

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

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**UCF CONVOCATION CORPORATION
TABLE OF CONTENTS
JUNE 30, 2019 AND 2018**

	<u>Page Number(s)</u>
Independent Auditor’s Report	1 – 2
Required Supplementary Information	
Management’s Discussion and Analysis	3 – 9
Basic Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13 – 22
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 <i>Government Auditing Standards</i>	23-24
Independent Accountant’s Report on Compliance with Section 218.415, <i>Florida Statutes</i>	25

INDEPENDENT AUDITOR'S REPORT

Board of Directors
UCF Convocation Corporation
Orlando, Florida

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, 2019 and 2018, 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

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 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 opinion.

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, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-9 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 September 27, 2019, 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.



Crowe LLP

Tampa, Florida
September 27, 2019

**UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

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, 2019 and 2018, 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 management. The MD&A contains financial activity of the Corporation for the fiscal years ended June 30, 2019, 2018, and 2017.

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.

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 STATEMENT OF NET POSITION

The statement of net position reflects the assets, deferred outflows of resources, and liabilities of the Corporation, and it presents the net position of the Corporation at a specified time. Assets, plus deferred outflows of resources, less liabilities, is one indicator of the Corporation's current financial condition. The changes in net position that occur over time indicate 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 and deferred outflow of resources creating a negative net position of \$153.2 million at June 30, 2019, primarily due to the Corporation's debt refunding in fiscal years, 2016 and 2019.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

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

	2019	2018	2017
Assets			
Current assets	\$ 20,192,767	\$ 18,923,437	\$ 18,490,760
Noncurrent assets	3,619,681	81,569,672	83,910,876
Total Assets	23,812,448	100,493,109	102,401,636
Deferred outflows	4,198,602	4,456,977	4,719,822
Liabilities			
Current liabilities	14,094,603	12,445,462	12,030,383
Noncurrent liabilities	167,114,483	174,706,067	182,212,650
Total Liabilities	181,209,086	187,151,529	194,243,033
Net Position			
Net investment in capital assets	759,211	(22,719,152)	(23,935,055)
Restricted	13,310,428	13,459,836	10,229,603
Unrestricted	(167,267,675)	(72,942,127)	(73,416,123)
Total Net Position	\$(153,198,036)	\$ (82,201,443)	\$ (87,121,575)

In July 2018, the Corporation refunded its Housing project Series 2014A and Series 2014B certificates of participation with Series 2018A revenue bonds. The extinguishment of the defeased certificates terminated the Housing project 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 \$23.8 million as of June 30, 2019. This balance reflects a decrease of \$76.7 million, or 76.3 percent, compared to June 30, 2018, primarily due to the transfer of all housing related building and building improvements from the Corporation to the University at the time of the Corporation's debt refunding.

Liabilities totaled \$181.2 million as of June 30, 2019. This balance reflects a decrease of \$5.9 million, or 3.2 percent, compared to June 30, 2018, primarily due to current year debt service payments.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

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. Non-operating activity consists primarily of interest expense and distributions to the University for construction projects.

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items. The Corporation recorded a special item expense in fiscal year 2019 to transfer the Housing project's building and building improvements to the University due to the termination of the Housing project ground lease with the July 2018 debt refunding.

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)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 33,018,250	\$ 32,641,933	\$ 30,707,269
Operating expenses	17,752,342	19,617,182	17,782,956
Operating income	<u>15,265,908</u>	<u>13,024,751</u>	<u>12,924,313</u>
Net nonoperating expense	(7,993,201)	(8,104,619)	(11,154,013)
Special item – loss on asset disposal	<u>(78,269,300)</u>	-	-
Increase (decrease) in net position	(70,996,593)	4,920,132	1,770,300
Net position, beginning of year	(82,201,443)	(87,121,575)	(88,891,875)
Net position, end of year	<u>\$ (153,198,036)</u>	<u>\$ (82,201,443)</u>	<u>\$ (87,121,575)</u>

The Corporation's operating revenues totaled \$33 million at June 30, 2019. This balance reflects a \$0.4 million increase, or 1.2 percent from the prior fiscal year primarily due to additional Arena operating revenues.

The Corporation's operating expenses totaled \$17.8 million at June 30, 2019. This balance reflects a \$1.9 million decrease, or 9.5 percent from the prior fiscal year primarily due to a reduction in depreciation expenses.

