits Payable	5,172,704	-
Net Pension Liability	1,152,956	-
Total Current Liabilities	124,556,215	41,582,157

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	88,665,838	-
Bonds Payable	-	198,911,527
Loans and Notes Payable	59,726,398	80,237,000
Compensated Absences Payable	56,914,453	653,327
Other Postemployment Benefits Payable	394,825,270	-
Net Pension Liability	284,486,662	-
Unearned Revenue	-	14,013
Due to University	-	5,198,890
Other Noncurrent Liabilities	5,077,523	318,973
Total Noncurrent Liabilities	889,696,144	285,333,730
Total Liabilities	1,014,252,359	326,915,887
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	67,971,397	-
Pensions	17,608,935	-
Total Deferred Inflows of Resources	85,580,332	-
NET POSITION		
Net Investment in Capital Assets	1,164,671,394	81,243,326
Restricted for Nonexpendable:		
Endowment	-	143,793,755
Restricted for Expendable:		
Debt Service	6,426	-
Loans	3,117,611	-
Capital Projects	82,874,539	4,387,079
Other	31,351,813	111,905,685
Unrestricted	(129,707,841)	(161,206,463)
TOTAL NET POSITION	\$ 1,152,313,942	\$ 180,123,382

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

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$221,585,494 (Pledged for Capital		
Improvement Debt: \$12,628,110 for Parking)	\$ 305,858,103	\$ -
Federal Grants and Contracts	111,049,095	-
State and Local Grants and Contracts	10,729,938	-
Nongovernmental Grants and Contracts	28,449,358	-
Sales and Services of Auxiliary Enterprises, Net		
(Pledged for Capital improvement Debt:		
\$24,992,916 for Housing and \$6,076,165 for Parking)	96,914,456	-
Gifts and Donations	-	24,305,465
Interest on Loans and Notes Receivable	145,074	-
Other Operating Revenues:		
(Pledged for Capital Improvement Debt: \$534,864 for		
Housing and \$800,551 for Parking)	13,109,647	127,265,484
Total Operating Revenues	<u>566,255,671</u>	<u>151,570,949</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	819,520,266	22,108,092
Services and Supplies	192,485,669	118,919,140
Utilities and Communications	25,579,391	-
Scholarships, Fellowships, and Waivers	165,492,540	-
Depreciation	75,403,409	4,324,252
Total Operating Expenses	<u>1,278,481,275</u>	<u>145,351,484</u>
Operating Income (Loss)	<u>(712,225,604)</u>	<u>6,219,465</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	378,428,621	-
Federal and State Student Financial Aid	264,065,349	-
Investment Income	28,695,380	1,276,895
Other Nonoperating Revenues	40,405,495	22,298,159
Loss on Disposal of Capital Assets	(323,191)	-
Interest on Capital Asset-Related Debt	(5,952,072)	(8,385,876)
Other Nonoperating Expenses	(39,191,726)	(6,210,183)
Net Nonoperating Revenues	<u>666,127,856</u>	<u>8,978,995</u>
Income (Loss) Before Other Revenues	<u>(46,097,748)</u>	<u>15,198,460</u>
State Capital Appropriations	9,337,817	-
Capital Grants, Contracts, Donations, and Fees	1,772,786	-
Additions to Permanent Endowments	-	4,613,816
Increase (Decrease) in Net Position	<u>(34,987,145)</u>	<u>19,812,276</u>
Net Position, Beginning of Year	1,187,301,087	145,174,106
Adjustment to Beginning Net Position	-	15,137,000
Net Position, Beginning of Year, as Restated	<u>1,187,301,087</u>	<u>160,311,106</u>
Net Position, End of Year	<u>\$ 1,152,313,942</u>	<u>\$ 180,123,382</u>

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

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

For the Fiscal Year Ended June 30, 2020

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 302,948,635
Grants and Contracts	150,434,449
Sales and Services of Auxiliary Enterprises, Net	100,541,191
Interest on Loans and Notes Receivable	147,924
Payments to Employees	(769,482,938)
Payments to Suppliers for Goods and Services	(219,209,679)
Payments to Students for Scholarships and Fellowships	(165,492,540)
Collection on Loans to Students	1,366,788
Other Operating Receipts	11,508,360
Net Cash Used by Operating Activities	<u>(587,237,810)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	379,237,888
Federal and State Student Financial Aid	264,065,349
Federal Direct Loan Program Receipts	219,797,295
Federal Direct Loan Program Disbursements	(219,797,295)
Net Change in Funds Held for Others	2,270,819
Other Nonoperating Disbursements	(13,446,463)
Net Cash Provided by Noncapital Financing Activities	<u>632,127,593</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	14,339,312
State Capital Appropriations	20,210,120
Capital Grants, Contracts, Donations and Fees	1,898,266
Other Receipts for Capital Projects	12,298,686
Purchase or Construction of Capital Assets	(100,046,248)
Principal Paid on Capital Debt and Leases	(25,678,794)
Interest Paid on Capital Debt and Leases	(5,993,957)
Net Cash Used by Capital and Related Financing Activities	<u>(82,972,615)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,008,223,848
Purchases of Investments	(950,917,978)
Investment Income	17,849,402
Net Cash Provided by Investing Activities	<u>75,155,272</u>
Net Increase in Cash and Cash Equivalents	37,072,440
Cash and Cash Equivalents, Beginning of Year	<u>28,274,347</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 65,346,787</u></u>

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (712,225,604)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	75,403,409
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(3,967,904)
Inventories	(856,087)
Other Assets	(1,418,237)
Accounts Payable	(385,559)
Salaries and Wages Payable	(18,851,853)
Deposits Payable	193,071
Compensated Absences Payable	2,438,509
Unearned Revenue	4,522,237
Other Liabilities	1,459,536
Other Postemployment Benefits Payable	106,664,974
Net Pension Liability	36,340,029
Deferred Outflows of Resources Related to Other Postemployment Benefits	(93,563,263)
Deferred Inflows of Resources Related to Other Postemployment Benefits	8,903,397
Deferred Outflows of Resources Related to Pensions	12,051,301
Deferred Inflows of Resources Related to Pensions	(3,945,766)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (587,237,810)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 24,725,020
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (323,191)
Donations of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 256,967
Capital transfers from a component unit were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 1,000,000

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Units. Based on the application of the criteria for determining component units, the UCF Finance Corporation (Corporation) and the University of Central Florida College of Medicine Self-Insurance Program (Program) are included within the University's reporting entity as blended component units, and are therefore reported as if they are part of the University. The Corporation's purpose is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Program's purpose is to provide comprehensive general liability and professional liability coverage for the University's Trustees and students for claims and actions arising from clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health Professions and Sciences (previously included in the College of Health and Public Affairs), and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. Condensed financial statements for the University's blended component units are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Central Florida Clinical Practice Organization, Inc. (an affiliated organization), are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards.

Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of Central Florida Foundation, Inc. is a not-for-profit Florida Corporation whose principal function is to provide charitable and educational aid to the University.
- University of Central Florida Research Foundation, Inc. was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc. was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- UCF Stadium Corporation was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc. is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical education program and clinical faculty within the College of Medicine.
- UCF Academic Health, Inc. is a not-for-profit Florida Corporation whose purpose is to promote and support medical education, research, and patient care through the planning and development of clinical initiatives and affiliated partnerships that serve the education, research and clinical mission and objectives of the College of Medicine.
- Limbitless Solutions, Inc. is a not-for-profit Florida Corporation whose purpose is to develop affordable open source 3D printed bionic solutions for individuals with disabilities, increase accessibility with art infused bionics, and to promote access and engagement in STEM/STEAM education. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position

- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements
- Other Required Supplementary Information

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied the "Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of 3 months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University also holds \$17,013,865 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$3,328,814 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

<u>Component Unit</u>	<u>Cash in Bank</u>	<u>Money Market Funds</u>	<u>Total</u>
University of Central Florida Foundation, Inc.	\$ 8,935,962	\$ 7,781,497	\$ 16,717,459
University of Central Florida Research Foundation, Inc.	424,132	-	424,132
UCF Athletics Association, Inc.	3,769,974	-	3,769,974
UCF Convocation Corporation	404,288	17,752,866	18,157,154
UCF Stadium Corporation	-	116,473	116,473
UCF AcademicHealth, Inc.	298,764	-	298,764
Central Florida Clinical Practice Organization, Inc.	2,304,041	-	2,304,041
Total Component Units	\$ 16,137,161	\$ 25,650,836	\$ 41,787,997

The University holds certain cash balances for various discretely presented component units. Cash amounts held for University of Central Florida Research Foundation, Inc., UCF Convocation Corporation, and UCF Stadium Corporation were \$17,794,537, \$3,525,391, and \$3,571,957, respectively.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the component unit will not be able to recover deposits.

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits. At June 30, 2020, approximately \$8,559,721 in cash deposits were not insured by Federal deposit insurance and were not collateralized.

- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2020, no part of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **UCF Convocation Corporation** – At June 30, 2020, the Convocation Corporation held \$17,752,866 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **UCF Stadium Corporation** – At June 30, 2020, the Stadium Corporation held \$116,473 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2020, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$2,126,940, were in excess of the Federal deposit insurance limit as of June 30, 2020.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, leasehold improvements, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, \$5,000 for tangible personal property, and \$250 for library resources. New buildings and improvements have a \$100,000 capitalization threshold. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 5 to 10 years
- Library Resources – 10 years
- Leasehold Improvements – the lesser of the remaining lease term, or the estimated useful life of the improvement.
- Works of Art and Historical Treasures – 5 to 15 years
- Computer Software – 5 to 10 years

Noncurrent Liabilities Noncurrent liabilities include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

Pensions For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans.

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Adjustment to Beginning Net Position

The UCF Academic Health, Inc. (UCFAH) commenced operations during the 2019-20 fiscal year. The beginning net position of the discretely presented component unit column was increased by \$15,137,000 due to the inclusion of an equity investment from a prior year when UCFAH entered into an agreement with Hospital Corporation of America to form Central Florida Health Services for the purpose of constructing and operating a new hospital and medical center facility.

3. Deficit Net Position in Individual Funds

The University reported an unrestricted net position at June 30, 2020, which included a deficit in the current funds – unrestricted as shown below:

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (211,044,491)
Auxiliary Funds	81,336,650
Total	\$ (129,707,841)

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

	<u>Amount</u>
Total Unrestricted Net Position Before Recognition of Certain Long-Term Liabilities, Deferred Outflows and Deferred Inflows of Resources	<u>\$ 480,031,311</u>
Amount Expected to be Paid in Future Years:	
Compensated Absences Payable	61,693,602
Other Postemployment Benefits Payable and Related Deferred Outflows and Deferred Inflows of Resources	368,187,108
Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources	<u>179,858,442</u>
Total Amount Expected to be Paid in Future Years	<u>609,739,152</u>
Total Unrestricted Net Position	<u>\$ (129,707,841)</u>

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered

by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

All of the University's recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs), with the exception of corporate, municipal and other bonds, certain Federal agency obligations and certificates of deposit which are valued using a matrix pricing models which may consider quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2020, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 225,515,595	\$ -	\$ -	\$ 225,515,595
SBA Debt Service Accounts	6,426	6,426	-	-
Certificates of Deposit	250,527	-	250,527	-
Obligations of United States Government				
Agencies and Instrumentalities	48,921,119	48,921,119	-	-
Federal Agency Obligations	33,579,576	202,956	33,376,620	-
Bonds and Notes	105,999,528	-	105,999,528	-
Mutual Funds				
Equities	93,819,702	93,819,702	-	-
Bonds	20,540,715	20,540,715	-	-
Total investments by fair value level	\$ 528,633,188	\$ 163,490,918	\$ 139,626,675	\$ 225,515,595

Investments held by the University's component units at June 30, 2020, are reported as follows:

	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	University of Central Florida Academic Health, Inc.	Total	Fair Value Measurements Using		
					Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level							
Equity - Domestic	\$ 4,054,381	\$ 306,508	\$ -	\$ 4,360,889	\$ 4,267,316	\$ 62,797	\$ 30,776
Equity - International	29,925,457	-	-	29,925,457	29,925,457	-	-
Domestic - Fixed Income	48,333,690	-	-	48,333,690	48,333,690	-	-
Global All Assets	10,598,666	-	-	10,598,666	10,598,666	-	-
Real Assets	5,000,000	-	-	5,000,000	-	-	5,000,000
Total investments by fair value level	97,912,194	306,508	-	98,218,702	\$ 93,125,129	\$ 62,797	\$ 5,030,776
Investments measured at the net asset value (NAV)							
Equity - Domestic	13,859,603	-	-	13,859,603			
Equity - International	43,934,533	-	-	43,934,533			
Domestic - Fixed Income	3,100,083	-	-	3,100,083			
International Fixed Income	16,979,591	-	-	16,979,591			
Global All Assets	4,617,615	-	-	4,617,615			
Private Equity Funds	9,866,378	-	-	9,866,378			
Private Debt Funds	7,129,644	-	-	7,129,644			
Hedge Funds:							
Credit	7,835,923	-	-	7,835,923			
Event Driven	7,297,978	-	-	7,297,978			
Global Macro	4,923,700	-	-	4,923,700			
Long/Short	118,654	-	-	118,654			
Equity Linked	2,353,655	-	-	2,353,655			
Real Assets	1,120,966	-	-	1,120,966			
Total investments measured at the NAV	123,138,323	-	-	123,138,323			
Investments measured using the equity method	-	-	15,137,000	15,137,000			
Total investments	\$ 221,050,517	\$ 306,508	\$ 15,137,000	\$ 236,494,025			

All of the University's component units' recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs), with the exception of equity investments valued quarterly by respective fund managers (Level 2 inputs) and real assets valued based on an appraisal utilizing recent sale and property comparisons of like assets (Level 3 inputs).

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

Investments measured at the net asset value (NAV)	University of Central Florida Foundation, Inc.	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity - Domestic	\$ 13,859,603	\$ -	Immediate	
Equity - International	43,934,533	-	Immediate	
Domestic - Fixed Income	3,100,083	-	Immediate	
International Fixed Income	16,979,591	-	Monthly	30 Days
Global All Assets	4,617,615	-	Immediate	
Private Equity Funds	9,866,378	9,564,116		
Private Debt Funds	7,129,644	3,820,017		
Hedge Funds:				
Credit	7,835,925	-	Monthly/Quarterly	30-90 Days
Event Driven	7,297,976	632,261	Monthly/Quarterly	60-90 Days
Global Macro	4,923,700	-	Monthly/Quarterly	30-62 Days
Long/Short	118,654	-	Monthly	30 Days
Equity Linked	2,353,655	-	Quarterly	60 Days
Real Assets	1,120,966	3,917,988		
Total investments measured at the NAV	\$ 123,138,323	\$ 17,934,382		

Net Asset Value.

