Attachment E

UCF CONVOCATION CORPORATION
(A COMPONENT UNIT OF THE UNIVERSITY OF CENTRAL FLORIDA)

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

UCF CONVOCATION CORPORATION
TABLE OF CONTENTS
JUNE 30, 2016 AND 2015

	Page Number(s)
Independent Auditors' Report	1 – 2
Required Supplementary Information	
Management's Discussion and Analysis	3 – 8
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 – 21
Independent Auditors' 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*	22 – 23

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
UCF Convocation Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the UCF Convocation Corporation (the Corporation), a direct support organization and component unit of the University of Central Florida, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Corporation's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 opinion.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 October 20, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Corporation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2016

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

This management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the UCF Convocation Corporation (the Corporation), as of and for the years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-for Public Colleges,* as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of management. The MD&A contains financial activity of the Corporation for the fiscal years ended June 30, 2016, 2015, and 2014.

The Corporation is presented as a discrete component unit of the University of Central Florida (the University) and was certified as a direct support organization in August 2005. The purpose of the Corporation is to finance, construct and operate residential halls, a convocation center, and surrounding retail spaces on behalf of the University.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the Corporation's basic financial statements include: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (GASB). See the notes to the financial statements for a summary of the Corporation's significant accounting policies.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets, deferred outflows of resources, deferred inflows of resources and liabilities of the Corporation, and it presents the financial position of the Corporation at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources equal net position, which is one indicator of the Corporation's current financial condition. The changes in net position that occur over time indicates improvement or deterioration in the Corporation's financial condition. Restricted net position consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. Unrestricted net position consists of net assets that do not meet the definition of either restricted or net investment in capital assets. The Corporation's liabilities exceeded assets creating a negative net position of $93.4 million at June 30, 2016, primarily due to the Corporation's debt refunding.

The following summarizes the Corporation's total net position for fiscal years ended June 30:

Condensed Statement of Net Position
(For the Fiscal Years at June 30)

	2016	2015	2014
Assets			
Current assets	$ 20,804,334	$ 18,510,462	$ 16,870,992
Noncurrent assets	87,155,327	176,266,322	185,200,365
Total Assets	107,959,661	194,776,784	202,071,357
Deferred outflows	632,751	690,274	-
Liabilities			
Current liabilities	12,319,972	11,126,206	9,046,326
Noncurrent liabilities	189,514,234	203,209,991	210,450,586
Total Liabilities	201,834,206	214,336,197	219,496,912
Deferred inflows	194,677	-	-
Net Position			
Net investment in capital assets	(27,588,316)	(44,185,610)	(43,277,609)
Restricted	14,572,317	23,724,932	21,918,151
Unrestricted	(80,420,472)	1,591,539	3,933,903
Total Net Position	$ (93,436,471)	$ (18,869,139)	$ (17,425,555)

In August 2015, the Corporation refunded its Series 2005A tax-exempt and 2005B taxable certifications of participation with 2015A and 2015B revenue bonds, respectively. The extinguishment of the defeased certificates terminated the arena ground lease between the Corporation and the University. All building and building improvements on the leased land transferred in ownership to the University. A detailed description of these debt issuances can be found in Note 5, *Long term Obligations*, in the accompanying notes to the financial statements.

The Corporation's assets totaled $108 million as of June 30, 2016. This balance reflects a decrease of $86.8 million, or 44.6 percent, compared to June 30, 2015, resulting primarily from the transfer of all arena related building and building improvement assets from the Corporation to the University at the time of the Corporation's debt refunding.

Liabilities totaled $201.8 million as of June 30, 2016. This balance reflects a decrease of $12.5 million, or 5.8 percent, compared to June 30, 2015, primarily due to current year debt service payments and additional principal payments made at the time of the Corporation's debt refunding.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the Corporation'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. GASB Statement No. 35 categorizes revenues and expenses as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

Operating revenue consists primarily of the rental revenue generated from on campus student housing and income generated by activities and events hosted inside the arena. Operating expenses include those necessary costs associated with the continued maintenance and operations of these facilities as well as depreciation expense related to the buildings and associated equipment. Non-operating activity consists primarily of the loss on disposition of capital assets due to the transfer of the arena assets to the University, as previously described.

