

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**UCF CONVOCATION CORPORATION  
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JUNE 30, 2018 AND 2017**

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## 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 year ended June 30, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2018, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

### ***Emphasis of Matter***

As discussed in Note 9 to the financial statements, in 2018 the Corporation adopted new accounting guidance related to certain debt extinguishment issues. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-8 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.

#### *Prior Year Financial Statements*

The financial statements of the Corporation as of June 30, 2017 were audited by other auditors whose report dated October 5, 2017 expressed an unmodified opinion on those statements. The other auditors reported on the financial statements before the restatement adjustment as discussed in Note 9 to the financial statements.

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Corporation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, 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  
October 30, 2018

**UCF CONVOCATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

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, 2018 and 2017, 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, 2018, 2017, and 2016.

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, 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 and deferred outflow of resources creating a negative net position of \$82.2 million at June 30, 2018, primarily due to the Corporation's debt refunding in fiscal year 2016.

**UCF CONVOCATION CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**  
(Continued)

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

	<b>2018</b>	<b>2017 Restated</b>	<b>2016 Restated</b>
<b>Assets</b>			
Current assets	\$ 18,923,437	\$ 18,490,760	\$ 20,804,334
Noncurrent assets	81,569,672	83,910,876	87,155,327
<b>Total Assets</b>	<b>100,493,109</b>	<b>102,401,636</b>	<b>107,959,661</b>
<b>Deferred outflows</b>	4,456,977	4,719,822	4,982,670
<b>Liabilities</b>			
Current liabilities	12,445,462	12,030,383	12,319,972
Noncurrent liabilities	174,706,067	182,212,650	189,514,234
<b>Total Liabilities</b>	<b>187,151,529</b>	<b>194,243,033</b>	<b>201,834,206</b>
<b>Net Position</b>			
Net investment in capital assets	(22,719,152)	(23,935,055)	(24,757,863)
Restricted	13,459,836	10,229,603	14,572,317
Unrestricted	(72,942,127)	(73,416,123)	(78,706,329)
<b>Total Net Position</b>	<b>\$ (82,201,443)</b>	<b>\$ (87,121,575)</b>	<b>\$ (88,891,875)</b>

In August 2015, the Corporation refunded its Series 2005A tax-exempt and 2005B taxable certificates 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 \$100.5 million as of June 30, 2018. This balance reflects a decrease of \$1.9 million, or 1.9 percent, compared to June 30, 2017, primarily due to depreciation on the Corporation's fixed assets.

Liabilities totaled \$187.2 million as of June 30, 2018. This balance reflects a decrease of \$7.1 million, or 3.7 percent, compared to June 30, 2017, primarily due to current year debt service payments.

**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.

**UCF CONVOCATION CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**  
(Continued)

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 interest expense and distributions to the University.

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)**

	<b>2018</b>	<b>2017 Restated</b>	<b>2016 Restated</b>
Operating revenues	\$ 32,641,933	\$ 30,707,269	\$ 32,597,315
Operating expenses	19,617,182	17,782,956	21,074,340
<b>Operating income</b>	<u>13,024,751</u>	<u>12,924,313</u>	<u>11,522,975</u>
<b>Net nonoperating expense</b>	<u>(8,104,619)</u>	<u>(11,154,013)</u>	<u>(84,502,555)</u>
<b>Increase (decrease) in net position</b>	4,920,132	1,770,300	(72,979,580)
<b>Net position, beginning of year</b>	(87,121,575)	(88,891,875)	(15,912,295)
<b>Net position, end of year</b>	<u>\$ (82,201,443)</u>	<u>\$ (87,121,575)</u>	<u>\$ (88,891,875)</u>

The Corporation's operating revenues for the year ended June 30, 2018 increased by \$1.9 million or 6.3 percent primarily due to an increase in the number of arena events during the year. Operating expenses for the year ended June 30, 2018 increased \$1.8 million, or 10.3 percent primarily due to increased event production expenses relating to the increased number of events held in the arena.

Non-operating expenses totaled \$8.1 million at June 30, 2018. This balance reflects a \$3.0 million decrease from the prior year primarily due to the 2017 fiscal year including a transfer of \$3.3 million to the University to fund capital improvements to the arena infrastructure.