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

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

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

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

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

Private Equity and Private Debt Funds: Private equity and private debt includes distinct limited partnerships or limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Private equity and private debt are not traded on a public, primary exchange. Private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. Private debt funds aim to take advantage of structural imbalances between demand and supply of credit for consumers, small and medium enterprises, and trade finance consisting of private notes and bonds with equity components. In this portfolio, private equity capital and private debt are invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

Credit Hedge Funds: The credit linked class of hedge funds seeks to profit from the mispricing of related debt securities. Returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between

securities that deviate from their fair value and/or historical norms. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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

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

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

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

Real Assets: Real assets include two investment vehicles consisting of a distinct limited liability company. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Real assets consist of capital not traded on a public, primary exchange. For purposes of this portfolio, real assets include private holdings in domestic and international real estate. Real asset commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, real assets capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

External Investment Pools.

The University reported investments at fair value totaling \$225,515,595 at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the

State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years, and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts.

The University reported investments totaling \$6,426 at June 30, 2020, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments.

The University and its discretely presented component units invested in various debt and equity securities, mutual funds, and certificates of deposit. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities, bond mutual funds, and debt related hedge funds, and their future maturities at June 30, 2020, are as follows:

University Debt Investments Maturities

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>More Than 5</u>
United States Government and				
Federally-Guaranteed Obligations	\$ 48,921,119	\$ 6,193,647	\$ 35,019,557	\$ 7,707,915
Federal Agency Obligations	33,579,576	1,808,450	13,025,027	18,746,099
Bonds and Notes	105,999,528	10,080,812	71,963,898	23,954,818
Mutual Funds - Bonds	20,540,715	828,852	10,516,974	9,194,889
Total	\$ 209,040,938	\$ 18,911,761	\$ 130,525,456	\$ 59,603,721

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)			Investments Not Directly Subject To Interest Rate Risk (1)
		Less Than 1	1 - 5	More Than 5	
Domestic Fixed Income	\$ 51,433,773	\$ -	\$ 34,450,417	\$ 13,883,273	\$ 3,100,083
International Fixed Income	16,979,591	-	-	-	16,979,591
Global All Assets	15,216,280	-	4,895,734	5,702,931	4,617,615
Private Debt	7,129,644	-	-	-	7,129,644
Hedge Funds	7,835,923	-	-	-	7,835,923
Total	\$ 98,595,211	\$ -	\$ 39,346,151	\$ 19,586,204	\$ 39,662,856

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's component units' investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories. The following schedule represents the ratings at June 30, 2020, of the University's and its component units' debt instruments using Moody's and Standard & Poor's nationally recognized rating agencies:

University Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A
Federal Agency Obligations	\$ 33,579,576	\$ 28,157,648	\$ 5,421,928	\$ -	\$ -
Bonds and Notes	105,999,528	36,801,434	21,377,018	44,689,534	3,131,542
Mutual Funds - Bonds	20,540,715	-	4,084,001	793,177	15,663,537
Total	\$ 160,119,819	\$ 64,959,082	\$ 30,882,947	\$ 45,482,711	\$ 18,795,079

Component Units' Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A	Investments Not Directly Subject To Credit Risk (1)
Domestic Fixed Income	\$ 51,433,773	\$ 2,871,720	\$ 29,860,149	\$ 15,601,821	\$ -	\$ 3,100,083
International Fixed Income	16,979,591	-	-	-	-	16,979,591
Global All Assets	15,216,280	-	5,702,931	-	4,895,734	4,617,615
Private Debt	7,129,644	-	-	-	-	7,129,644
Hedge Funds	7,835,923	-	-	-	-	7,835,923
Total	\$ 98,595,211	\$ 2,871,720	\$ 35,563,080	\$ 15,601,821	\$ 4,895,734	\$ 39,662,856

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's or its component units' investments in a single issuer. The University's and its component units' investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The University's investment policy states that not more than five percent of the investment portfolio's assets shall be invested in securities in any one issuing company, and no single corporate bond issuer shall exceed five percent of the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2020, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 37,421,677
Contracts and Grants	26,511,182
Other	8,881,461
Total Accounts Receivable	\$ 72,814,320

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$2,877,899 and \$991,133, respectively, at June 30, 2020.

6. Due From State

The amount due from State consists of \$24,626,543 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction or purchase of University facilities.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 43,016,240	\$ -	\$ -	\$ 43,016,240
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	113,517,972	60,301,782	139,304,174	34,515,580
Total Nondepreciable Capital Assets	\$ 156,752,212	\$ 60,301,782	\$ 139,304,174	\$ 77,749,820
Depreciable Capital Assets:				
Buildings	\$ 1,540,042,497	\$ 132,456,108	\$ -	\$ 1,672,498,605
Infrastructure and Other Improvements	70,894,787	11,167,660	-	82,062,447
Furniture and Equipment	239,974,070	15,690,825	6,838,486	248,826,409
Library Resources	146,093,373	6,347,143	-	152,440,516
Leasehold Improvements	17,436,155	5,677,678	-	23,113,833
Works of Art and Historical Treasures	1,677,354	-	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Depreciable Capital Assets	2,023,968,671	171,339,414	6,838,486	2,188,469,599
Less, Accumulated Depreciation:				
Buildings	523,633,312	48,313,573	-	571,946,885
Infrastructure and Other Improvements	34,843,222	3,020,294	-	37,863,516
Furniture and Equipment	197,970,880	17,380,293	6,498,597	208,852,576
Library Resources	118,641,687	5,030,917	-	123,672,604
Leasehold Improvements	10,348,422	1,592,206	-	11,940,628
Works of Art and Historical Treasures	1,317,205	66,126	-	1,383,331
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Accumulated Depreciation	894,605,163	75,403,409	6,498,597	963,509,975
Total Depreciable Capital Assets, Net	\$ 1,129,363,508	\$ 95,936,005	\$ 339,889	\$ 1,224,959,624

8. Unearned Revenue

Unearned revenue at June 30, 2020, includes grant and contract prepayments, auxiliary prepayments, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2020, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Auxiliary Prepayments	\$ 21,997,419
Grant and Contracts	8,411,665
Student Tuition and Fees	1,012,620
Total Unearned Revenue	\$ 31,421,704

9. Deferred Outflow / Inflow of Resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$123,390,111 and deferred inflows of resources related to pensions were \$17,608,935 for the year ended June 30, 2020. Note 11. includes a complete discussion of defined benefit pension plans.

The deferred outflows and inflows related to Other Postemployment Benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program. Total deferred outflows of resources related to OPEB were \$99,782,263 and deferred inflows of resources related to OPEB were \$67,971,397 for the year ended June 30, 2020. Note 10. includes a complete discussion of Other Postemployment Benefits.

The total deferred outflows of resources related to the deferred loss on debt refunding's were \$11,575,149 for the year ended June 30, 2020. The deferred loss was created as a result of the UCF Finance Corporation debt refinancing and will be amortized as a component of interest expense over the remaining life of the UCF Finance Corporation's Series 2017 refunding term loan. Note 10. includes a complete discussion of the UCF Finance Corporation's debt refinancing.