The Corporation recorded a special item loss on asset disposal of \$78.3 million due to the transfer of all building and building improvements to the University as a result of the Corporation's July 2018 debt refunding.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

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

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

	2019	2018	2017
Cash flows provided by (used in)			
Operating activities	\$ 16,416,799	\$ 16,092,125	\$ 15,627,273
Non-capital financing activities	51,376	2,538,719	(2,636,499)
Capital and related financing activities	(15,552,508)	(15,386,318)	(18,228,860)
Investing activities	167,125	137,635	132,223
Net increase (decrease) in cash	1,082,792	3,382,161	(5,105,863)
Cash and cash equivalents			
Beginning of year	15,883,692	12,501,531	17,607,394
End of year	\$ 16,966,484	\$ 15,883,692	\$ 12,501,531

Cash and cash equivalents increased by \$1.1 million primary due to an increase in receipts from Arena operations.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

CAPITAL ASSETS

At June 30, 2019, the Corporation had \$1.4 million in capital assets, less accumulated depreciation of \$0.7 million, for net capital assets of \$0.8 million. The following table summarizes the Corporation's capital assets, net of accumulated depreciation at June 30:

Capital Assets, Net			
(For the Fiscal Years Ended June 30)			
	2019	2018	2017
Buildings	\$ -	\$ 78,269,300	\$ 81,163,205
Furniture & equipment	759,211	311,171	222,449
Total	\$ 759,211	\$ 78,580,471	\$ 81,385,654

DEBT ADMINISTRATION

As of June 30, 2019, the Corporation has two sets of outstanding capital debt issuances, the Series 2018A revenue bonds, 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 \$174.9 million at June 30, 2019.

The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt			
(For the fiscal years ended June 30)			
	2019	2018	2017
Certificates of participation	\$ -	\$ 104,395,000	\$ 108,600,000
Revenue bonds	174,869,483	77,761,067	80,857,649
Total	\$ 174,869,483	\$ 182,156,067	\$ 189,457,649

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

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 position. The calculation also allows for excess revenues from the Housing project, beyond those necessary for debt service, to be added to the coverage calculations 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, 2019:

	Housing Revenue Bonds Series 2018A
Change in net position, net of non-operating activity per agreement	\$ (65,440,763)
Add back depreciation expense	18,504
Add back amortization expense	410,874
Add back interest expense	3,557,430
Add back management fees	181,947
Add back loss on asset disposal	74,212,430
Available for debt service	\$ 12,940,422
Annual debt service	\$ 8,138,983
 Coverage Ratio	 159%

**UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)**

The table below reflects the debt service coverage ratio for the Arena project for the fiscal year ending June 30, 2019:

	<u>Arena Revenue Bonds Series 2015A and 2015B</u>
Arena Revenues	
Net Premium Seating	\$ 201,163
Advertising and Sponsorship	125,000
Net Naming Rights	526,667
UCF Operating Payment	2,200,000
Transfer from UCFCC Housing	4,518,586
Net Retail Income	<u>751,133</u>
Available for debt service	<u>\$ 8,322,549</u>
Annual debt service	<u>\$ 6,015,573</u>
Coverage Ratio	138%

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 students' 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 due to the transfer of building and building improvements to the University, the Corporation still maintains a strong ability to fulfill its annual debt service requirements since the sources of pledged revenues 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 Albert (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, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 2,051,362	\$ 598,134
Accounts receivable	1,352,765	1,130,655
Due from the University of Central Florida	4,517,701	4,668,177
Due from the Athletics Association, Inc.	125,404	45,176
Prepaid expenses	90,883	184,938
Restricted cash and cash equivalents	12,054,652	12,296,357
Total current assets	20,192,767	18,923,437
Noncurrent assets		
Restricted cash and cash equivalents, less current portion	2,860,470	2,989,201
Capital assets, net of accumulated depreciation	759,211	78,580,471
Total noncurrent assets	3,619,681	81,569,672
Total Assets	23,812,448	100,493,109
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred loss on refunding of debt	4,198,602	4,456,977
<u>LIABILITIES</u>		
Current liabilities		
Current portion of long-term debt	7,755,000	7,450,000
Accounts payable and accrued expenses	1,892,065	878,637
Interest payable	1,604,694	1,825,722
Due to the University of Central Florida	264,411	227,542
Due to the UCF Athletics Association, Inc.	159,109	-
Unearned revenue	2,419,324	2,063,561
Total current liabilities	14,094,603	12,445,462
Noncurrent liabilities		
Long-term debt, less current portion	167,114,483	174,706,067
Total Liabilities	181,209,086	187,151,529
<u>NET POSITION</u>		
Net investment in capital assets	759,211	(22,719,152)
Restricted for:		
Debt service	8,194,448	8,157,147
Renewal and replacement	2,860,470	2,989,201
Other	2,255,510	2,313,488
Unrestricted	(167,267,675)	(72,942,127)
Total Net Position	\$ (153,198,036)	\$ (82,201,443)