**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.

**UCF CONVOCATION CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**  
(Continued)

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

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

	<u>2018</u>	<u>2017</u> <u>Restated</u>	<u>2016</u> <u>Restated</u>
Cash flows provided by (used in)			
Operating activities	\$ 16,092,125	\$ 15,627,273	\$ 16,229,633
Non-capital financing activities	2,538,719	(2,636,499)	(2,300,776)
Capital and related financing activities	(15,386,318)	(18,228,860)	(22,759,092)
Investing activities	137,635	132,223	280,837
<b>Net increase (decrease) in cash</b>	<b>3,382,161</b>	<b>(5,105,863)</b>	<b>(8,549,398)</b>
<b>Cash and cash equivalents</b>			
Beginning of year	12,501,531	17,607,394	26,156,792
End of year	<u>\$ 15,883,692</u>	<u>\$ 12,501,531</u>	<u>\$ 17,607,394</u>

Cash and cash equivalents increased by \$3.4 million primarily due to a decrease in the amount of distributions to the University for Arena capital improvement projects.

**CAPITAL ASSETS**

At June 30, 2018, the Corporation had \$118.7 million in capital assets, less accumulated depreciation of \$40.1million, for net capital assets of \$78.6 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)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Buildings	\$ 78,269,300	\$ 81,163,205	\$ 83,972,168
Furniture & Equipment	311,171	222,449	451,765
<b>Total</b>	<u>\$ 78,580,471</u>	<u>\$ 81,385,654</u>	<u>\$ 84,423,933</u>

**UCF CONVOCATION CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**  
(Continued)

**DEBT ADMINISTRATION**

As of June 30, 2018, 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 \$182.2 million at June 30, 2018.

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

	<b>Long-Term Debt</b>		
	<b>(For the fiscal years ended June 30)</b>		
	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
Certificates of Participation	\$ 104,395,000	\$ 108,600,000	\$ 112,645,000
Revenue Bonds	77,761,067	80,857,649	83,914,234
<b>Total</b>	<u><u>\$ 182,156,067</u></u>	<u><u>\$ 189,457,649</u></u>	<u><u>\$ 196,559,234</u></u>

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 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.

**UCF CONVOCATION CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**  
(Continued)

The table below reflects the debt service coverage ratio for the Housing project for the fiscal year ending June 30, 2018:

	<b>Housing Certificates Series 2014A and 2014B</b>
Change in net position, net of non-operating activity per agreement	\$ 6,273,508
Add back depreciation expense	2,778,760
Add back amortization expense	183,914
Add back interest expense	4,137,365
Add back management fees	181,220
Available for debt service	\$ 13,554,767
Annual debt service	\$ 8,152,274
<b>Coverage Ratio</b>	<b>166%</b>

The table below reflects the debt service coverage ratio for the Arena project for the fiscal year ending June 30, 2018:

	<b>Arena Revenue Bonds Series 2015A and 2015B</b>
<b>Arena Revenues</b>	
Net Premium Seating	\$ 135,263
Advertising and Sponsorship	437,000
Net Naming Rights	526,667
UCF Operating Payment	2,200,000
Transfer from UCFCC Housing	4,371,295
Net Retail Income	814,269
Available for debt service	\$ 8,484,494
Annual debt service	\$ 6,014,323
<b>Coverage Ratio</b>	<b>141%</b>

**UCF CONVOCATION CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**  
(Continued)

**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 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 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, 2018 AND 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u> <u>Restated</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 598,134	\$ 516,369
Accounts receivable	1,130,655	1,083,863
Due from the University of Central Florida	4,668,177	7,194,911
Due from the UCF Foundation, Inc.	-	65,166
Due from the Athletics Association, Inc.	45,176	878
Prepaid expenses	184,938	169,633
Restricted cash and cash equivalents	12,296,357	9,459,940
Total current assets	18,923,437	18,490,760
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents, less current portion	2,989,201	2,525,222
Capital assets, net of accumulated depreciation	78,580,471	81,385,654
Total noncurrent assets	81,569,672	83,910,876
<b>Total Assets</b>	100,493,109	102,401,636
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>		
Deferred loss on refunding of debt	4,456,977	4,719,822
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Current portion of long-term debt	7,450,000	7,245,000
Accounts payable and accrued expenses	878,637	682,687
Interest payable	1,825,722	1,755,559
Due to the University of Central Florida	227,542	460,669
Due to the UCF Athletics Association, Inc.	-	609
Unearned revenue	2,063,561	1,885,859
Total current liabilities	12,445,462	12,030,383
<b>Noncurrent liabilities</b>		
Long-term debt, less current portion	174,706,067	182,212,650
<b>Total Liabilities</b>	187,151,529	194,243,033
<b><u>NET POSITION</u></b>		
Net investment in capital assets	(22,719,152)	(23,935,055)
Restricted for:		
Debt service	8,157,147	3,394,946
Renewal and replacement	2,989,201	2,525,222
Other	2,313,488	4,309,435
Unrestricted	(72,942,127)	(73,416,123)
<b>Total Net Position</b>	\$ (82,201,443)	\$ (87,121,575)

