

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**UCF CONVOCATION CORPORATION
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JUNE 30, 2021 AND 2020**

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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 years ended June 30, 2021 and 2020, 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 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, 2021 and 2020, 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 October 29, 2021, 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 the effectiveness of the Corporation's 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 29, 2021

**UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

This management 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, 2021 and 2020, 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, 2021, 2020, and 2019.

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 equals net position, which 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 deficit net position of \$136.2 million on June 30, 2021, primarily due to the Corporation's debt refunding in fiscal years 2016 and 2019.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

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

Condensed Statement of Net Position			
(For the Fiscal Years at June 30)			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 20,510,000	\$ 19,705,224	\$ 20,192,767
Noncurrent assets	3,017,865	3,535,489	3,619,681
Total Assets	<u>23,527,865</u>	<u>23,240,713</u>	<u>23,812,448</u>
Deferred outflows	<u>3,681,851</u>	<u>3,940,226</u>	<u>4,198,602</u>
Liabilities			
Current liabilities	12,742,021	10,585,108	14,094,603
Noncurrent liabilities	150,686,316	159,032,900	167,114,483
Total Liabilities	<u>163,428,337</u>	<u>169,618,008</u>	<u>181,209,086</u>
Net Position			
Net investment in capital assets	538,419	732,883	759,211
Restricted	13,630,140	16,209,138	13,310,428
Unrestricted	<u>(150,387,180)</u>	<u>(159,379,090)</u>	<u>(167,267,675)</u>
Total Net Position	<u>\$(136,218,621)</u>	<u>\$(142,437,069)</u>	<u>\$(153,198,036)</u>

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 \$23.5 million as of June 30, 2021. This balance primarily reflects an increase of \$0.3 million or 1.2 percent from the prior fiscal year. This is primarily due to a decrease of \$1.5 million in cash and cash equivalents offset by increases totaling \$2.0 million in accounts receivable and cash held by the university on behalf of the Corporation related to the billings and collections of summer housing revenues.

Liabilities totaled \$163.4 million as of June 30, 2021. This balance reflects a decrease of \$6.2 million, or 3.7 percent from the prior fiscal year primarily due to \$8.1 million of debt service payments offset by a \$2.0 million increase in unearned revenue. During the previous fiscal year unearned revenues were not recognized due to the decision of university leadership, acting in good faith and in collaboration with state and federal guidelines, to restrict on-campus housing Summer 2020 semesters in response to the global coronavirus pandemic. Refer to Note 6 of the financial statements for further discussion.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(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. Nonoperating 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. During fiscal year 2020, the Corporation recognized nonoperating housing rent subsidy revenue received from the University to contractually perform under the housing management agreement.

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>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 21,846,251	\$ 25,860,702	\$ 33,018,250
Operating expenses	9,075,153	14,502,640	17,752,342
Operating income	<u>12,771,098</u>	<u>11,358,062</u>	<u>15,265,908</u>
Net nonoperating revenues (expenses)	(6,552,650)	(597,095)	(7,993,201)
Special item – loss on asset disposal	-	-	(78,269,300)
Increase (decrease) in net position	6,218,448	10,760,967	(70,996,593)
Net position, beginning of year	(142,437,069)	(153,198,036)	(82,201,443)
Net position, end of year	<u>\$ (136,218,621)</u>	<u>\$ (142,437,069)</u>	<u>\$ (153,198,036)</u>

The Corporation's operating revenues totaled \$21.8 million at June 30, 2021. This balance reflects a decrease of \$4.0 million, or 15.5 percent from the prior fiscal year primarily due to reduced events at the arena. The Corporation's operating expenses totaled \$9.1 million at June 30, 2021. This balance reflects a decrease of \$5.4 million, or 37.4 percent from the prior fiscal year due to reduced expenses associated with reduced events at the arena due to the coronavirus pandemic.

Net nonoperating expenses totaled \$6.6 million at June 30, 2021. This balance reflects an increase of \$6.0 million, or 997.4 percent from the prior fiscal year primarily due to the \$5.5 million housing rent subsidy

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

received from the University during fiscal year 2020. Refer to Note 6 of the financial statements for further discussion.

During fiscal year 2019, 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.