The accompanying notes to the 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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Housing	\$ 19,189,956	\$ 19,314,611
Arena operations	11,953,846	11,488,404
Retail space rental	1,874,448	1,838,918
Total operating revenues	<u>33,018,250</u>	<u>32,641,933</u>
Operating expenses		
Services and supplies	14,298,149	13,439,282
Utilities and communications	3,289,355	3,110,100
Depreciation	79,064	2,980,672
Other	85,774	87,128
Total operating expenses	<u>17,752,342</u>	<u>19,617,182</u>
Operating income	<u>15,265,908</u>	<u>13,024,751</u>
Nonoperating revenues (expenses)		
Interest income	167,124	137,635
Interest expense	(6,895,751)	(7,306,551)
Distributions to the University of Central Florida	(1,264,574)	(704,711)
Distributions to the UCF Athletics Association, Inc.	-	(312,000)
Distributions from the University of Central Florida	-	81,008
Total nonoperating revenues (expenses)	<u>(7,993,201)</u>	<u>(8,104,619)</u>
Income before special items	<u>7,272,707</u>	<u>4,920,132</u>
Special item - loss on asset disposal	(78,269,300)	-
Increase (decrease) in net position	<u>(70,996,593)</u>	<u>4,920,132</u>
Net position, beginning of year	(82,201,443)	(87,121,575)
Net position, end of year	<u>\$ (153,198,036)</u>	<u>\$ (82,201,443)</u>

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

UCF CONVOCATION CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Receipts from housing operations	\$ 19,469,388	\$ 19,527,335
Receipts from retail space rental	1,839,940	1,868,806
Receipts from arena operations	11,842,575	11,376,702
Payments to suppliers and others	(16,735,104)	(16,680,718)
Net cash provided by operating activities	16,416,799	16,092,125
Cash flows from noncapital financing activities		
Net change in funds held by the University of Central Florida	51,376	2,538,719
Cash flows from capital and related financing activities		
Purchases of capital assets	(142,946)	(175,489)
Proceeds from issuance of debt	104,636,000	-
Payments on long-term debt	(111,866,000)	(7,245,000)
Interest paid	(6,914,988)	(7,030,126)
Distributions to the UCF Athletics Association, Inc.	-	(312,000)
Distributions from the University of Central Florida	-	81,008
Distributions to the University of Central Florida	(1,264,574)	(704,711)
Net cash used in capital and related financing activities	(15,552,508)	(15,386,318)
Cash flows from investing activities		
Interest income received	167,125	137,635
Net increase in cash and cash equivalents	1,082,792	3,382,161
Cash and cash equivalents, beginning of year	15,883,692	12,501,531
Cash and cash equivalents, end of year	\$ 16,966,484	\$ 15,883,692
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 15,265,908	\$ 13,024,751
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	79,064	2,980,672
Changes in assets and liabilities:		
Prepaid expenses	94,055	(15,305)
Accounts receivable	(222,110)	(46,792)
Accounts payable and accrued expenses	629,269	195,950
Due to the University of Central Florida	36,869	(233,127)
Due from the University of Central Florida	99,100	(11,985)
Due to the UCF Athletics Association, Inc.	159,109	(609)
Due from the UCF Athletics Association, Inc.	(80,228)	(44,298)
Due from the UCF Foundation, Inc.	-	65,166
Unearned revenue	355,763	177,702
Net cash provided by operating activities	\$ 16,416,799	\$ 16,092,125
Cash and cash equivalents are presented on the Statements of Net Position as:		
Cash and cash equivalents	\$ 2,051,362	\$ 598,134
Current restricted cash and cash equivalents	12,054,652	12,296,357
Noncurrent restricted cash and cash equivalents	2,860,470	2,989,201
	\$ 16,966,484	\$ 15,883,692
Supplemental disclosure of noncash capital activities		
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	\$ 78,269,300	\$ -
Capital additions were recognized on the Statement of Net Position but included the following not cash transactions in accounts payable at the end of the fiscal year.	\$ 384,159	\$ -