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2020, include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 108,452,833	\$ 7,339,312	\$ 19,666,307	\$ 96,125,838	\$ 7,460,000
Loans and Notes Payable	60,861,000	7,000,000	5,513,602	62,347,398	2,621,000
Compensated Absences Payable	59,255,093	6,741,634	4,303,125	61,693,602	4,779,149
Other Postemployment Benefits Payable	293,333,000	182,219,858	75,554,884	399,997,974	5,172,704
Net Pension Liability	249,299,589	189,390,377	153,050,348	285,639,618	1,152,956
Other Noncurrent Liabilities	8,821,367	-	3,743,844	5,077,523	-
Total Long-Term Liabilities	\$ 780,022,882	\$ 392,691,181	\$ 261,832,110	\$ 910,881,953	\$ 21,185,809

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2020:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2012A - Housing	\$ 66,640,000	\$ 55,990,260	3 to 5	2042
2018A - Housing	23,255,000	22,518,610	5	2030
Total Student Housing Debt	89,895,000	78,508,870		
Parking Garage Debt:				
2011A - Parking Garage	11,005,000	1,176,272	3 to 4	2022
2012A - Parking Garage	7,860,000	5,800,215	3 to 5	2032
2018A - Parking Garage	4,790,000	3,628,100	5	2024
2019A - Parking Garage	6,120,000	7,012,381	5	2029
Total Parking Garage Debt	29,775,000	17,616,968		
Total Capital Improvement Debt	\$ 119,670,000	\$ 96,125,838		

(1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental and parking revenues to repay \$119,670,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing and parking garages. The bonds are payable solely from housing rental revenues and parking and transportation fees and are payable through 2042. The University has committed to appropriate each year amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$121,217,713, and principal and interest paid for the current year totaled \$23,307,293. During the 2019-20 fiscal year, operating revenues generated from housing rentals and parking revenues totaled \$25,527,780 and \$19,504,826, respectively. During the 2019-20 fiscal year, the University paid the remaining principal balance for the Student Health Center Series 2004A debt and Series 2010B Parking Facility Revenue Refunding Capital Improvement debt, which legally defeased both issuances.

On February 6, 2020, the Florida Board of Governors issued \$6,120,000 of University of Central Florida Parking Facility Revenue Refunding Capital Improvement Bonds, Series 2019A, with a net premium of \$1,219,312, and an interest rate of 5 percent. The University's portion of the refunding bonds, \$7,339,312, in addition to the release of the Parking Facility, Series 2010B, debt service reserve funds of \$1,288,672, plus \$488,740 of sinking funds held by the State Board of Administration on behalf of the University Parking Facility, were used to defease \$8,980,000 of the outstanding Capital Improvement Parking Facility Revenue Bonds, Series 2010B. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$2,563,127 over the next 9 years and obtained an economic gain of \$1,089,273.

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

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 7,460,000	\$ 3,752,025	\$ 11,212,025
2022	6,600,000	3,408,250	10,008,250
2023	6,380,000	3,083,250	9,463,250
2024	6,700,000	2,762,600	9,462,600
2025	6,065,000	2,454,100	8,519,100
2026-2030	29,825,000	8,594,981	38,419,981
2031-2035	11,565,000	4,361,644	15,926,644
2036-2040	10,765,000	2,241,769	13,006,769
2041-2042	4,985,000	214,094	5,199,094
Subtotal	90,345,000	30,872,713	121,217,713
Net Discounts and Premiums	5,780,838	-	5,780,838
Total	\$ 96,125,838	\$ 30,872,713	\$ 126,998,551

Loans and Notes Payable. During the 2017-18 fiscal year, one of the University's blended component units, the UCF Finance Corporation (Corporation), issued a \$63,359,000 Refunding Term Loan, Series 2017, with a bank. The proceeds from the term loan were used to extinguish the Corporation's Series 2007 bonds and terminate an interest rate swap liability. The loan will mature on July 1, 2037, and bear interest at a fixed rate of 2.4 percent per annum with a 15-year interest put option. The loan is secured by the University's indirect cost revenues received by the University from Federal, State, and private grants.

The University agreed to use a ground sublease to lease to its blended component unit, the Corporation, a parcel of property located in Orange County, Florida, where approximately 198,000 square feet of classroom, laboratory, and administrative office space, together with related infrastructure was constructed. The facilities are used solely for education and research purposes and are operated and managed by the University. The University and the Corporation entered into an agreement whereby the Corporation leases the facilities to the University for the occupancy of the facilities. The University has agreed to pay a base rent equal to all amounts due and payable under the term loan.

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

Annual requirements to amortize the outstanding term loan as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 2,621,000	\$ 1,367,796	\$ 3,988,796
2022	2,684,000	1,304,136	3,988,136
2023	2,750,000	1,238,928	3,988,928
2024	2,816,000	1,172,136	3,988,136
2025	2,885,000	1,103,724	3,988,724
2026-2030	15,511,000	4,432,740	19,943,740
2031-2035	17,489,000	2,454,972	19,943,972
2036-2038	11,546,000	420,072	11,966,072
Total	\$ 58,302,000	\$ 13,494,504	\$ 71,796,504

During the 2017-18 fiscal year, the Corporation entered into a note with a bank for up to \$20,000,000 to secure the construction commitments for a new University Downtown campus education facility. The note bears a variable rate of interest equal to a per annum rate of 81 percent multiplied by the sum of the LIBOR plus 0.50 percent and is subject to adjustment to reflect changes in the LIBOR rate. The rate on June 30, 2020, was 0.55 percent. The balance of the note was \$4,045,398 as of June 30, 2020. Payments are made on an annual basis on March 8 of each year beginning March 8, 2020, with a final maturity date of March 8, 2023. The note is secured by an assignment of philanthropic pledges received by the University of Central Florida Foundation, Inc. and the outstanding balance on the note cannot exceed the total pledges receivable. At June 30, 2020, the Foundation carried a pledge receivable balance of \$7,914,431.

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

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2020, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$61,693,602. The current portion of the compensated absences liability, \$4,779,149, is the amount expected to be paid in the coming fiscal year and is based on actual payouts over the last 3 years calculated as a percentage of those years' total compensated absences liability.

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

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

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

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of \$399,997,974 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2019, the University's proportionate share, determined by its proportion of total benefit payments made, was 3.16 percent, which was a slight increase from its proportionate share measured as of June 30, 2018.

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

Inflation	2.60 percent
Salary increases	3.25 percent
Discount rate	2.79 percent
Healthcare cost trend rates	
PPO Plan	6.7 percent for 2020, decreasing to an ultimate rate of 5.4 percent for 2071 and later years
HMO Plan	5.2 percent for 2020, increasing to an ultimate rate of 5.4 percent for 2071 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the S&P Municipal 20-year High Grade Rate Index.