The following summarizes the Corporation's changes in net position for the fiscal years ended June 30:

Condensed Statement of Revenues, Expenses and Changes in Net Position (For Fiscal Years Ended June 30)

	2016	2015	2014
Operating revenues	$ 32,597,315	$ 28,975,125	$ 29,474,228
Operating expenses	22,877,529	20,773,655	22,380,622
Operating income	9,719,786	8,201,470	7,093,606
Net nonoperating expense	(84,287,118)	(9,645,054)	(9,129,640)
Decrease in net position	(74,567,332)	(1,443,584)	(2,036,034)
Net position, beginning of year	(18,869,139)	(17,425,555)	(15,389,521)
Net position, end of year	$ (93,436,471)	$ (18,869,139)	$ (17,425,555)

The Corporation's operating revenues for the year ended June 30, 2016 increased by $3.6 million or 12.4 percent primarily due to an increase in the number of arena events during the year. Operating expenses for the year ended June 30, 2016 increased $2.1 million, or 10.1 percent primarily due to increased event production expenses relating to the increased number of events held by the arena.

Non-operating expenses totaled $84.3 million at June 30, 2016. This balance reflects a $74.7 million increase from the prior year primarily due to the transfer of the Corporation's arena buildings and building improvements assets to the University as a result of the Corporation's debt refunding, as previously described.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the Corporation's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the Corporation'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 Corporation. Cash flows from capital and related financing activities include changes associated with 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.

The Corporation's cash during fiscal year 2016 includes investments in short term interest-bearing government money market funds. All investments are in compliance with the laws of the state of Florida and the investment policy of the University which the Corporation follows. Cash and cash equivalents represent cash-on-hand, bank deposits, and liquid investments with a maturity of three months or less. The Corporation's cash inflows primarily represent income received from operating activities. Cash outflows consist primarily of principal and interest payments related to the debt and operations.

The following summarizes cash flows for the fiscal years ended June 30:

Condensed Statements of Cash Flows
(For the Fiscal Years Ended June 30)

	2016	2015	2014
Cash flows provided by (used in)			
Operating activities	$ 16,229,633	$ 16,229,587	$ 11,026,013
Non-capital financing activities	(2,300,776)	2,044,034	1,599,479
Capital and related financing activities	(22,759,092)	(16,926,039)	(16,988,972)
Investing activities	280,837	501,401	538,053
Net increase (decrease) in cash	(8,549,398)	1,848,983	(3,825,427)
Cash and cash equivalents			
Beginning of year	26,156,792	24,307,809	28,133,236
End of year	$ 17,607,394	$ 26,156,792	$ 24,307,809

Cash and cash equivalents decreased by $8.6 million from the prior year primarily due to additional principal payments made by the Corporation during the August 2015 debt refunding.

DEBT ADMINISTRATION

As of June 30, 2016, the Corporation has two sets of outstanding capital debt issuances, the Series 2014A and 2014B certificates of participation, collectively referred to as the Housing project, and the Series 2015A and 2015B revenue bonds, collectively referred to as the Arena project. The outstanding principal balance on these debt issuances was $195.5 million at June 30, 2016.

Each year, in accordance with the support agreements with the University entered into at the time of each of these issuances, the Corporation calculates a debt service coverage ratio for both the Housing and Arena projects. The ratio is intended to represent the Corporation's ability to meet its current year debt obligations. The method for this calculation, which is further described within the agreements, is different for both the Housing project and the Arena project. Should the event occur where this ratio is not met, the University has pledged financial support to assist the Corporation's efforts to meet its debt obligations.

The Housing project calculation allows certain non-cash expenses to be added back to the Corporation's total for changes in net assets. The calculation also allows for excess revenues from the Housing project, beyond those necessary for debt service, to be added to the calculation for coverage for the Arena project. Per the agreement, the ratio is required to be 120 percent of the current year's principal and interest payments.

The Arena project calculation, includes certain Arena facility revenues net of related expenses. These revenues include premium seating, sponsorship, naming rights, arena retail income, University operating payments, and excess revenues from the Housing project. Per the agreement, the ratio is required to be 120 percent of the current year's principal and interest payments.

