PYA
Certified Public Accountants

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March 6, 2018

Board of Directors
University of Central Florida
Research Foundation, Inc.
c/o Mr. Edward Jacobs
Chief Financial Officer
12201 Research Parkway, Suite 501
Orlando, Florida 32826

Dear Board of Director Members:

You have requested that we audit the business-type activities of the University of Central Florida Research Foundation, Inc. and subsidiary (the Research Foundation) (a component unit of The University of Central Florida), as of June 30, 2018, and for the year then ended and the related notes, which collectively comprise the Research Foundation's basic financial statements which include the consolidated statement of net position and the related consolidated statements of revenue, expenses and changes in net position and cash flows. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the opinion unit.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI.

***Auditor Responsibilities***

We will conduct our audit in accordance with U.S. GAAS and with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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 basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards.*

In making our risk assessments, we consider internal control relevant to the Research Foundation's preparation and fair presentation of the basic 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 Research Foundation's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the basic financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

***Compliance with Laws and Regulations***

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Research Foundation's compliance with the provisions of applicable laws, regulations, contracts and

agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

***Management Responsibilities***

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;

- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements or contractual agreements;

- To provide us with:

    - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements, such as records, documentation, and other matters;

    - Additional information that we may request from management for the purpose of the audit; and,

    - Unrestricted access to persons within the Research Foundation from whom we determine it necessary to obtain audit evidence.

- For including the auditor's report in any document containing the basic financial statements that indicates that such basic financial statements have been audited by the Research Foundation's auditor;

- For identifying and ensuring that the Research Foundation complies with the laws and regulations applicable to its activities;

- For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and

the number and complexity of accounting and reporting issues and/or adjustments required directly affect our fee estimates. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are due 30 days from the date of receipt of the invoice by the Research Foundation. If we elect to terminate our services for nonpayment, our engagements will be deemed to have been completed upon written notification of termination, even if we have not completed our engagements. You will be obligated to compensate us for all time expended and to reimburse us for all travel expenditures through the date of termination.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagements, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the basic financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the Research Foundation's significant accounting practices;

- Significant difficulties, if any, encountered during the audit;

- Uncorrected misstatements, other than those we believe are trivial, if any;

- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures, if any;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of PYA and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, peer reviewers, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of PYA personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The Research Foundation's management will represent the information provided to PYA is accurate. Except to the extent eventually determined to have resulted from PYA fraudulent behavior or willful misconduct, should the Research Foundation (or its duly authorized representatives) knowingly misrepresent the accuracy or completeness of the information, PYA's maximum liability to the Research Foundation shall be limited to actual damages.

This engagement letter reflects the entire agreement between the Research Foundation and PYA relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence, and understandings, whether written or oral. The agreements of the Research Foundation and PYA contained in this engagement letter shall survive the completion or termination of these engagements.

Any controversy or claim arising out of or relating to the services covered by this letter or hereafter provided by us to the Research Foundation shall be submitted first to voluntary mediation and, if

mediation is not successful, then to binding arbitration. Judgment on any arbitration award may be entered in any court having proper jurisdiction.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

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We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagements. If you have any questions, please let us know. If you agree with the terms of our engagements as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

PYA, PC

PYA, P.C.

**RESPONSE:**

This letter correctly sets forth the understanding of the University of Central Florida Research Foundation, Inc.

Acknowledged and agreed to on behalf of the Research Foundation by:

Signature: _____

Title: U.C.F. RF VP

Date: 4-6-18