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

The demographic actuarial assumptions for retirement, withdrawal, disability and salary merit scales used in the July 1, 2019 valuation are consistent with the assumptions used in the July 1, 2018 valuation of the FRS Plan.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2019.
- The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. Due to the change in benchmark used as well as the market environment changes between June 30, 2018, and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the reporting period ending June 30, 2020.
- In addition, the liability was increased by approximately 12 percent due to the full impact of the Excise Tax that will come into effect in 2022. There is a reasonable chance that this tax will be repealed before it actually takes effect.
- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. These updates resulted in lower liabilities as of June 30, 2019.
- The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2019 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.
- The mortality rates were updated to those required by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the FRS. The rates are those outlined in Milliman's July 1, 2018 FRS valuation report. The impact of this change was very small and does not materially impact the results.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using

a discount rate that is 1 percentage point lower (1.79 percent) or 1 percentage point higher (3.79 percent) than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
University's proportionate share of the total OPEB liability	\$510,113,625	\$399,997,974	\$317,231,171

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University's proportionate share of the total OPEB liability	\$305,492,937	\$399,997,974	\$533,710,886

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

For the fiscal year ended June 30, 2020, the University recognized OPEB expense of \$28,667,192. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 10,298,209
Change of assumptions	50,152,269	56,564,312
Changes in proportionate share	44,332,616	1,108,876
Transactions subsequent to the measurement date	5,297,378	-
Total	\$ 99,782,263	\$ 67,971,397

Of the total amount reported as deferred outflows of resources related to OPEB, \$5,297,378 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 1,426,376
2022	1,426,376
2023	1,426,376
2024	1,426,376
2025	1,426,376
Thereafter	19,381,608
Total	\$ 26,513,488

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2020, the University's proportionate share of the net pension liabilities totaled \$285,639,618. Note 11. includes a complete discussion of defined benefit pension plans.

Other Noncurrent Liabilities. Other noncurrent liabilities primarily consist of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$4,926,728 as of June 30, 2020.

Certificate of Participation Payable and Bonds Payable – Component Units.

UCF Convocation Corporation

During the 2013-14 and 2014-15 fiscal years, the UCF Convocation Corporation issued two refunding certificates of participation, Series 2014A for \$58,645,000, and Series 2014B for \$58,930,000 related to the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space during the 2004-05 and 2005-06 fiscal years. During the 2018-19 fiscal year, UCF Convocation Corporation issued \$104,636,000 Refunding Revenue Bonds, Series 2018 to prepay the outstanding Series 2014A and Series 2014B certificates of participation. The bonds will mature on October 1, 2035, and bears interest at a fixed rate of 3.52 percent per annum. The extinguishment of the defeased certificates terminated the ground lease between the UCF Convocation Corporation and the University. All related building and building improvement assets on the leased land transferred to the University.

During the 2015-16 fiscal year, the UCF Convocation Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A, and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B, related to the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure during the 2005-06 fiscal year. The 2015A bonds will mature on October 1, 2035 and bear interest at fixed rates ranging from 3 to 5 percent per annum and the 2015B bonds will mature on October 1, 2026 and bear interest at fixed rates ranging from 2 to 4.3 percent per annum.

The outstanding balance of UCF Convocation Corporation revenue bonds at June 30, 2020, was \$95,670,000 related to direct borrowings and was \$70,525,000 related to non-direct borrowings before an unamortized premium of \$862,900.

With the Refunding Revenue Bonds debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of 30 days following written notice from the other party, such failure shall constitute a default under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the Refunding Revenue Bonds are not subject to any acceleration clauses.

The University entered into an operating agreement with the UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the convocation center and related facilities. The University assigned its rights, title, and interest in revenues generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the refunding revenue bonds. The University retained the right for priority use of the facilities for a period of at least 100 days annually. In exchange, the University agreed to pay UCF Convocation Corporation \$2,200,000 per year for the term of the agreement. The term of the agreement ends in 2036 and cannot be terminated prior to the time that all related bonds have been paid in full. Amounts paid to UCF Convocation Corporation for the fiscal year ended June 30, 2020, totaled \$2,200,000.

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

In the 2019-20 fiscal year, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the trustee. The Corporation's governing board made the decision to remit a portion of these funds back to the University. Transfers to the University totaled \$270,480 for the fiscal year ended June 30, 2020.

UCF Stadium Corporation

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

The outstanding balance of all UCF Stadium Corporation revenue bonds at June 30, 2020, was \$40,014,000, including \$2,229,000 of direct borrowings, before an unamortized premium of \$1,804,627.

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

With each of the UCF Stadium Corporation's debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of 30 days following written notice from the other party, such failure shall constitute a default under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the UCF Stadium Corporation's debt is not subject to any acceleration clauses.

Loans and Notes Payable – Component Units.

UCF Foundation, Inc.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for the purchase of land and buildings. The note is secured by the buildings valued at \$6,072,206, and lease revenues. In May 2017, the note was refinanced to a 3.34 percent fixed rate. The principal balance at the time of the refinance was \$7,535,000 with the note still maturing on April 1, 2029. As of June 30, 2020, the remaining outstanding principal was \$5,920,000.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for \$19,925,000. The note is comprised of a tax-exempt portion with a fixed rate of 4.96 percent and a taxable portion with a fixed rate of 5.83 percent which matures on October 1, 2025. The note is secured by buildings valued at \$12,264,572 and lease revenue. As of June 30, 2020, the taxable note was fully repaid and the remaining outstanding principal for the tax-exempt note was \$9,775,000. The taxable series was paid in full during the 2017-18 fiscal year.

During the 2018-19 fiscal year, the University of Central Florida Foundation, Inc. entered into a \$50,000,000 30-year interest free and tax-exempt note with Orange County, Florida for the purchase of a building and related land. The note is secured by a mortgage on the land, a building valued at \$46,689,000, and the lease revenue generated has been pledged for debt repayment. The maturity date of the loan is the thirtieth anniversary of the first principal payment date. As of June 30, 2020, the remaining outstanding principal was \$50,000,000.

During the 2018-19 fiscal year, the University of Central Florida Foundation, Inc. entered into a 20-year tax-exempt note with a bank for \$6,000,000 for the purchase of a building and related land. The note matures on October 1, 2038, at a fixed rate of 3.93 percent. The purchased property, valued at \$5,919,395, represents security for the loan, and lease revenues generated from this building have been pledged for debt repayment. As of June 30, 2020, the remaining outstanding principal was \$5,792,000.

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

UCF Athletics Association, Inc.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc. modified a construction line of credit with a local bank to a line of credit promissory note. The note matures June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. In July 2020, the UCF Athletics Association, Inc. renewed the agreement until July 2033, which carries interest at 67 percent of LIBOR plus 1.34 percent (1.45 percent at June 30, 2020). The note is secured by an amount not to exceed 5 percent of the prior year's collection of student athletic fees and conference payments from the American Athletic Conference. In the event of default, the lender may declare the loan and all obligations to be fully due and payable in their aggregate amount, together with accrued interest and all prepayment premiums, fees, and charges. The note is subject to acceleration if the lender reasonably deems itself insecure for any reason. As of June 30, 2020, the amount outstanding on the note was \$5,375,000.

During the 2018-19 fiscal year, the UCF Athletics Association, Inc. renewed an operating line of credit agreement with a local bank for \$5,000,000. The line carries an interest rate of LIBOR plus 2 percent (2.17 percent at June 30, 2020). The line is secured by all contract royalties under multimedia rights agreements, as well as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2020, there was \$0 outstanding, leaving \$5,000,000 available on the operating line of credit.

On October 2, 2019, the UCF Athletics Association, Inc. entered into a direct borrowing loan from a financial institution in the amount of \$8,550,000 to complete the buildout of phase two of the Roth Athletics Center located on the UCF campus. Principal payments are required by September 1st each year to reduce the loan balance to an agreed-upon amount negotiated annually. Interest on the loan is payable semi-annually at a fixed interest rate of 2 percent. The loan matures September 1, 2024 and is secured by certain pledged revenues of the Association.

Due to University – Component Units.