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

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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

The following is a summary of the 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, special items, 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, special items, 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, special items, 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. In the year ending June 30, 2019, the Corporation implemented GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improved the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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 are defined as revenues generated from the primary mission of the Corporation; and include revenues generated from the operations of residence halls, the arena, and surrounding retail spaces. Operating revenues normally, but not always, result from exchange transactions defined as revenues received in exchange for a good or service. Non-operating revenues are defined as revenues not derived from the basic mission operations of the Corporation. Nonoperating revenues normally, but not always, result from non-exchange transactions, defined as value received with no good or service exchanged. Special items are defined as significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. The Corporation recorded a special item expense in fiscal year 2019 for the transfer of the Housing project's building and building improvements to the University, due to the termination of the Housing project ground lease with the July 2018 debt refunding. The statement of cash flows is presented using the direct method in compliance with GASB standards of accounting and financial reporting.

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

(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.

(e) **Due From the University of Central Florida**—The amounts recorded as Due from the University of Central Florida includes funds held by the University on behalf of the Corporation.

(f) **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, 2019 and 2018.

(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 the Series 2014A, 2014B, 2015A and 2015B debt refunding's of \$4,198,602 and \$4,456,977 at June 30, 2019 and 2018, respectively. The balance has been recognized as an interest expense beginning in 2014 when the first debt series was extinguished and will further decrease net investment in capital assets position over a 20-year repayment period of the new debt.

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

(k) **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.

(l) **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.

(m) **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.

(n) **Special Items**—The special item reported by the Corporation includes a loss on asset disposal resulting from the transfer of all buildings and building improvements to the University. This transfer was a result of the termination of the Corporation’s ground lease with the University, due to the elimination of the Corporation’s certificates of participation from the July 2018 debt refunding. This item was infrequent, and within the control of management, which meets the criteria for special item reporting as defined by GASB 62.

(o) **Reclassification**—Certain amounts in the prior year financial statements may have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the previously reported net position.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

(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, 2019 and 2018, the cash was invested in a government money market fund.

The Corporation has cash and investments held by the University of \$4,512,119 and \$4,563,495 at June 30, 2019 and 2018, respectively. The amounts are included in Due From the University of Central Florida on the accompanying statement of net position. 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's 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:

	2019	2018
Cash on hand	\$ 2,051,362	\$ 598,134
Money market funds	14,915,122	15,285,558
Cash and cash equivalents	\$ 16,966,484	\$ 15,883,692

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.

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.

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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, 2019, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	\$ 112,750,357	\$ -	\$ (112,750,357)	\$ -
Furniture and equipment	5,951,295	527,105	(5,035,229)	1,443,171
Total depreciable capital assets	118,701,652	527,105	(117,785,586)	1,443,171
Less: accumulated depreciation				
Buildings	(34,481,057)	-	34,481,057	-
Furniture and equipment	(5,640,124)	(79,064)	5,035,228	(683,960)
Total accumulated depreciation	(40,121,181)	(79,064)	39,516,285	(683,960)
Total capital assets, net	<u>\$ 78,580,471</u>	<u>\$ 448,041</u>	<u>\$ (78,269,301)</u>	<u>\$ 759,211</u>

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Depreciable capital assets:				
Buildings	\$ 112,750,357	\$ -	\$ -	\$ 112,750,357
Furniture and equipment	5,839,196	175,489	(63,390)	5,951,295
Total depreciable capital assets	118,589,553	175,489	(63,390)	118,701,652
Less: accumulated depreciation				
Buildings	(31,587,152)	(2,893,905)	-	(34,481,057)
Furniture and equipment	(5,616,747)	(86,767)	63,390	(5,640,124)
Total accumulated depreciation	(37,203,899)	(2,980,672)	63,390	(40,121,181)
Total capital assets, net	<u>\$ 81,385,654</u>	<u>\$ (2,805,183)</u>	<u>\$ -</u>	<u>\$ 78,580,471</u>

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

(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:

	<u>2019</u>	<u>2018</u>
Due from the University of Central Florida	\$ 4,517,701	\$ 4,668,177
Due from the UCF Athletics Association, Inc.	125,404	45,176
Due to the University of Central Florida	(264,411)	(227,542)
Due to the UCF Athletics Association, Inc.	(159,109)	-

(5) Long-term Obligations:

Housing

In May 2014, the Corporation issued a \$58,645,000 Refunding Certificate of Participation, Series 2014A directly to a bank. The certificate was scheduled to mature on October 1, 2034 and bore interest at a fixed rate of 3.61 percent per annum.