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 noncapital financing activities include changes in the amounts due from related parties. 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:

	2021	2020	2019
Condensed Statements of Cash Flows			
(For the Fiscal Years Ended June 30)			
Cash flows provided by (used in)			
Operating activities	\$ 14,312,176	\$ 8,969,488	\$ 16,416,799
Non-capital financing activities	(1,356,498)	6,534,209	51,376
Capital and related financing activities	(14,599,253)	(14,899,926)	(15,552,508)
Investing activities	157,006	586,899	167,125
Net increase (decrease) in cash	(1,486,569)	1,190,670	1,082,792
Cash and cash equivalents			
Beginning of year	18,157,154	16,966,484	15,883,692
End of year	\$ 16,670,585	\$ 18,157,154	\$ 16,966,484

CAPITAL ASSETS

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

At June 30, 2021, the Corporation had \$1.6 million in capital assets, less accumulated depreciation of \$1.1 million, for net capital assets of \$0.5 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)			
	2021	2020	2019
Furniture & equipment	\$ 538,419	\$ 732,883	\$ 759,211
Total	\$ 538,419	\$ 732,883	\$ 759,211

DEBT ADMINISTRATION

As of June 30, 2021, 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 \$159.0 million at June 30, 2021. Additional information about the Corporation's long-term debt is presented in the Note 5 of the financial statements.

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)			
	2021	2020	2019
Revenue bonds	\$ 158,976,316	\$ 167,057,900	\$ 174,869,483
Total	\$ 158,976,316	\$ 167,057,900	\$ 174,869,483

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(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 ended June 30, 2021:

	Housing Revenue Bonds Series 2018A
Change in net position, net of non-operating activity per agreement	\$ 8,189,686
Add back depreciation expense	14,903
Add back amortization expense	179,442
Add back interest expense	3,241,656
Add back management fees	145,260
	\$ 11,770,947
Annual debt service	\$ 8,053,632
Coverage Ratio	146%

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

The table below reflects the debt service coverage ratio for the Arena project for the fiscal year ending June 30, 2021:

	<u>Arena Revenue Bonds Series 2015A and 2015B</u>
Arena Revenues	
Net Premium Seating	\$ 58,356
Advertising and Sponsorship	125,000
Net Naming Rights	670,000
UCF Operating Payment	2,200,000
Transfer from UCFCC Housing	4,562,958
Net Retail Income	<u>880,297</u>
Available for debt service	\$ 8,496,611
Annual debt service	<u>\$ 6,013,508</u>
Coverage Ratio	141%

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 university campus resumed normal operations allowing for full participation in athletics events and on-campus housing and the economic outlook for the Corporation is positive regarding its ability to meet debt service obligations for both the housing and arena debt issuances.

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 Assistant Vice President for DSO Accounting and Reporting, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, FL 32826-3249.

UCF CONVOCATION CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 1,563,104	\$ 404,288
Accounts receivable	1,160,023	599,494
Due from the University of Central Florida	5,045,773	3,526,673
Due from the UCF Foundation, Inc.	-	800
Due from the UCF Limbitless Solutions, Inc.	49,993	11,155
Due from the Athletics Association, Inc.	1,248	111,319
Prepaid expenses	61,824	101,235
Restricted cash and cash equivalents	<u>12,628,035</u>	<u>14,950,260</u>
Total current assets	<u>20,510,000</u>	<u>19,705,224</u>
Noncurrent assets		
Restricted cash and cash equivalents, less current portion	2,479,446	2,802,606
Capital assets, net of accumulated depreciation	<u>538,419</u>	<u>732,883</u>
Total noncurrent assets	<u>3,017,865</u>	<u>3,535,489</u>
Total Assets	<u>23,527,865</u>	<u>23,240,713</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred loss on refunding of debt	<u>3,681,851</u>	<u>3,940,226</u>
<u>LIABILITIES</u>		
Current liabilities		
Current portion of long-term debt	8,290,000	8,025,000
Accounts payable and accrued expenses	510,884	576,798
Interest payable	1,477,341	1,543,729
Due to the University of Central Florida	235,891	241,400
Unearned revenue	<u>2,227,905</u>	<u>198,181</u>
Total current liabilities	<u>12,742,021</u>	<u>10,585,108</u>
Noncurrent liabilities		
Long-term debt, less current portion	150,686,316	159,032,900
Total Liabilities	<u>163,428,337</u>	<u>169,618,008</u>
<u>NET POSITION</u>		
Net investment in capital assets	538,419	732,883
Restricted for:		
Debt service	8,238,215	11,070,834
Renewal and replacement	2,479,446	2,802,606
Other	2,912,479	2,335,697
Unrestricted	<u>(150,387,180)</u>	<u>(159,379,089)</u>
Total Net Position	<u>\$ (136,218,621)</u>	<u>\$ (142,437,069)</u>