The table below reflects the debt service coverage ratio for the Housing project for the fiscal year ending June 30, 2016:

	Housing Certificates Series 2014A and 2014B
Change in net position, net of non-operating activity per agreement	$ 3,499,044
Add back depreciation expense	3,083,942
Add back amortization expense	57,523
Add back interest expense	4,211,001
Add back management fees	175,436
Add back gain / loss on disposal of capital assets	2,048,868
Available for debt service	$ 13,075,813
Annual debt service	$ 8,152,141
Coverage Ratio	**160%**

The table below reflects the debt service coverage ratio for the Arena project for the fiscal year ending June 30, 2016:

	Arena Revenue Bonds Series 2015A and 2015B
Arena Revenues	
Net Premium Seating	$ 192,437
Advertising and Sponsorship	291,000
Net Naming Rights	526,667
UCF Operating Payment	2,200,000
Transfer from UCFCC Housing	4,502,478
Net Retail Income	797,002
Available for debt service	$ 8,509,584
Annual debt service	$ 2,314,360
Coverage Ratio	**368%**

ECONOMIC OUTLOOK

The Corporation has added great value to the University by financing, constructing and operating residential halls, a convocation center and surrounding retail spaces to enhance the student's experience on campus. Knights Plaza continues to strengthen its name and reputation on-campus and add value to the University. Operations are anticipated to remain constant by retaining high occupancy rates at the towers and continuing to host successful events at the convocation center. The Corporation will continue to fulfill its obligation to repay the outstanding bonds, which mature in 2035. Despite the impact to the Corporation's net position in fiscal year 2016 due to the transfer of arena capital assets to the University, the Corporation still maintains a strong ability to fulfill its annual debt service requirements since the sources of pledged revenues have remain unchanged.

REQUEST FOR INFORMATION

These financial statements are designed to provide detailed information on the Corporation's operations to the Corporation's Board, management, creditors, and all others with an interest in the Corporation's financial affairs and to demonstrate the Corporation's accountability for the assets it controls and funds it receives and expends. Questions concerning any of the information provided in this report or any requests for additional financial information should be addressed to Bert Francis, Assistant Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, FL 32826-3249.

UCF CONVOCATION CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,233,456	$ 179,984
Interest receivable	-	96,441
Accounts receivable	1,202,022	1,465,482
Due from the University of Central Florida	4,597,637	2,197,876
Due from the UCF Foundation, Inc.	2,028	1,825
Due from the UCF Athletics Association, Inc.	88,419	-
Prepaid expenses	38,228	59,261
Restricted cash and cash equivalents	13,642,544	14,509,593
Total current assets	20,804,334	18,510,462
Noncurrent assets		
Restricted cash and cash equivalents, less current portion	2,731,394	11,467,215
Prepaid bond insurance, net	-	1,803,189
Capital assets, net of accumulated depreciation	84,423,933	162,995,918
Total noncurrent assets	87,155,327	176,266,322
Total Assets	107,959,661	194,776,784
DEFERRED OUTFLOW OF RESOURCES		
Deferred loss on refunding of debt, net	632,751	690,274
LIABILITIES		
Current liabilities		
Current portion of long-term debt	7,045,000	6,465,000
Accounts payable and accrued expenses	1,080,866	496,806
Interest payable	1,801,621	2,251,876
Due to the University of Central Florida	228,208	193,318
Due to the UCF Foundation, Inc.	-	16,576
Due to the UCF Athletics Association, Inc.	11,175	-
Unearned revenue	2,153,102	1,702,630
Total current liabilities	12,319,972	11,126,206
Noncurrent liabilities		
Long-term debt, less current portion	189,514,234	203,209,991
Total Liabilities	201,834,206	214,336,197
DEFERRED INFLOW OF RESOURCES		
Deferred gain on refunding of debt, net	194,677	-
NET POSITION		
Net investment in capital assets	(27,588,316)	(44,185,610)
Restricted for:		
Debt service	8,008,020	13,143,427
Renewal and replacement	2,731,394	4,210,884
Other	3,832,903	6,370,621
Unrestricted	(80,420,472)	1,591,539
Total Net Position	$ (93,436,471)	$ (18,869,139)