In October 2014, the Corporation issued a \$58,930,000 Refunding Certificate of Participation, Series 2014B directly to a bank. The certificate was scheduled to mature on October 1, 2035 and bore interest at a fixed rate of 3.80 percent per annum.

On July 2, 2018, the Corporation issued a \$104,636,000 Refunding Revenue Bond, Series 2018 directly to a bank. The bonds will mature on October 1, 2035 and bears interest at a fixed rate of 3.52 percent per annum. Proceeds of \$104,636,000 from the Refunding Revenue Bonds, plus an additional \$1,087,841 from the Corporation's debt service accounts, were used to purchase \$105,723,838 of U.S. Treasury State and Local Government Series Securities. The securities were used to prepay the outstanding Series 2014A certificates of participation for \$51,823,629 and the 2014B certificates of participation for \$53,659,213, and fund \$241,000 related to cost of issuance expenses. As a result of the refunding, the Corporation reduced its debt service requirement by \$5,916,949 over the next 17 years and obtained an economic gain of \$4,655,497. For the year ended June 30, 2019, \$231,432 related to the cost of issuance is included in interest expense.

Arena

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. The 2015A bonds will mature on October 1, 2035 and bear interest at fixed rates ranging from 3.00 to 5.00 percent per annum and the 2015B bonds will mature on October 1, 2026 and bear interest at fixed rates ranging from 2.00 to 4.30 percent per annum.

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

With the debt refundings for both the Housing and Arena projects, the extinguishment of the defeased certificates and revenue bonds, terminated the ground leases between the Corporation's Housing and Arena projects and the University. All related building and building improvement assets on the leased land transferred ownership 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 2018 revenue bonds or funds available to pay debt service on the 2015A and 2015B revenue bonds are expected to be less than 120 percent of the respective debt service payments due, the University shall 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.

With both the Arena and Housing project 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 thirty 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, neither the Housing nor Arena debt is subject to any acceleration clauses.

The following is a schedule of future principal payments for both the Housing and Arena revenue bonds as of June 30, 2019:

Fiscal Year Ending June 30,	Direct Borrowing Housing Revenue Bonds Payable		Non-Direct Borrowing Arena Revenue Bonds Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2020	\$ 4,590,000	\$ 3,448,368	\$ 3,165,000	\$ 2,848,478	\$ 14,051,846
2021	4,770,000	3,283,632	3,255,000	2,758,508	14,067,140
2022	4,930,000	3,112,912	3,360,000	2,654,243	14,057,155
2023	5,100,000	2,936,384	3,480,000	2,536,163	14,052,547
2024	5,270,000	2,753,874	3,610,000	2,404,028	14,037,902
2025-2029	29,275,000	10,799,448	20,270,000	9,794,848	70,139,296
2030-2034	34,745,000	5,179,414	24,990,000	5,079,256	69,993,670
2035-2036	11,580,000	340,560	11,560,000	467,000	23,947,560
Subtotals	<u>100,260,000</u>	<u>31,854,592</u>	<u>73,690,000</u>	<u>28,542,524</u>	<u>234,347,116</u>
Plus: Unamortized premium	-	-	919,483	-	919,483
Total	<u>\$ 100,260,000</u>	<u>\$ 31,854,592</u>	<u>\$ 74,609,483</u>	<u>\$ 28,542,524</u>	<u>\$ 235,266,599</u>

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Direct Borrowings:</u>					
Housing certificates of participation	\$ 104,395,000	\$ -	\$(104,395,000)	\$ -	\$ -
Housing revenue bonds	-	104,636,000	(4,376,000)	100,260,000	4,590,000
Total Direct Borrowings	<u>\$ 104,395,000</u>	<u>\$ 104,636,000</u>	<u>\$(108,771,000)</u>	<u>\$100,260,000</u>	<u>\$ 4,590,000</u>
<u>Other Debt:</u>					
Arena revenue bonds	\$ 76,785,000	\$ -	\$ (3,095,000)	\$ 73,690,000	\$ 3,165,000
Unamortized premiums	976,067	-	(56,584)	919,483	-
Total Other Debt	<u>\$ 77,761,067</u>	<u>\$ -</u>	<u>\$ (3,151,584)</u>	<u>\$ 74,609,483</u>	<u>\$ 3,165,000</u>
Total Long-Term debt	<u>\$ 182,156,067</u>	<u>\$ 104,636,000</u>	<u>\$ (111,922,584)</u>	<u>\$174,869,483</u>	<u>\$ 7,755,000</u>