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, 2021 AND 2020

	2021	2020
Operating revenues		
Housing	\$ 16,178,487	\$ 15,562,506
Arena operations	3,951,489	8,295,931
Retail space rental	1,716,275	2,002,265
Total operating revenues	21,846,251	25,860,702
Operating expenses		
Services and supplies	6,231,348	10,969,100
Utilities and communications	2,565,867	3,274,967
Depreciation	194,464	196,448
Other	83,474	62,125
Total operating expenses	9,075,153	14,502,640
Operating income	12,771,098	11,358,062
Nonoperating revenues (expenses)		
Investment income	157,006	586,899
Interest expense	(6,177,543)	(6,437,673)
Loss on Asset Disposal	-	(23,322)
Distributions to the University of Central Florida	(532,113)	(270,480)
Housing subsidy from the University of Central Florida	-	5,547,481
Net nonoperating revenues (expenses)	(6,552,650)	(597,095)
Increase (decrease) in net position	6,218,448	10,760,967
Net position, beginning of year	(142,437,069)	(153,198,036)
Net position, end of year	\$ (136,218,621)	\$ (142,437,069)

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts from housing operations	\$ 17,561,448	\$ 13,984,214
Receipts from retail space rental	1,728,987	1,846,838
Receipts from arena operations	3,986,973	8,540,832
Payments to suppliers and others	<u>(8,965,230)</u>	<u>(15,402,396)</u>
Net cash provided by operating activities	<u>14,312,178</u>	<u>8,969,488</u>
Cash flows from noncapital financing activities		
Net change in funds held by the University of Central Florida	(1,356,500)	986,728
Housing Subsidy from the University of Central Florida	<u>-</u>	<u>5,547,481</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,356,500)</u>	<u>6,534,209</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	-	(577,601)
Payments on long-term debt	(8,025,000)	(7,755,000)
Interest paid	(6,042,140)	(6,296,845)
Distributions to the University of Central Florida	<u>(532,113)</u>	<u>(270,480)</u>
Net cash used in capital and related financing activities	<u>(14,599,253)</u>	<u>(14,899,926)</u>
Cash flows from investing activities		
Investment income received	<u>157,006</u>	<u>586,899</u>
Net cash provided by investing activities	<u>157,006</u>	<u>586,899</u>
Net increase (decrease) in cash and cash equivalents	(1,486,569)	1,190,670
Cash and cash equivalents, beginning of year	18,157,154	16,966,484
Cash and cash equivalents, end of year	<u>\$ 16,670,585</u>	<u>\$ 18,157,154</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,771,098	\$ 11,358,062
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	194,464	196,448
Changes in assets and liabilities:		
Prepaid expenses	39,413	(10,352)
Accounts receivable	(560,529)	753,271
Accounts payable and accrued expenses	(65,914)	(931,108)
Due to the University of Central Florida	(5,509)	(23,011)
Due from the University of Central Florida	(162,602)	4,300
Due to the UCF Athletics Association, Inc.	-	(159,109)
Due from the UCF Athletics Association, Inc.	110,071	14,085
Due from the UCF Limitless Solutions, Inc.	(38,838)	(11,155)
Due from the UCF Foundation, Inc.	800	(800)
Unearned revenue	<u>2,029,724</u>	<u>(2,221,143)</u>
Net cash provided by operating activities	<u>\$ 14,312,178</u>	<u>\$ 8,969,488</u>
Cash and cash equivalents are presented on the Statements of Net Position as:		
Cash and cash equivalents	\$ 1,563,104	\$ 404,288
Current restricted cash and cash equivalents	12,628,035	14,950,260
Noncurrent restricted cash and cash equivalents	<u>2,479,446</u>	<u>2,802,606</u>
	<u>\$ 16,670,585</u>	<u>\$ 18,157,154</u>
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	\$ -	\$ 23,322
Trade in value of assets disposed	\$ -	\$ 6,000

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, 2021 AND 2020

(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.

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.

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(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, 2021 and 2020.

(g) **Capital assets**—The Corporation's capital assets consist of furniture and equipment. 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 \$3,681,851 and \$3,940,226 at June 30, 2021 and 2020, 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, 2021 AND 2020**

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. According to authoritative discussions in the GASB 34 Implementation Guide exercise for calculating net position balances for governmental activities, if the liabilities relating to the restricted assets are greater than those assets, then no balance would be reported as restricted net position. The negative amount would be reported as a reduction to unrestricted net position.
- 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.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

(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, 2021 and 2020, the cash was invested in a government money market fund.