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

UCF CONVOCATION CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues		
Housing	$ 18,975,135	$ 18,580,005
Arena operations	11,730,553	8,585,043
Retail space rental	1,891,627	1,810,077
Total operating revenues	32,597,315	28,975,125
Operating expenses		
Services and supplies	14,830,394	10,286,039
Utilities and communications	2,500,057	2,556,266
Depreciation	3,545,751	5,990,449
Amortization	1,803,189	1,872,939
Other	198,138	67,962
Total operating expenses	22,877,529	20,773,655
Operating income	9,719,786	8,201,470
Nonoperating revenues (expenses)		
Interest income	184,395	468,079
Interest expense	(8,080,223)	(9,126,308)
Transfers to the University of Central Florida	(1,337,718)	(185,810)
Transfers to UCF Stadium Corporation	-	(2,600,000)
Transfers from the University of Central Florida	5,336	1,798,985
Loss on disposal of capital assets	(75,058,908)	-
Total nonoperating revenues (expenses)	(84,287,118)	(9,645,054)
Decrease in net position	(74,567,332)	(1,443,584)
Net position, beginning of year	(18,869,139)	(17,425,555)
Net position, end of year	$ (93,436,471)	$ (18,869,139)

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

UCF CONVOCATION CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Receipts from housing operations	$ 19,583,629	$ 18,633,852
Receipts from retail space rental	1,889,575	1,789,092
Receipts from arena operations	11,838,043	8,608,009
Payments to suppliers and others	(17,081,614)	(12,801,366)
Net cash provided by operating activities	16,229,633	16,229,587
Cash flows from noncapital financing activities		
Net change in funds held by the University of Central Florida	(2,300,776)	2,044,034
Cash flows from capital and related financing activities		
Purchases of capital assets	(32,674)	(305,020)
Proceeds from issuance of debt	84,301,101	58,930,000
Payments on long-term debt	(97,814,786)	(65,469,721)
Interest paid	(7,880,351)	(9,094,473)
Transfers to UCF Stadium Corporation	-	(2,600,000)
Transfers from the University of Central Florida	5,336	1,798,985
Transfers to the University of Central Florida	(1,337,718)	(185,810)
Net cash used in capital and related financing activities	(22,759,092)	(16,926,039)
Cash flows from investing activities		
Interest income received	280,837	501,401
Net increase (decrease) in cash and cash equivalents	(8,549,398)	1,848,983
Cash and cash equivalents, beginning of year	26,156,792	24,307,809
Cash and cash equivalents, end of year	$ 17,607,394	$ 26,156,792
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 9,719,786	$ 8,201,470
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,348,940	7,863,388
Changes in assets and liabilities:		
Prepaid expenses	21,033	(10,825)
Accounts receivable	263,460	(388,657)
Accounts payable and accrued expenses	584,060	166,845
Due to the University of Central Florida	34,890	(105,547)
Due from the University of Central Florida	(98,985)	58,126
Due to the UCF Athletics Association, Inc.	11,175	(19,960)
Due from the UCF Athletics Association, Inc.	(88,419)	762
Due to the UCF Foundation, Inc.	(16,576)	16,576
Due from the UCF Foundation, Inc.	(203)	2,924
Unearned revenue	450,472	444,485
Net cash provided by operating activities	$ 16,229,633	$ 16,229,587
Cash and cash equivalents are presented on the Statements of Net Position as:		
Cash and cash equivalents	$ 1,233,456	$ 179,984
Current restricted cash and cash equivalents	13,642,544	14,509,593
Noncurrent restricted cash and cash equivalents	2,731,394	11,467,215
	$ 17,607,394	$ 26,156,792

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

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of the UCF Convocation Corporation (the Corporation), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Corporation is a not-for-profit entity incorporated on October 26, 2005. The Corporation was created by the University of Central Florida (the University), as a direct support organization of the University whose purpose was to finance, construct and operate residential halls, a convocation center, and surrounding retail spaces on behalf of the University. The Corporation is presented as a discrete component unit of the University on the University's financial statements.

(b) **Financial statement presentation**—The Corporation's financial statements are presented in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended, which requires the Corporation to present:

- ♦ Management's Discussion and Analysis
- ♦ Basic Financial Statements:
    - Statements of Net Position
    - Statements of Revenues, Expenses, and Changes in Net Position
    - Statements of Cash Flows
    - Notes to Financial Statements

(c) **Basis of accounting**—Basis of accounting refers to when revenues, expenses, and related 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 Corporation'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, deferred inflows of resources, and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The Corporation follows GASB standards of accounting and financial reporting.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. The statement of revenues, expenses and changes in net position is presented in a format which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Corporation's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The statement of cash flows is presented using the direct method in compliance with GASB standards of accounting and financial reporting.

(d) **Cash and cash equivalents**—Amounts reported as cash and cash equivalents consist of cash on hand, cash held by a trust institution and invested in money market funds, and investments with original maturities of three months or less. 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.