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Direct Borrowings:</u>					
Housing certificates of participation	\$ 108,600,000	\$ -	\$ (4,205,000)	\$104,395,000	\$ 4,355,000
Total Direct Borrowings	<u>\$ 108,600,000</u>	<u>\$ -</u>	<u>\$ (4,205,000)</u>	<u>\$104,395,000</u>	<u>\$ 4,355,000</u>
<u>Other Debt:</u>					
Arena revenue bonds	\$ 79,825,000	\$ -	\$ (3,040,000)	\$ 76,785,000	\$ 3,095,000
Unamortized premiums	1,032,650	-	(56,583)	976,067	-
Total Other Debt	<u>\$ 80,857,650</u>	<u>\$ -</u>	<u>\$ (3,096,583)</u>	<u>\$ 77,761,067</u>	<u>\$ 3,095,000</u>
Total Long-Term debt	<u>\$ 189,457,650</u>	<u>\$ -</u>	<u>\$ (7,301,583)</u>	<u>\$182,156,067</u>	<u>\$ 7,450,000</u>

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

Interest expense for the years ending June 30, 2019 and 2018, was \$6,895,751 and \$7,306,551 respectively. Bond premiums are amortized on an annual basis using the straight-line method. These amounts were \$56,584 and \$56,583 for fiscal years ending June 30, 2019 and 2018 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. There were no distributions from the University for the year ended June 30, 2019. Distributions from the University totaled \$81,008 for the year ended June 30, 2018, which represented a return of construction savings on funds held by the University for Convocation improvements.

In fiscal years 2019 and 2018, the 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. Distributions to the University totaled \$1,264,574 and \$704,711 for fiscal years ended June 30, 2019 and 2018, respectively. In fiscal year 2018, the Corporation's governing board also decided to remit a portion of the available surplus funds to the UCF Athletics Association Inc. (the Association) in the amount of \$312,000. There were no distributions to the Association for the year ended June 30, 2019.

During 2008, the Corporation entered into a rental agreement with 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 each of the years ended June 30, 2019 and 2018, 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 to maintain and operate the Convocation Center throughout the year. Operating revenue from the University totaled \$2,200,000 for each of the years ended June 30, 2019, and 2018, 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 an operating agreement with the University for the University's use of the Corporations' managed 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, 2019 and 2018 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 \$1,355,438 and \$1,356,804 for the years ended June 30, 2019 and 2018, respectively, and is included in retail space rental revenues on the statement of revenues, expenses and changes in net position.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

(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, 2019, approximate future minimum rental payments to be received under non-cancellable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 1,902,927
2021	1,814,329
2022	1,791,619
2023	1,078,523
2024	868,383
Total future minimum rentals	<u>\$ 7,455,781</u>

(8) Deficit Net Position:

The Corporation has a deficit net position for the year ended June 30, 2019 and 2018 of \$153,198,036 and \$82,201,443 respectively. This deficit is attributed to the transfer of all housing and arena related building and building improvements to the University as a result of the termination of the Housing and Arena ground leases between the Corporation and the University with the July 2018 and August 2015 debt refundings. The Corporation's housing and related debt were 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, 2019 was \$73,326,816. The Corporation's housing related debt reflected as a component of unrestricted net position for the year ended June 30, 2019 and 2018 was \$97,344,065 and \$101,299,623, respectively.

**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**

Board of Directors
UCF Convocation Corporation
Orlando, Florida

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"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 27, 2019.

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 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.

(Continued)

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 over financial reporting 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.



Crowe LLP

Tampa, Florida
September 27, 2019

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

Board of Directors
UCF Convocation Corporation
Orlando, Florida

We have examined the UCF Convocation Corporation's (the "Corporation") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended June 30, 2019. Management of the Corporation is responsible for the Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements contained in Section 218.415, *Florida Statutes*, during the year ended June 30, 2019.

The purpose of this report is solely to comply with Chapter 10.550, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Tampa, Florida
September 27, 2019