The Corporation has cash and investments held by the University of \$4,881,889 and \$3,525,391 at June 30, 2021 and 2020, respectively. The amounts are included in Due From the University of Central Florida on the accompanying statement of net position. Investment income shown on the statement of revenues, expenses and changes in net position includes interest earned on the cash held by a trust institution, as well as realized gains/losses allocated from the University on funds held and invested on behalf of the Corporation. 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>2021</u>	<u>2020</u>
Cash on hand	\$ 1,563,104	\$ 404,228
Money market funds	15,107,481	17,752,866
Cash and cash equivalents	<u>\$ 16,670,585</u>	<u>\$ 18,157,154</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. Cash on hand is held at a financial institution that is not listed as a qualified public depository as defined by *Florida Statutes* Chapter 280. These funds are collateralized with securities held by the pledging financial institution, but not in the depositor's name.

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, 2021 AND 2020

(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, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Furniture and equipment	\$ 1,510,389	\$ 102,366	\$ -	\$ 1,612,755
Less: accumulated depreciation	<u>(777,506)</u>	<u>(296,830)</u>	<u>-</u>	<u>(1,074,336)</u>
Total capital assets, net	<u>\$ 732,883</u>	<u>\$ (194,464)</u>	<u>\$ -</u>	<u>\$ 538,419</u>

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Furniture and equipment	\$ 1,443,171	\$ 199,442	\$ (132,224)	\$ 1,510,389
Less: accumulated depreciation	<u>(683,960)</u>	<u>(196,448)</u>	<u>102,902</u>	<u>(777,506)</u>
Total capital assets, net	<u>\$ 759,211</u>	<u>\$ 2,994</u>	<u>\$ (29,332)</u>	<u>\$ 732,883</u>

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

(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>2021</u>	<u>2020</u>
Due from the University of Central Florida	\$ 5,045,773	\$ 3,526,673
Due from the UCF Foundation	-	800
Due from the UCF Limbitless	49,993	11,155
Due from the UCF Athletics Association, Inc.	1,248	111,319
Due to the University of Central Florida	(235,891)	(241,400)
Due to the UCF Athletics Association, Inc.	-	-

(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, 2021 AND 2020

(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 not subject to any acceleration clauses.

The following is a schedule of future principal and interest payments for both the Housing and Arena revenue bonds as of June 30, 2021:

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	
2022	\$ 4,930,000	\$ 3,112,912	\$ 3,360,000	\$ 2,654,242	\$ 14,057,154
2023	5,100,000	2,936,384	3,480,000	2,536,162	14,052,546
2024	5,270,000	2,753,872	3,610,000	2,404,030	14,037,902
2025	5,465,000	2,564,936	3,755,000	2,259,438	14,044,374
2026	5,650,000	2,369,312	3,910,000	2,103,205	14,032,517
2027-2031	31,345,000	8,666,328	21,970,000	8,096,511	70,077,839
2032-2036	33,140,000	2,718,848	27,185,000	2,881,950	65,925,798
Subtotals	90,900,000	25,122,592	67,270,000	22,935,538	206,228,130
Plus:					
Unamortized premium	-	-	806,316	-	806,316
Total	\$ 90,900,000	\$ 25,122,592	\$ 68,076,316	\$ 22,935,538	\$ 207,034,446

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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

Changes in long-term debt for the year ended June 30, 2021, 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 revenue bonds	\$ 95,670,000	\$ -	\$ (4,770,000)	\$ 90,900,000	\$ 4,930,000
Total Direct Borrowings	<u>\$ 95,670,000</u>	<u>\$ -</u>	<u>\$ (4,770,000)</u>	<u>\$ 90,900,000</u>	<u>\$ 4,930,000</u>
<u>Other Debt:</u>					
Arena revenue bonds	\$ 70,525,000	\$ -	\$ (3,255,000)	\$67,270,000	\$ 3,360,000
Unamortized premiums	<u>862,900</u>	<u>-</u>	<u>(56,584)</u>	<u>806,316</u>	<u>-</u>
Total Other Debt	<u>\$ 71,387,900</u>	<u>\$ -</u>	<u>\$ (3,311,584)</u>	<u>\$68,076,316</u>	<u>\$ 3,360,000</u>
Total Long-Term debt	<u>\$ 167,057,900</u>	<u>\$ -</u>	<u>\$ (8,081,584)</u>	<u>\$158,976,316</u>	<u>\$ 8,290,000</u>