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, 2018 AND 2017**

	<b>2018</b>	<b>2017</b> <b>Restated</b>
<b>Operating revenues</b>		
Housing	\$ 19,314,611	\$ 19,158,417
Arena operations	11,488,404	9,636,793
Retail space rental	1,838,918	1,912,059
Total operating revenues	32,641,933	30,707,269
<b>Operating expenses</b>		
Services and supplies	13,439,282	11,743,021
Utilities and communications	3,110,100	2,858,796
Depreciation	2,980,672	3,096,104
Other	87,128	85,035
Total operating expenses	19,617,182	17,782,956
<b>Operating income</b>	13,024,751	12,924,313
<b>Nonoperating revenues (expenses)</b>		
Interest income	137,635	132,223
Interest expense	(7,306,551)	(7,274,561)
Distributions to the University of Central Florida	(704,711)	(3,324,141)
Distributions to the UCF Athletics Association, Inc.	(312,000)	(650,000)
Distributions from the University of Central Florida	81,008	-
Loss on disposal of capital assets	-	(37,534)
Total nonoperating revenues (expenses)	(8,104,619)	(11,154,013)
<b>Increase in net position</b>	4,920,132	1,770,300
<b>Net position, beginning of year, as restated</b>	(87,121,575)	(88,891,875)
<b>Net position, end of year</b>	\$ (82,201,443)	\$ (87,121,575)

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, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
		<b>Restated</b>
<b>Cash flows from operating activities</b>		
Receipts from housing operations	\$ 19,527,335	\$ 18,886,554
Receipts from retail space rental	1,868,806	1,949,215
Receipts from arena operations	11,376,702	9,722,416
Payments to suppliers and others	<u>(16,680,718)</u>	<u>(14,930,912)</u>
Net cash provided by operating activities	<u>16,092,125</u>	<u>15,627,273</u>
<b>Cash flows from noncapital financing activities</b>		
Net change in funds held by the University of Central Florida	<u>2,538,719</u>	<u>(2,636,499)</u>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(175,489)	(95,360)
Payments on long-term debt	(7,245,000)	(7,045,000)
Interest paid	(7,030,126)	(7,114,359)
Distributions to the UCF Athletics Association, Inc.	(312,000)	(650,000)
Distributions from the University of Central Florida	81,008	-
Distributions to the University of Central Florida	<u>(704,711)</u>	<u>(3,324,141)</u>
Net cash used in capital and related financing activities	<u>(15,386,318)</u>	<u>(18,228,860)</u>
<b>Cash flows from investing activities</b>		
Interest income received	137,635	132,223
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>3,382,161</u>	<u>(5,105,863)</u>
<b>Cash and cash equivalents, beginning of year</b>	12,501,531	17,607,394
<b>Cash and cash equivalents, end of year</b>	<u>\$ 15,883,692</u>	<u>\$ 12,501,531</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 13,024,751	\$ 12,924,313
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,980,672	3,096,104
Changes in assets and liabilities:		
Prepaid expenses	(15,305)	(131,405)
Accounts receivable	(46,792)	118,159
Accounts payable and accrued expenses	195,950	(398,179)
Due to the University of Central Florida	(233,127)	232,461
Due from the University of Central Florida	(11,985)	39,226
Due to the UCF Athletics Association, Inc.	(609)	(10,566)
Due from the UCF Athletics Association, Inc.	(44,298)	87,541
Due from the UCF Foundation, Inc.	65,166	(63,138)
Unearned revenue	<u>177,702</u>	<u>(267,243)</u>
Net cash provided by operating activities	<u>\$ 16,092,125</u>	<u>\$ 15,627,273</u>
<b>Cash and cash equivalents are presented on the Statements of Net Position as:</b>		
Cash and cash equivalents	\$ 598,134	\$ 516,369
Current restricted cash and cash equivalents	12,296,357	9,459,940
Noncurrent restricted cash and cash equivalents	<u>2,989,201</u>	<u>2,525,222</u>
	<u>\$ 15,883,692</u>	<u>\$ 12,501,531</u>
<b>Supplemental disclosure of noncash capital activities</b>		
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	\$ -	\$ 37,534

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

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

(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, 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 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. The statement of cash flows is presented using the direct method in compliance with GASB standards of accounting and financial reporting.

