



UNIVERSITY OF CENTRAL FLORIDA

Foundation, Inc. Finance Deep Dive

UCF Foundation Board of Directors

Nov 14, 2023, at 10:30 AM EDT to 11:30 AM EDT
Zoom Meeting

Members Present:

Jessie Blume, Roslyn Burttram, Barry Forbes, James Harhi, Stuart Heaton, John Mahony, Chris Marlin, Kevin Miller, Heather Pigman, Mark Plaumann, Tom McNamara, Eva Tukdarian, Kevin Wydra

Members Absent:

Chair Butler, Tandreia Bellamy, Clint Bullock, Carrie Daanen, Linh Dang, Cathy Engelman, Mike Hinn, Provost Johnson, Rob Kantor, Laurette Koellner, Caryl McAlpin, Marc McMurrin, Kevin Miller, Dianne Owen, Dana Patton, Roger Zlotoff

I. Welcome and Call to Order

Janelle Hom opened the call at 10:31 a.m. to introduce the topic.

II. Board Education

Joseph Mera '03, *Director of Financial Planning & Analysis*, UCF Advancement & Partnerships, presented the following items:

A. Finance Deep Dive

Mera presented the UCF Foundation Deep Dive which encompassed the net assets, total revenue inflow and expense outflow, and governance of the UCF Foundation. Mera began discussing the Foundation's assets and liabilities, noting assets of \$535 million. Of this total, 65% is held in cash and investments, totaling \$348 million. Total receivables primarily pertain to related parties and contribution pledges, amounting to \$58 million. Additionally, property and equipment valued at \$126 million include operating and donated land and buildings. There is an \$2 million in other assets. Regarding liabilities, the UCF Foundation holds a total of \$69 million, with \$60 million in notes directly related to the foundation's owned and managed property. \$9 million is held in payables.

The fiscal year concluded with \$348 million in cash and investments. The endowment pool stands at \$228 million, and there is a donor-restricted fund of \$76 million, all subject to donor restrictions. From an operational standpoint, the UCF Foundation holds \$44 million in unrestricted funds, divided into \$35 million for operations and \$9 million for real estate. Mera highlighted the advantages of managing these operating funds separately, particularly when dealing with real estate.

Mera shared that the net assets have increased by 50% since 2020, primarily due to an unrestricted \$40 million donation and increased revenue from investments and real estate.

Mera discussed the real estate revenue received from CAPFA (Capital Projects Finance Authority) water flow funds which were released after being held due to COVID-related expenses. The last payment was received in 2023.

Mera proceeded to breakdown the primary inflows of revenue to the UCF Foundation which totaled \$120 million. These inflows consist of contributions, rental income, and investment gains, totaling \$56 million in contribution revenue, \$32 million in rental income, \$20 million in investment income and \$12 million in non-operating income..

Mera highlighted that philanthropic contributions are recorded in two ways at the UCF Foundation: attainment and financial statements. The financial statements of \$56 million includes non-verified pledge payments and donations. Attainment of \$114 million includes non-verified pledges, gifts-in-kind, planned gifts, and research sponsorships. Overlapping both categories are outright donations and verified pledges. In the financial statement, endowed pledged cannot be recorded.

Director Wydra inquired about how the finance department would report a large pledge over time. For example, if a donor pledged \$500,000 over a five year period, would it be recorded in the first year received or on an annual basis. Erick Kepfer '00 '03MBA, *Director of Accounting*, UCF Advancement & Partnerships, explained that once the pledge meets the criteria for verification it is reported as a lump sum in the financial statements and not divided annually.

Director Heaton asked about the accounting treatment for the full value of the pledge. Kepfer clarified that the entire amount is booked upon receiving the pledge. As payments come in, the receivable is reduced.

Mera shared that the total expenses for the Foundation amount to \$59 million. It was noted that the UCF Foundation's operating expenses, including fundraising, management and general expenses, and alumni relations, total \$21 million.

Mera then reviewed historical revenues and expenses noting that fiscal year 2022 marked the first negative return in 10 years for the UCF Foundation endowment pool. The primary factors impacting the fluctuations in revenue over the last five years were the CAPFA refinancing and the investment portfolio's performance within the endowment.

Mera discussed the UCF Foundation's governance, highlighting that the difference between the Foundation's budget of \$28 million and the Foundation's revenues of \$121 million. Mera also noted that governance focuses first on policy creation followed by operational management. The Board also oversees the UCF Foundation's total assets by implementing policies aimed at enhancing expense management between the University and the Foundation.

Director Blume inquired if all higher education foundations report and manage their budgets in the same way. Mera explained that both public and private institution higher education foundations operate similarly. Private institutions have fewer restrictions due to a lack of state funding but manage their funds in a similar manner. Rod Grabowski, *Senior Vice President*, UCF Advancement & Partnerships, and *Chief Executive Officer*, UCF Foundation, Inc., mentioned that some public university foundations have their own employees, unlike the UCF Foundation. All UCF Foundation employees are state employees; the UCF Foundation uses its funds to reimburse the state for salary and benefit expenses. Approximately \$10.5 million of the \$28 million budget is received from the University as state support.

The UCF Foundation's current, balanced, operating budget is \$28 million. The sources for this balanced budget include university support, endowment fee, and real estate. Utilization includes university support, personnel, and operating expenses. Budgets are annually approved by the Finance & Facilities Committee and the UCF Foundation Board of Directors. The ultimate final approval for all DSOs (Direct Support Organizations) is granted by the Board of Trustees with primary oversight conducted through the Foundation.

Director Wydra asked about the growth of the balanced budget. Mera explained that the budget has significantly increased over the years. Mera recalled the budget being \$12 million approximately 17 years ago, primarily due to enhanced fundraising efforts and adding more fundraisers which enabled the UCF Foundation to generate increased revenue.

Director Forbes inquired about open job positions and whether available funding is returned to the University. Mera clarified that all funding provided to the UCF Foundation from the University is utilized.

Mera discussed the real estate budget noting that the only source for this budget is rental income totaling \$11 million. The real estate budget is allocated for operating expenses, debt service, and capital expenses.

Director Heaton asked about the timing of the last market study conducted to assess rents in comparison to other student housing providers in the area. Mera explained that the real estate department intends to conduct market research for their evaluation. Currently, 95% of the UCF Foundation buildings are occupied by the University.

Director Forbes inquired about the acquisition of the UCF Foundation's real estate. Mera mentioned that the University had previous rental agreements with third parties and suggested that the UCF Foundation should purchase those rental spaces. This way the University can pay rent to the UCF Foundation.

III. Information

No additional information was shared.

IV. Closing Remarks and Announcements

Hom closed the meeting, noting that the information presented was designed to empower board members understanding of UCF Foundation finances and assist in driving more in depth conversation and questions during committee and board meetings. She encouraged board members to reach out to UCF Foundation staff with additional questions.

V. Adjournment

The meeting was adjourned at 11:37 a.m.

Approved by the Executive Committee on **December 7, 2023**.

Respectfully Submitted by:



Dana Patton
12/19/2023 09:47 EST

Dana Patton '93, *Secretary*, UCF Foundation Board of Directors

Minutes prepared by: Ronney Demosthene, *Coordinator, Foundation Board Relations*, UCF Advancement & Partnerships