Four of its component units reported moneys due to the University totaling \$6,128,697. The UCF Athletics Association, Inc. received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. A payment of \$750,000 was made during the 2019-20 fiscal year with future years' payments ranging from \$1,000,000 to \$1,500,000, contingent on interest rates. The loan matures in the 2024-25 fiscal year and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return (2.32 percent for the 2019-20 fiscal year interest calculations). In the event of a default, after 30 days the entire principal sum and accrued interest becomes due at the option of the University and the interest rate shall increase to the highest rate allowable under Florida law. As of June 30, 2020, the amount outstanding, including interest, totaled \$5,198,890.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled \$69,145,560 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible

for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit

by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$21,542,453 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the University reported a liability of \$225,344,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.654337567 percent, which was an increase of 0.013769135 from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$62,914,577. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,365,841	\$ 139,846
Change of assumptions	57,878,227	-
Net difference between projected and actual earnings on FRS Plan investments	-	12,467,248
Changes in proportion and differences between University contributions and proportionate share of contributions	14,646,430	-
University FRS contributions subsequent to the measurement date	21,542,453	-
Total	\$ 107,432,951	\$ 12,607,094

The deferred outflows of resources totaling \$21,542,453, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 26,640,050
2022	9,840,405
2023	18,238,032
2024	13,704,346
2025	3,937,525
Thereafter	923,046
Total	\$ 73,283,404

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7.00 percent to 6.90 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
University's proportionate share of the net pension liability	\$389,546,030	\$225,344,748	\$88,208,904

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a

State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$3,157,543 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the University reported a liability of \$60,294,870 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.538876355 percent, which was an increase of 0.006407919 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the University recognized pension expense of \$6,230,983. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 732,349	\$ 73,829
Change of assumptions	6,981,576	4,928,012
Net difference between projected and actual earnings on HIS Plan investments	38,907	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	5,046,785	-
University HIS contributions subsequent to the measurement date	3,157,543	-
Total	\$ 15,957,160	\$ 5,001,841

The deferred outflows of resources totaling \$3,157,543, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the

fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 2,778,928
2022	2,395,866
2023	1,544,342
2024	247,046
2025	281,058
Thereafter	550,536
Total	\$ 7,797,776

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.50 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2019 valuation was updated from 3.87 percent to 3.50 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
University's proportionate share of the net pension liability	\$68,829,687	\$60,294,870	\$53,186,337

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

12. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution,

leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$5,109,581 for the fiscal year ended June 30, 2020.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.71 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$22,663,538, and employee contributions totaled \$12,600,879 for the 2019-20 fiscal year.

13. Construction Commitments

The University's major construction commitments at June 30, 2020, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Student Union Expansion	\$ 11,665,817	\$ 10,224,227	\$ 1,441,590
Partnership IV	8,097,396	6,625,086	1,472,310
Roth Athletic Center	8,079,142	5,290,150	2,788,992
Subtotal	27,842,355	22,139,463	5,702,892
Other Projects (1)	15,462,794	12,376,117	3,086,677
Total	\$ 43,305,149	\$ 34,515,580	\$ 8,789,569

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2020.

14. Operating Lease Commitments

The University leased buildings under operating leases, which expire in the 2054-55 fiscal year. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments

resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 14,448,804
2022	15,746,190
2023	15,307,890
2024	14,936,647
2025	9,931,340
2026-2030	16,118,390
2031-2035	14,045,993
2036-2040	14,113,426
2041-2045	5,000,005
2046-2050	5,000,005
2051-2055	1,000,005
Total Minimum Payments Required	<u>\$ 125,648,695</u>

The University of Central Florida Foundation, Inc. (Foundation) receives rents and reimbursement for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2020, were \$16,493,758.

The University has also entered into rental agreements with the UCF Convocation Corporation for use of various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2020, totaled \$1,397,355.

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

15. State Self-Insurance Program

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2019-20 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$68.5 million for named windstorm and flood through February 14, 2020, and decreased to \$62.75 million starting February 15, 2020. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million; and losses exceeding those amounts were

retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

16. University Self-Insurance Program

The University of Central Florida, College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the University of Central Florida Board of Trustees and students for claims and actions arising from the clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health Professions and Sciences (previously included in the College of Health and Public Affairs), and the Central Florida Clinical Practice Organization, Inc., faculty, staff and resident physicians. The Program provides legislative claims bill protection. The Program is distinct from and entirely independent of the self-insurance programs administered by the State described in Note 15.

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

The Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Program during the 2018-19 and 2019-20 fiscal years are presented in the following table:

<u>Fiscal Year</u>	<u>Claims Liability Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claim Liabilities End of Year</u>
June 30, 2019	\$ 601,495	\$ 245,169	\$ (10,622)	\$ 836,042
June 30, 2020	836,042	363,037	(163,998)	1,035,081

17. Litigation

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

18. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 425,959,751
Research	167,808,449
Public Services	20,764,334
Academic Support	108,304,946
Student Services	58,503,928
Institutional Support	102,418,674
Operation and Maintenance of Plant	72,313,423
Scholarships, Fellowships, and Waivers	165,492,540
Depreciation	75,403,409
Auxiliary Enterprises	81,300,376
Loan Operations	211,445
Total Operating Expenses	<u><u>\$ 1,278,481,275</u></u>

19. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing and Parking facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Assets		
Current Assets	\$ 9,518,503	\$ 11,477,268
Capital Assets, Net	84,021,709	68,282,272
Other Noncurrent Assets	10,264,313	7,681,005
Total Assets	<u>103,804,525</u>	<u>87,440,545</u>
Liabilities		
Current Liabilities	7,818,495	3,016,088
Noncurrent Liabilities	73,238,870	15,426,968
Total Liabilities	<u>81,057,365</u>	<u>18,443,056</u>
Net Position		
Net Investment in Capital Assets	5,512,840	46,629,566
Restricted - Expendable	9,987,334	8,283,376
Unrestricted	7,246,986	14,084,547
Total Net Position	<u><u>\$ 22,747,160</u></u>	<u><u>\$ 68,997,489</u></u>

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

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Operating Revenues	\$ 25,563,780	\$ 19,504,826
Depreciation Expense	(4,380,268)	(2,860,618)
Other Operating Expenses	(18,880,077)	(11,798,982)
Operating Income	<u>2,303,435</u>	<u>4,845,226</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	1,229,586	1,360,000
Interest Expense	(2,991,322)	(616,139)
Other Nonoperating Expense	(5,787,693)	(9,942)
Net Nonoperating Revenues (Expenses)	<u>(7,549,429)</u>	<u>733,919</u>
Other Revenues, Expenses, Gains and Losses	6,185,789	(2,994,314)
Increase in Net Position	<u>939,795</u>	<u>2,584,831</u>
Net Position, Beginning of Year	21,807,365	66,412,658
Net Position, End of Year	<u><u>\$ 22,747,160</u></u>	<u><u>\$ 68,997,489</u></u>

Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,693,533	\$ 8,038,129
Noncapital Financing Activities	394,838	(2,895,664)
Capital and Related Financing Activities	(10,514,347)	(14,917,760)
Investing Activities	3,213,180	8,772,098
Net Decrease in Cash and Cash Equivalents	(212,796)	(1,003,197)
Cash and Cash Equivalents, Beginning of Year	3,625,613	4,291,631
Cash and Cash Equivalents, End of Year	\$ 3,412,817	\$ 3,288,434