Continued

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

(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, 2018 and 2017.

(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 \$4,456,977 and \$4,719,822 at June 30, 2018 and 2017, 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.

Continued

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

(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) **Reclassification**—Certain amounts in the prior year financial statements may have been reclassified to conform to the current year presentation.

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

(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 year ended June 30, 2018 the cash was invested in a government money market fund. For the year ended June 30, 2017 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 Corporation has cash and investments held by the University of \$4,563,495 and \$7,102,214 at June 30, 2018 and 2017, 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:

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 598,134	\$ 516,369
Money market funds	15,285,558	11,985,162
Cash and cash equivalents	<u>\$ 15,883,692</u>	<u>\$ 12,501,531</u>

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.

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

(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, 2018, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance</b>
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>

Continued

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Buildings	\$ 112,750,357	\$ -	\$ -	\$ 112,750,357
Furniture and equipment	5,790,755	95,360	(46,919)	5,839,196
Total depreciable capital assets	<u>118,541,112</u>	<u>95,360</u>	<u>(46,919)</u>	<u>118,589,553</u>
Less: accumulated depreciation				
Buildings	(28,778,189)	(2,808,963)	-	(31,587,152)
Furniture and equipment	(5,338,990)	(287,141)	9,384	(5,616,747)
Total accumulated depreciation	<u>(34,117,179)</u>	<u>(3,096,104)</u>	<u>9,384</u>	<u>(37,203,899)</u>
Total capital assets, net	<u>\$ 84,423,933</u>	<u>\$ (3,000,744)</u>	<u>\$ (37,535)</u>	<u>\$ 81,385,654</u>

(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>2018</u>	<u>2017</u>
Due from the University of Central Florida	\$ 4,668,177	\$ 7,194,911
Due from the UCF Foundation, Inc.	-	65,166
Due from the UCF Athletics Association, Inc.	45,176	878
Due to the University of Central Florida	(227,542)	(460,669)
Due to the UCF Athletics Association, Inc.	-	(609)

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

**Housing**

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.

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.

Continued

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

**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 to a bank. 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.

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 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 following is a schedule of future principal payments for the certificates as of June 30, 2018:

<b>Fiscal Year Ending June 30,</b>	<b>Certificates of Participation Payable</b>		<b>Total Principal and Interest</b>
	<b>Principal</b>	<b>Interest</b>	
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	4,860,000	3,277,225	8,137,225
2023	5,035,000	3,094,036	8,129,036
2024-2028	28,090,000	12,478,910	40,568,910
2029-2033	33,640,000	6,779,813	40,419,813
2034-2036	19,205,000	945,648	20,150,648
Total	<u>\$ 104,395,000</u>	<u>\$ 37,443,191</u>	<u>\$ 141,838,191</u>

Continued

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

The following is a schedule of future principal payments for the revenue bonds as of June 30, 2018:

<b>Fiscal Year Ending June 30,</b>	<b>Revenue Bonds Payable</b>		<b>Total Principal and Interest</b>
	<b>Principal</b>	<b>Interest</b>	
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	3,360,000	2,654,243	6,014,243
2023	3,480,000	2,536,162	6,016,162
2024-2028	19,520,000	10,545,240	30,065,240
2029-2033	23,910,000	6,161,692	30,071,692
2034-2036	17,000,000	1,038,200	18,038,200
Subtotals	<u>76,785,000</u>	<u>31,463,096</u>	<u>108,248,096</u>
Plus: Unamortized premium	976,067	-	976,067
Total	<u>\$ 77,761,067</u>	<u>\$ 31,463,096</u>	<u>\$ 109,224,163</u>

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Certificates of participation	\$ 108,600,000	\$ -	\$ (4,205,000)	\$ 104,395,000	\$ 4,355,000
Revenue bonds	79,825,000	-	(3,040,000)	76,785,000	3,095,000
Unamortized premium	1,032,650	-	(56,583)	976,067	-
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>

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Certificates of participation	\$ 112,645,000	\$ -	\$ (4,045,000)	\$ 108,600,000	\$ 4,205,000
Revenue bonds	82,825,000	-	(3,000,000)	79,825,000	3,040,000
Unamortized premium	1,089,234	-	(56,584)	1,032,650	-
Total long-term debt	<u>\$ 196,559,234</u>	<u>\$ -</u>	<u>\$ (7,101,584)</u>	<u>\$ 189,457,650</u>	<u>\$ 7,245,000</u>

Interest expense for the years ending June 30, 2018 and 2017, was \$7,306,551 and \$7,274,561, respectively.