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from balances at year-end, based on management's assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them. There was no allowance for doubtful accounts recorded at June 30, 2016 and 2015.

(f) **Prepaid bond insurance**—For the year ending June 30, 2015, prepaid bond insurance of \$1,803,189 consists of \$2,671,392 of insurance premiums less accumulated amortization of \$868,203 and the costs were being amortized utilizing the straight line method over the term of the related financial instruments. Amortization expense for the year ended June 30, 2016 and 2015, was \$1,803,189 and \$1,872,939, respectively, that includes the write-off of insurance premiums paid for the certificates of participation that were extinguished during the year as a result of the Corporation's debt refunding, as described in Note 5.

(g) **Capital assets**—The Corporation's capital assets consist of buildings, infrastructure and other improvements, and furniture and equipment. These assets are capitalized and recorded at cost at the date of acquisition. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Construction in progress is depreciated beginning on the date the assets are placed in service. Other costs incurred for repairs and maintenance are expensed as incurred.

The Corporation has a capitalization threshold of \$5,000 for furniture and equipment additions and a threshold of \$100,000 for new buildings and improvements. Depreciation is computed on the straight-line basis over estimated useful lives ranging from 5 to 39 years.

(h) **Revenue recognition**—Housing revenues are generated from the Towers at Knights Plaza I, II, III and IV where students enter into annual housing contracts covering the fall, spring and summer semesters. Arena operations relate to ticket sales for all events and are recognized after the facility has been used for its intended purposes by customers. Revenues collected in advance are recorded as unearned revenue and are recognized as revenue at the time the event takes place. Retail space rental revenues consist of monthly lease agreements with outside vendors for the use of various retail space located at the Convocation Center.

(i) **Unearned revenue**—Unearned revenue consists of amounts collected by the arena in advance of event dates; these revenues will be recognized in the period when the event occurs. Unearned revenue also includes amounts received in advance from students associated with their summer term in the Towers at Knights Plaza I, II, III and IV; these revenues are recognized pro-rata based on the number of days in the current period.

(j) **Deferred outflows of resources**—The net investment in capital assets includes the effect of recognizing a deferred outflow of resources from the loss on refunding of debt of \$632,751 and \$690,274 at June 30, 2016 and 2015, respectively. The balance has been recognized as an expense beginning in 2016 when the debt was extinguished and will further decrease net investment in capital assets position over a 20-year repayment period of the new debt.

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Deferred inflows of resources**—The unrestricted net position balance includes the effect of recognizing a deferred inflow of resources originating from the gain on refunding of debt in 2016. The $194,677 balance of the deferred inflow of resources at June 30, 2016, has been recognized as an expense reduction beginning in 2016 when the debt was extinguished and will further increase unrestricted net position over a 20-year repayment period of the new debt.

(l) **Net position**—The Corporation's net position is classified as follows:

- Net investment in capital assets – This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets and deferred charges on refunding of debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this component of net position.

- Restricted – This represents the Corporation's resources that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

- Unrestricted – This represents Corporation resources which do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net assets are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

(m) **Income taxes**—The Corporation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Corporation files income tax returns in the U.S. federal jurisdiction and in the state of Florida. The Corporation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

The Corporation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Corporation.

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

(2) Cash and Cash Equivalents:

The Corporation's restricted cash represents cash held by the Corporation's trustee in the Corporation's name. These funds consist of funds held for debt service payments and funds held in reserve as required in the trust agreement. For the years ended June 30, 2016 and 2015, the cash was invested in a government money market fund and short-term guaranteed investment contracts through a national bank in accordance with the University's investment policy for managing credit risks, which was adopted by the Corporation. The value of cash and cash equivalents held at the institution at June 30, 2016 and 2015, was $16,373,938 and $25,976,808, respectively.

Section 1011.42(5), Florida Statutes, authorizes universities and their component units to invest funds with the State Treasury and State Board of Administration, and requires that these entities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities and their component units are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy establishing investment parameters within applicable Florida Statutes and the University investment manual. Pursuant to Section 218.415(16), Florida Statutes, the Corporation is authorized to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's 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.