20. Blended Component Units

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

Condensed Statement of Net Position

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Assets:						
Other Current Assets	\$ 3,331,017	\$ 9,057,634	\$ 12,388,651	\$ 610,856,403	\$ -	\$ 623,245,054
Capital Assets, Net	-	-	-	1,302,709,444	-	1,302,709,444
Due From University / Blended CU	44,466,741	-	44,466,741	-	(44,466,741)	-
Other Noncurrent Assets	-	-	-	91,444,612	-	91,444,612
Total Assets	47,797,758	9,057,634	56,855,392	2,005,010,459	(44,466,741)	2,017,399,110
Deferred Outflows of Resources	11,575,149	-	11,575,149	223,172,374	-	234,747,523
Liabilities:						
Other Current Liabilities	3,355,503	1,133,263	4,488,766	120,067,449	-	124,556,215
Due To University / Blended CU	-	-	-	44,466,741	(44,466,741)	-
Noncurrent Liabilities	59,726,399	-	59,726,399	829,969,745	-	889,696,144
Total Liabilities	63,081,902	1,133,263	64,215,165	994,503,935	(44,466,741)	1,014,252,359
Deferred Inflows of Resources	-	-	-	85,580,332	-	85,580,332
Net Position:						
Net Investment in Capital Assets	-	-	-	1,164,671,394	-	1,164,671,394
Restricted - Expendable	(3,708,995)	7,924,371	4,215,376	113,135,013	-	117,350,389
Unrestricted	-	-	-	(129,707,841)	-	(129,707,841)
Total Net Position	\$ (3,708,995)	\$ 7,924,371	\$ 4,215,376	\$ 1,148,098,566	\$ -	\$ 1,152,313,942

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

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Operating Revenues	\$ -	\$ 1,881,607	\$ 1,881,607	\$ 566,255,671	\$ (1,881,607)	\$ 566,255,671
Depreciation Expense	-	-	-	(75,403,409)	-	(75,403,409)
Other Operating Expenses	(21,642)	(903,893)	(925,535)	(1,202,154,606)	2,275	(1,203,077,866)
Operating Income (Loss)	(21,642)	977,714	956,072	(711,302,344)	(1,879,332)	(712,225,604)
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	(1,688,769)	409,170	(1,279,599)	714,847,545	(1,973,101)	711,594,845
Interest Expense	(2,140,183)	-	(2,140,183)	(3,811,889)	-	(5,952,072)
Other Nonoperating Expense	-	-	-	(43,367,350)	3,852,433	(39,514,917)
Net Nonoperating Revenues (Expenses)	(3,828,952)	409,170	(3,419,782)	667,668,306	1,879,332	666,127,856
Other Revenues	-	-	-	11,110,603	-	11,110,603
Increase (Decrease) in Net Position	(3,850,594)	1,386,884	(2,463,710)	(32,523,435)	-	(34,987,145)
Net Position, Beginning of Year	141,599	6,537,487	6,679,086	1,180,622,001	-	1,187,301,087
Net Position, End of Year	\$ (3,708,995)	\$ 7,924,371	\$ 4,215,376	\$ 1,148,098,566	\$ -	\$ 1,152,313,942

Condensed Statement of Cash Flows

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:						
Operating Activities	\$ (21,642)	\$ 1,409,017	\$ 1,387,375	\$ (586,743,578)	\$ (1,881,607)	\$ (587,237,810)
Noncapital Financing Activities	-	-	-	626,490,120	5,637,473	632,127,593
Capital and Related Financing Activities	(75,080)	-	(75,080)	(79,141,669)	(3,755,866)	(82,972,615)
Investing Activities	133,600	(2,119,462)	(1,985,862)	77,141,134	-	75,155,272
Net Increase (Decrease) in Cash and Cash Equivalents	36,878	(710,445)	(673,567)	37,746,007	-	37,072,440
Cash and Cash Equivalents, Beginning of Year	3,291,936	2,205,523	5,497,459	22,776,888	-	28,274,347
Cash and Cash Equivalents, End of Year	\$ 3,328,814	\$ 1,495,078	\$ 4,823,892	\$ 60,522,895	\$ -	\$ 65,346,787

21. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations				
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation
Assets:					
Current Assets	\$ 27,867,971	\$ 21,010,868	\$ 3,908,901	\$ 19,705,224	\$ 4,124,587
Capital Assets, Net	131,946,506	-	31,068,125	732,883	-
Other Noncurrent Assets	237,090,054	306,508	2,753,142	2,802,606	-
Total Assets	396,904,531	21,317,376	37,730,168	23,240,713	4,124,587
Deferred Outflows of Resources	-	-	-	3,940,226	599,633
Liabilities:					
Current Liabilities	6,599,576	12,659,424	6,653,456	10,585,108	4,266,047
Noncurrent Liabilities	68,095,986	-	18,326,217	159,032,900	39,878,627
Total Liabilities	74,695,562	12,659,424	24,979,673	169,618,008	44,144,674
Deferred Inflows of Resources	-	-	-	-	-
Net Position:					
Net Investment in Capital Assets	60,459,505	-	19,896,267	732,883	-
Restricted Nonexpendable	143,793,755	-	-	-	-
Restricted Expendable	93,875,472	1,821,076	4,387,079	16,209,137	-
Unrestricted	24,080,237	6,836,876	(11,532,851)	(159,379,089)	(39,420,454)
Total Net Position	\$ 322,208,969	\$ 8,657,952	\$ 12,750,495	\$ (142,437,069)	\$ (39,420,454)

UCF Academic Health, Inc.	Total Direct-Support Organizations	Other Central Florida Clinical Practice Organization, Inc.	Total
\$ 298,764	\$ 76,916,315	\$ 3,418,018	\$ 80,334,333
-	163,747,514	154,671	163,902,185
15,137,000	258,089,310	173,582	258,262,892
15,435,764	498,753,139	3,746,271	502,499,410
-	4,539,859	-	4,539,859
298,764	41,062,375	519,782	41,582,157
-	285,333,730	-	285,333,730
298,764	326,396,105	519,782	326,915,887
-	-	-	-
-	81,088,655	154,671	81,243,326
-	143,793,755	-	143,793,755
-	116,292,764	-	116,292,764
15,137,000	(164,278,281)	3,071,818	(161,206,463)
\$ 15,137,000	\$ 176,896,893	\$ 3,226,489	\$ 180,123,382

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

	Direct-Support Organizations				
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation
Operating Revenues	\$ 39,814,391	\$ 13,090,824	\$ 61,677,514	\$ 25,860,702	\$ 3,348,571
Depreciation Expense	(2,876,157)	-	(1,183,772)	(196,448)	-
Operating Expenses	(53,101,852)	(12,512,165)	(58,449,925)	(14,306,192)	(38,015)
Operating Income (Loss)	(16,163,618)	578,659	2,043,817	11,358,062	3,310,556
Net Nonoperating Revenues (Expenses):					
Nonoperating Revenues	12,094,794	1,244,909	2,593,811	6,134,380	1,363,574
Interest Expense	-	-	(288,656)	(6,437,673)	(1,659,547)
Other Nonoperating Expenses	(34,780)	-	-	(293,802)	-
Net Nonoperating Revenues (Expenses)	12,060,014	1,244,909	2,305,155	(597,095)	(295,973)
Other Revenues, Expenses, Gains, and Losses	4,613,816	-	-	-	-
Increase (Decrease) in Net Position	510,212	1,823,568	4,348,972	10,760,967	3,014,583
Net Position, Beginning of Year	321,698,757	6,834,384	8,401,523	(153,198,036)	(42,435,037)
Adjustment to Beginning Net Position (1)	-	-	-	-	-
Net Position, Beginning of Year, as Restated	321,698,757	6,834,384	8,401,523	(153,198,036)	(42,435,037)
Net Position, End of Year	\$ 322,208,969	\$ 8,657,952	\$ 12,750,495	\$ (142,437,069)	\$ (39,420,454)

(1) See Note 2. on Adjustment to Beginning Net Position.