Changes in long-term debt for the year ended June 30, 2020, 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 revenue bonds	\$ 100,260,000	\$ -	\$ (4,590,000)	\$ 95,670,000	\$ 4,770,000
Total Direct Borrowings	<u>\$ 100,260,000</u>	<u>\$ -</u>	<u>\$ (4,590,000)</u>	<u>\$ 95,670,000</u>	<u>\$ 4,770,000</u>
<u>Other Debt:</u>					
Arena revenue bonds	\$ 73,690,000	\$ -	\$ (3,165,000)	\$70,525,000	\$ 3,255,000
Unamortized premiums	<u>919,483</u>	<u>-</u>	<u>(56,583)</u>	<u>862,900</u>	<u>-</u>
Total Other Debt	<u>\$ 74,609,483</u>	<u>\$ -</u>	<u>\$ (3,221,583)</u>	<u>\$ 71,387,900</u>	<u>\$ 3,255,000</u>
Total Long-Term debt	<u>\$ 174,869,483</u>	<u>\$ -</u>	<u>\$ (7,811,583)</u>	<u>\$167,057,900</u>	<u>\$ 8,025,000</u>

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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

Interest expense for the years ending June 30, 2021 and 2020, was \$6,177,543 and \$6,437,673 respectively. Bond premiums are amortized on an annual basis using the straight-line method, which is materially consistent with the effective interest method. These amounts were \$ 56,584 and \$56,583 for fiscal years ending June 30, 2021 and 2020 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, 2021 and 2020 respectively.

The Corporation receives certain housing management, operation, and maintenance services from the University pursuant to an amended and restated housing management agreement. Service and supplies expense includes management fees paid to the University of \$145,260 and \$181,536 for the fiscal years ended June 30, 2021 and 2020, respectively. During fiscal year 2020, the University, acting in good faith and on public health guidance, made the decision to restrict on-campus housing residents from occupying their apartments for a portion of the Spring 2020 semester and all Summer 2020 semesters in response to the global coronavirus pandemic. These actions effectively resulted in the termination of housing contracts and a technical contract breach of the management agreement. As a result, the University transferred forgone spring and summer housing revenue totaling \$5,547,481 to the Corporation during the year ended June 30, 2020. This housing subsidy is recognized in full and reflected in non-operating revenue for fiscal 2020. This transfer did not occur in fiscal year 2021 and a portion of summer housing revenues were deferred and reflected as such on the statement of net position.

Distributions to the university include an annual overhead assessment by the University of \$100,000 for the utilization of facilities and equipment and transfers of \$359,483 and \$79,712 for fiscal years ended June 30, 2021 and 2020 respectively, to fund repair and replacement projects managed by the university's facilities department. Also included is a discretionary housing management fee, as required by the trust indenture, of \$72,630 and \$90,768 for fiscal years ended June 30, 2021 and 2020 respectively.

Arena operations in the statement of revenues expenses and changes in net position, includes \$150,000 and \$0 for fiscal years ended June 30, 2021, and 2020 respectively for sponsorship revenue allocated from the university's exclusive beverage provider contract with a third party. This balance is included in the Due from the University of Central Florida \$5,045,773 on the statement of net position.

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, 2021 and 2020, 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, 2021, and 2020, and is included in arena operations 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, 2021 AND 2020**

(6) Related Party Transactions: (Continued)

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, 2021 and 2020 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 \$1,395,212 and \$1,397,355 for the years ended June 30, 2021, and 2020, respectively, and is included in retail space rental revenues on the statement of revenues, expenses and changes in net position. Limbitless Solutions, Inc., another direct support organization of the University, also occupies retail space at Knights Plaza. The Due from the UCF Limbitless Solutions, Inc. on the statement of net position represents unpaid rent as of the end of the year.

(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, 2021, approximate future minimum rental payments to be received under non-cancellable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2022	\$ 1,821,588
2023	1,022,664
2024	797,018
2025	204,537
2026	46,863
Total future minimum rentals	\$ 3,892,670

(8) Deficit Net Position:

The Corporation has a deficit net position for the year ended June 30, 2021 and 2020 of \$136,218,621 and \$142,437,069, 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 years ended June 30, 2021 and 2020 was \$66,951,516 and \$70,184,167, respectively. The Corporation's housing related debt reflected as a component of unrestricted net position for the year ended June 30, 2021 and 2020 was \$ 88,342,949 and \$92,933,507, respectively.

UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(9) **Recent Event:**

In the Spring of 2020, local, U.S. and world governments encouraged social distancing to curtail the spread of the coronavirus pandemic. Restrictions were imposed on the size and duration of social and business gatherings. Most industries are continuing to experience disruption to business operations and reduced consumer spending. The operations and business results of the Corporation could be affected in fiscal 2022. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others. The Corporation anticipates being able to make its fiscal 2022 debt and operating payments, however, the university support agreements disclosed in Note 5 are available if there are any shortfalls in the Corporation's ability to meet its debt service requirements.

**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 the 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, 2021, 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 29, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Tampa, Florida
October 29, 2021

**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, 2021. 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, 2021.

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 29, 2021