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**(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. 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. There were no distributions from the University for the year ended June 30, 2017.

In fiscal years 2018 and 2017, 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 \$704,711 and \$3,324,141 for fiscal years ended June 30, 2018 and 2017, respectively. In fiscal year 2018 and 2017, the Corporation's governing board also decided to remit a portion of the available surplus funds to the UCF Athletics Association Inc. (the Association). Distributions to the Association totaled \$312,000 and \$650,000 for fiscal years ended June 30, 2018 and 2017, respectively.

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 the years ended June 30, 2018 and 2017, 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, 2018, and 2017, 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, 2018 and 2017, 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 \$1,356,804 and \$1,381,565 for the years ended June 30, 2018 and 2017, 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**  
**JUNE 30, 2018 AND 2017**

(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, 2018, approximate future minimum rental payments to be received under non-cancellable operating leases are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Amount</b>
2019	\$ 1,870,633
2020	1,737,736
2021	1,583,625
2022	1,427,648
2023	923,276
Total future minimum rentals	\$ 7,542,918

(8) **Deficit Net Position:**

The Corporation has a deficit net position for the year ended June 30, 2018 and 2017 of \$82,201,443 and \$87,121,575, respectively. 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, 2018 and 2017 was \$76,399,467 and \$81,042,213, respectively.

(9) **Implementation of Accounting Standard:**

During 2018, the Corporation implemented GASB Statement no. 86, Certain Debt Extinguishment Issues, which improves accounting and financial reporting for prepaid insurance on debt that is extinguished. As such, the Corporation removed the impact of the write-off of the remaining unamortized prepaid bond insurance cost at the time of the 2014A, 2014B, 2015A, and 2015B debt refunding's and re-calculated each deferred loss on refunding amount. The Corporation's 2017 and 2016 financial statements have been restated due to this implementation. See below for a summary of the financial statement items affected:

	<b>As Previously Reported 2017</b>	<b>Adjustment</b>	<b>As Restated</b>
Deferred outflows of resources	\$ (599,880)	\$ (4,119,942)	\$ (4,719,822)
Deferred inflows of resources	184,564	(184,564)	-
Net Investment in capital assets	(26,614,466)	2,679,411	(23,935,055)
Unrestricted net position	(75,041,218)	1,625,095	(73,416,123)

**UCF CONVOCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

(9) **Implementation of Accounting Standard:** (Continued)

	<b>As Previously Reported</b>		
	<b>2016</b>	<b>Adjustment</b>	<b>As Restated</b>
Deferred outflows of resources	\$ (632,751)	\$ (4,349,919)	\$ (4,982,670)
Deferred inflows of resources	194,677	(194,677)	-
Net Investment in capital assets	(27,588,316)	2,830,453	(24,757,863)
Unrestricted net position	(80,420,472)	1,714,143	(78,706,329)

(10) **Subsequent Events:**

In July 2018, the Corporation issued Refunding Revenue Bonds, Series 2018 of \$104,636,000 to a bank. The Series 2018 bonds were issued at par. This issuance includes term bonds with maturity dates extending through October 2035 and a fixed interest rate of 3.52%. Proceeds of \$104,636,000 from the Refunding Revenue Bonds plus an additional \$1,087,838 from the Corporation were used to purchase \$105,482,838 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 outstanding 2014 A&B certificates, which defeased the certificates. The Corporation expects to extinguish the debt on October 1, 2018.

The defeasance of the 2014 A&B certificates terminated the Housing ground lease agreement between the University and the Corporation, resulting in the Corporation transferring \$78.3 million in net carrying value of all buildings and improvements to the University. Pursuant to the Operating Agreement between the University and the Corporation, the Corporation will continue to operate and maintain the facilities, and the University will relinquish its right to the future revenues earned by the facilities to the Corporation. The revenues generated by and through such operation will secure repayment of the series 2018 refunding revenue bonds.

**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, 2018, 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 30, 2018.

**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.

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(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  
October 30, 2018

**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, 2018. 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, 2018.

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  
October 30, 2018