Cash and cash equivalents at June 30, were as follows:

	2016	2015
Cash on hand	$ 1,233,456	$ -
Money market funds	16,373,938	18,589,507
Short-term guaranteed investment contracts	-	7,567,285
Cash and cash equivalents	$ 17,607,394	$ 26,156,792

Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name. The money market funds invest in diversified portfolios of high-quality, dollar-denominated short-term debt securities. Short-term guaranteed investment contracts are investment vehicles that guarantee a return on principal invested in the account over the life of the investment. For the year ended June 30, 2015, the Corporation had a fixed rate/fixed maturity benefit-responsive investment contract with an insurance company that maintains the funds in guaranteed interest accounts. The accounts were credited with earnings on the underlying investments and are subject to withdrawals. The contract is included in the financial statements at contract value as reported to the Corporation by the insurance company. The contract value being reported approximates fair value of the contract, which represents contributions made under the contract, plus earnings, less plan withdrawals. There are no reserves against contract values for credit risk of the contract issuer or otherwise. For 2016 and 2015, the average yield and crediting interest rates were approximately 5.0 percent based on maturities through August 2015. These assets were segregated and subject to withdrawal by the authorized trustee. In August 2015, the guaranteed investment contract was terminated with the Corporation's debt refunding, ad described in Note 5.

(2) **Cash and Cash Equivalents:** (Continued)

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 Corporation's investments in securities must provide sufficient liquidity to pay obligations as they come due.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name. 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 investment policy and manual provides information on asset classes, target allocations, and ranges of acceptable investment categories.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the University's investment policy specifies certain requirements to pre-qualify financial institutions and brokers/dealers. The Corporation's investments are held by a third party custodian, not in the name of the Corporation.

(3) **Capital Assets:**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Nondepreciable capital assets:				
Construction in progress	$ -	$ -	$ -	$ -
Depreciable capital assets:				
Buildings	207,323,515	-	(94,573,158)	112,750,357
Furniture and equipment	6,064,049	32,674	(305,968)	5,790,755
Total depreciable capital assets	213,387,564	32,674	(94,879,126)	118,541,112
Accumulated depreciation	(50,391,646)	(3,545,751)	19,820,218	(34,117,179)
Total depreciable capital assets, net	162,995,918	(3,513,077)	(75,058,908)	84,423,933
Total capital assets, net	$ 162,995,918	$ (3,513,077)	$ (75,058,908)	$ 84,423,933

(3) **Capital Assets:** (Continued)

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Nondepreciable capital assets:				
Construction in progress	$ 29,725	$ -	$ (29,725)	$ -
Depreciable capital assets:				
Buildings	207,107,902	215,613	-	207,323,515
Furniture and equipment	5,950,353	119,133	(5,437)	6,064,049
Total depreciable capital assets	213,058,255	334,746	(5,437)	213,387,564
Accumulated depreciation	(44,406,633)	(5,990,450)	5,437	(50,391,646)
Total depreciable capital assets, net	168,651,622	(5,655,704)	-	162,995,918
Total capital assets, net	$ 168,681,347	$ (5,655,704)	$ (29,725)	$ 162,995,918

(4) **Concentrations of Credit Risk:**

The Corporation has no policy requiring collateral or other security to support receivables from related parties, as described in Note 6.

Related party receivables and payables are as follows at June 30:

	2016	2015
Due from the University of Central Florida	$ 4,597,637	$ 2,197,876
Due from the UCF Foundation, Inc.	2,028	1,825
Due from the UCF Athletics Association, Inc.	88,419	-
Due to the University of Central Florida	(228,208)	(193,318)
Due to the UCF Foundation, Inc.	-	(16,576)
Due to the UCF Athletics Association, Inc.	(11,175)	-

(5) **Long-term Obligations:**

Housing

In September 2004 and June 2005, the Corporation issued Series 2004A tax-exempt certificates of participation for $68,860,000, and Series 2005A tax-exempt certificates of participation for $67,400,000. The debt was issued to finance the construction of four residential housing towers and two adjacent parking facilities as well as, certain surrounding commercial retail space. These issuances included both term and serial certificates with maturity dates ranging from October 2007 to October 2035 and interest rates ranging from 2.50 percent to 5.25 percent.

(5) **Long-term Obligations:** (Continued)

In May 2014, the Corporation issued a $58,645,000 Refunding Certificate of Participation, Series 2014A to a bank. The certificate will mature on October 1, 2034 and bears interest at a fixed rate of 3.61 percent per annum. Proceeds of $58,482,785 from the Refunding Certificate plus an additional $1,236,784 from a Series 2004A account were used to purchase $59,719,568 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004A tax-exempt certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the defeased certificates on October 1, 2014. At July 1, 2014, the outstanding balance of the defeased debt was $58,290,000. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by $9,893,750 over the next 20 years and obtained an economic gain of $6,944,510.