UCF Academic Health, Inc.	Total Direct-Support Organizations	Other Central Florida Clinical Practice Organization, Inc.		Total
\$ 281,266	\$ 144,073,268	\$ 7,497,681		\$ 151,570,949
-	(4,256,377)	(67,875)		(4,324,252)
(281,266)	(138,689,415)	(2,337,817)		(141,027,232)
-	1,127,476	5,091,989		6,219,465
-	23,431,468	143,586		23,575,054
-	(8,385,876)	-		(8,385,876)
-	(328,582)	(5,881,601)		(6,210,183)
-	14,717,010	(5,738,015)		8,978,995
-	4,613,816	-		4,613,816
-	20,458,302	(646,026)		19,812,276
-	141,301,591	3,872,515		145,174,106
15,137,000	15,137,000	-		15,137,000
15,137,000	156,438,591	3,872,515		160,311,106
<u>\$ 15,137,000</u>	<u>\$ 176,896,893</u>	<u>\$ 3,226,489</u>		<u>\$ 180,123,382</u>

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of \$142,437,069 and \$39,420,454, respectively, as of June 30, 2020. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015, December 2015, and July 2018 debt refunding's which terminated the ground leases between the UCF Convocation Corporation and the University, and the UCF Stadium Corporation and the University. As the UCF Convocation Corporation and the UCF Stadium Corporation continue to reduce their outstanding long-term debt obligations, the deficit net position will decrease.

22. Subsequent Events

In October 2020, the University of Central Florida Foundation, Inc. (Foundation) refinanced \$8,340,000, the outstanding balance of the 2009 tax exempt note issued at 4.96 percent and secured by a mortgage of the buildings known as the Research Pavilion, the IST Building, and the Orlando Tech Center, with a taxable 2020 note issued at 2.39 percent, resulting in annual savings of \$134,000 or \$671,000 for the remaining life of the note that expires on October 1, 2025.

In October 2020, the Foundation refinanced \$5,685,000, the outstanding balance of the 2018 tax-exempt note issued at 3.93 percent and secured by a mortgage of the Digital Learning Building, with a 2020 tax-exempt note issued at 2.70 percent, resulting in average annual savings of \$32,000 or \$580,000 for the remaining life of the note that expires on October 1, 2038.

In October 2020, the Foundation and Orange County, Florida, agreed to adjust the debt payment schedule of the \$50,000,000 30-year interest free and tax-exempt note. Due to delays in construction of the Lake Nona Cancer Center related to COVID-19, the first quarterly payment of \$500,000, which was originally due in December 2020, is now due in July 2021.

In December 2020, the UCF Athletics Association, Inc. (Association) restructured its note with the University allowing for the deferral of two annual payments totaling \$2 million for the 2020-21 and 2021-22 fiscal years. Interest will continue to accrue during the deferral period and be added to the outstanding principal balance. In addition, the Association entered into an 18-month revolving line of credit with the Foundation for \$4 million.

In January 2021, the University and Osceola County entered into a settlement agreement that will authorize the transfer of the University's obligations for the advanced manufacturing facility in NeoCity. The agreement would release the University from any further obligations under the lease agreement, including the obligation to fund the operating expenses of the facility for the next 30 years. In return for the release, the University will contribute \$15 million in transition funding over a 3-year period and relinquish the right to receive title to the facility in 30 years.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017
University's proportion of the total other postemployment benefits liability	3.16%	2.78%	2.78%
University's proportionate share of the total other postemployment benefits liability	\$ 399,997,974	\$ 293,333,000	\$ 300,512,000
University's covered-employee payroll	\$ 439,921,546	\$ 418,056,891	\$ 396,397,337
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	90.92%	70.17%	75.81%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the FRS net pension liability	0.654337567%	0.640568432%	0.596715076%	0.559865856%
University's proportionate share of the FRS net pension liability	\$ 225,344,748	\$ 192,942,532	\$ 176,504,316	\$ 141,366,568
University's covered payroll (2)	\$ 439,921,546	\$ 418,056,891	\$ 396,397,337	\$ 364,535,289
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	51.22%	46.15%	44.53%	38.78%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required FRS contribution	\$ 21,542,453	\$ 20,289,186	\$ 18,255,686	\$ 15,533,963
FRS contributions in relation to the contractually required contribution	<u>(21,542,453)</u>	<u>(20,289,186)</u>	<u>(18,255,686)</u>	<u>(15,533,963)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 454,818,440	\$ 439,921,546	\$ 418,056,891	\$ 396,397,337
FRS contributions as a percentage of covered payroll	4.74%	4.61%	4.37%	3.92%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.538161499%	0.484303900%	0.360374086%
\$ 69,510,775	\$ 29,549,660	\$ 62,036,419
\$ 333,695,268	\$ 305,107,256	\$ 289,894,138
20.83%	9.69%	21.40%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 13,653,222	\$ 13,120,834	\$ 10,608,311
<u>(13,653,222)</u>	<u>(13,120,834)</u>	<u>(10,608,311)</u>
\$ -	\$ -	\$ -
\$ 364,535,289	\$ 333,695,268	\$ 305,107,256
3.75%	3.93%	3.48%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the HIS net pension liability	0.538876355%	0.532468436%	0.529705387%	0.499690735%
University's proportionate share of the HIS net pension liability	\$ 60,294,870	\$ 56,357,057	\$ 56,638,544	\$ 58,236,885
University's covered payroll (2)	\$ 167,822,905	\$ 167,400,707	\$ 166,665,368	\$ 153,090,572
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.93%	33.67%	33.98%	38.04%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required HIS contribution	\$ 3,157,543	\$ 2,992,328	\$ 2,887,590	\$ 2,803,354
HIS contributions in relation to the contractually required HIS contribution	<u>(3,157,543)</u>	<u>(2,992,328)</u>	<u>(2,887,590)</u>	<u>(2,803,354)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 187,973,508	\$ 167,822,905	\$ 167,400,707	\$ 166,665,368
HIS contributions as a percentage of covered payroll	1.68%	1.78%	1.72%	1.68%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.469662225%	0.430757459%	0.415357381%
\$ 47,898,159	\$ 40,276,874	\$ 36,162,321
\$ 140,702,712	\$ 127,489,508	\$ 122,964,996
34.04%	31.59%	29.41%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,561,234	\$ 1,795,341	\$ 1,475,630
<u>(2,561,234)</u>	<u>(1,795,341)</u>	<u>(1,475,630)</u>
\$ -	\$ -	\$ -
\$ 153,090,572	\$ 140,702,712	\$ 127,489,508
1.67%	1.28%	1.16%

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

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

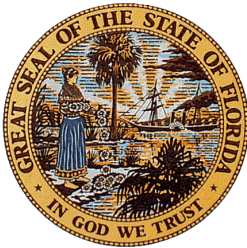
Changes of Assumptions. In 2020, amounts reported as changes of assumptions resulting from changes to the census data, a change to the discount rate, the excise tax that will come into effect in 2022, the use of actual claims information, an update in the trend rate, and an update to the mortality rate. Refer to Note 10. to the financial statements for further detail.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.00 percent to 6.90 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.



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Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 23, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on

a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 23, 2021