In October, 2014, the Corporation issued a $58,930,000 Refunding Certificate of Participation, Series 2014B to a bank. The certificate will mature on October 1, 2035 and bears interest at a fixed rate of 3.80 percent per annum. Proceeds of $58,770,583 from the Refunding Certificate plus an additional $1,577,608 from a Series 2005A account were used to purchase $60,348,191 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2005A tax-exempt certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the defeased certificates on October 1, 2015. At June 30, 2015, the outstanding balance of the defeased debt was $57,555,000. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by $7,386,158 over the next 20 years and obtained an economic gain of $3,469,972. Approximately $155,000 related to the cost of issuance was included in interest expense for the year ended June 30, 2015.

Arena

In September 2005, the Corporation issued Series 2005A tax-exempt certificates for $63,330,000 and 2005B taxable certificates of participation for $44,100,000. The debt was issued to finance the construction of a new convocation center and the renovation of the existing arena, along with surrounding retail space, all located on the University's campus. These issuances included both term and serial certificates with maturity dates ranging from October 2008 to October 2035 and interest rates ranging from 3.25 percent to 5.38 percent.

In August 2015, the Corporation issued a $48,385,000 Refunding Revenue Bond, Series 2015A and a $34,775,000 Taxable Refunding Revenue Bond, Series 2015B to a bank. The bonds will mature on October 1, 2035 and bear interest at fixed rates ranging from 0.75 to 5.00 percent per annum. Proceeds of $84,301,101 from the Refunding Revenue Bonds plus an additional $10,267,938 from the Corporations Debt Service accounts were used to purchase $94,569,039 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2005A&B certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position.

(5) **Long-term Obligations:** (Continued)

The trust extinguished the defeased certificates on October 1, 2015. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by $23,625,800 over the next 20 years and obtained an economic gain of $9,097,382. Approximately $331,000 related to the cost of issuance is included in interest expense for the year ended June 30, 2016.

The extinguishment of the defeased certificates terminated the ground lease between the Corporation and the University. All related building and building improvement assets on the leased land transferred to the University.

With each debt refunding the Corporation entered into separate support agreements with the University, whereby, in the event that net revenues available to pay debt service on the Series 2014A and 2014B refunding certificates of participation or net revenues available to pay debt service on the 2015A and 2015B revenue bonds are expected to be less than 120 percent coverage of the respective debt service payments due, the University shall defer collecting from the Corporation any amount for all operating and maintenance expenditures until such time as the net revenues available to pay debt service on the debt based on the current annual budget, as amended, is no less than 120 percent of debt service payments for the succeeding fiscal year.

The following is a schedule of future principal payments for the certificates as of June 30, 2016:

Fiscal Year Ending June 30,	Certificates of Participation Payable		Total Principal and Interest
	Principal	Interest	
2017	$ 4,045,000	$ 4,099,986	$ 8,144,986
2018	4,205,000	3,947,274	8,152,274
2019	4,355,000	3,788,819	8,143,819
2020	4,515,000	3,624,621	8,139,621
2021	4,695,000	3,454,119	8,149,119
2022-2026	26,140,000	14,486,307	40,626,307
2027-2031	31,290,000	9,183,232	40,473,232
2032-2036	33,400,000	2,906,093	36,306,093
Total	$ 112,645,000	$ 45,490,451	$ 158,135,451

The following is a schedule of future principal payments for the revenue bonds as of June 30, 2016:

Fiscal Year Ending June 30,	Revenue Bonds Payable		Total Principal and Interest
	Principal	Interest	
2017	$ 3,000,000	$ 3,014,373	$ 6,014,373
2018	3,040,000	2,974,323	6,014,323
2019	3,095,000	2,920,573	6,015,573
2020	3,165,000	2,848,478	6,013,478
2021	3,255,000	2,758,508	6,013,508
2022-2026	18,115,000	11,957,075	30,072,075
2027-2031	21,970,000	8,096,511	30,066,511
2032-2036	27,185,000	2,881,950	30,066,950
Subtotals	82,825,000	37,451,791	120,276,791
Plus: Unamortized premium	1,089,234	-	1,089,234
Total	$ 83,914,234	$ 37,451,791	$ 121,366,025

(5) **Long-term Obligations:** (Continued)

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificates of participation	$ 208,775,000	$ -	$ (96,130,000)	$ 112,645,000	$ 4,045,000
Revenue bonds	-	83,160,000	(335,000)	82,825,000	3,000,000
Unamortized premium	1,322,676	1,141,101	(1,374,543)	1,089,234	-
Unamortized discount	(422,685)	-	422,685	-	-
Total long-term debt	$ 209,674,991	$ 84,301,101	$ (97,416,858)	$ 196,559,234	$ 7,045,000

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificates of participation	$ 212,430,000	$ 58,930,000	$ (62,585,000)	$ 208,775,000	$ 6,465,000
Unamortized premium	3,505,641	-	(2,182,965)	1,322,676	-
Unamortized discount	(455,055)	-	32,370	(422,685)	-
Total long-term debt	$ 215,480,586	$ 58,930,000	$ (64,735,595)	$ 209,674,991	$ 6,465,000

Interest expense for the years ending June 30, 2016 and 2015, was $8,080,223 and $9,126,308, respectively.

(6) **Related Party Transactions:**

The Corporation has entered into various support agreements with the University (as more fully described in Note 5 above), whereby, in the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. Transfers from the University totaled $1,798,985 for the year ended June 30, 2015. For the year ended June 30, 2016, transfers from the University totaled $5,336, which represents a return of minor construction savings on funds held by the University for Convocation improvements.

In fiscal years 2016 and 2015, the Corporation met requirements necessary to release certain restricted funds held by the trustee. The Corporation's governing board made the decision to remit these funds back to the University. Transfers to the University totaled $1,337,718 and $185,810 for fiscal years ended June 30, 2016 and 2015, respectively.

During 2008, the Corporation entered into a rental agreement with the UCF Athletics Association, Inc. (the Association) for the use of the Convocation Center to support the Association's athletic program. Rental revenue from the Association totaled $535,000 for the years ended June 30, 2016 and 2015, and is included in arena operations revenues on the statement of revenues, expenses and changes in net position.

(6) **Related Party Transactions:** (Continued)

During 2008, the Corporation entered into a lease agreement with the University for the University's use of the Convocation Center throughout the year. Rental revenue from the University totaled $2,229,874 for the year ended June 30, 2015, and is included in arena operations revenues on the statement of revenues, expenses and changes in net position. During 2015, the Corporation entered into an operating agreement with the University for the Convocation to maintain and operate the Convocation Center throughout the year. Operating revenue from the University totaled $2,200,000 for the year ended June 30, 2016, and is included in arena operations revenues on the statement of revenues, expenses, and changes in net position.

During the year ended June 30, 2012, the Corporation entered into a lease agreement with the University for the University's use of the Corporation's parking garages throughout the year. Rental revenue from the University of Central Florida totaled $1,036,388 for each of the years ended June 30, 2016 and 2015, and is included in housing revenues on the statement of revenues, expenses and changes in net position.

The Corporation also has various rental agreements with the University for the use of retail space surrounding the arena. Revenues generated from the agreements were $1,372,075 and $1,357,320 for the years ended June 30, 2016 and 2015, respectively, and is included in retail space rental revenues on the statement of revenues, expenses and changes in net position.

(7) **Operating Leases Paid to the Corporation:**

The Corporation leases retail space to the University and other entities under operating leases with existing terms of one to five years (see Note 6).

At June 30, 2016, approximate future minimum rental payments to be received under non-cancellable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2017	$ 1,928,716
2018	1,468,734
2019	650,863
2020	501,194
2021	314,194
Total future minimum rentals	$ 4,863,701

(8) **Deficit Net Position:**

The Corporation has a deficit net position of $93,436,471 at June 30, 2016. This deficit is attributed to the transfer of all arena related building and building improvement assets to the University as a result of the termination of the arena ground lease between the Corporation and the University with the August 2015 debt refunding. The Corporation's arena related debt was previously included as a component of the net investment in capital assets portion of net position balance but is now included as a component of unrestricted net position. The Corporation's arena related debt reflected as a component of unrestricted net position for the year ended June 30, 2016 was $84,108,911.

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' 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*

To the Board of Directors,
UCF Convocation Corporation:

We have audited, 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, the financial statements of the UCF Convocation Corporation (the Corporation), a direct support organization and component unit of the University of Central Florida (the University), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2016