

USF SUN DOME, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

**USF SUN DOME, INC.
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JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
USF Sun Dome, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of USF Sun Dome, Inc., a direct support organization and component unit (for accounting purposes only) of the University of South Florida, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise USF Sun Dome, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

USF Sun Dome, Inc.'s 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.

Auditors' 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 audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USF Sun Dome, Inc. as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

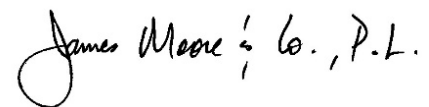
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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.

Emphasis of Matter – COVID-19

As discussed in Note 13 to the financial statements, the entity has suffered recurring losses from operations and has a deficit in net position as a result of the negative impacts from the COVID-19 pandemic. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 13. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of USF Sun Dome, Inc.'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 USF Sun Dome, Inc.'s internal control over financial reporting and compliance.



Gainesville, Florida
October 20, 2021

USF SUN DOME, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

Introduction

USF Sun Dome, Inc. (the Organization) Management's Discussion and Analysis (MD&A) provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts for the fiscal year ended on June 30, 2021. The MD&A should be read in conjunction with the accompanying presented financial statements.

Overview of the Financial Statements and Financial Analysis

The financial section of this report consists of three parts: MD&A (this section), the financial statements and notes to the financial statements.

The Organization's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to an enterprise fund using an accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Included in the financial statements are the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the related notes.

The financial statements of the Organization offer short and long-term financial information about its activities. The Statements of Net Position include all of the Organization's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. The Statements of Net Position also provides the basis for computing rate of return, evaluating the capital structure of the Organization and assessing its liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the performance of the Organization's operations over the past year and can be used to determine whether the Organization has successfully recovered all its costs through its activities, as well as its profitability and credit worthiness.

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements are to provide information about the Organization's cash receipts and cash disbursements during the fiscal year. The statements report cash receipts, cash disbursements and net changes in cash resulting from operating, investing, non-capital financing activities, and capital and related financial activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights

- Net Position of the Organization decreased by \$957,144, or 343% in 2021, of which \$64,603 represented a decrease in the amount invested in capital assets and \$892,541 represented a decrease in unrestricted net position, see below for details about revenues and expenses. In 2020, there was an increase of \$113,179, or 68%, of which \$64,658 represented a decrease in the amount invested in capital assets and \$177,837 represented an increase in unrestricted net position.

USF SUN DOME, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

- For the year ended 2021, cash increased \$288,611, or 62%. For the year ended 2020, cash decreased \$1,276,396, or 73%. The increase for the year ending June 2021 was primarily attributable to the increase in deferred revenue and event revenue towards the end of the year.
- For the year ended 2021, total current liabilities increased by \$1,093,694, or 80%, primarily due to a substantial increase in accrued liabilities. In 2020, total current liabilities decreased by \$1,379,890, or 50%.
- In 2021, costs of events decreased by \$1,214,930 or 69%. This decrease was driven by less events throughout the year due to Covid-19 and lower staffing numbers per event. In 2020, costs of events decreased by \$648,183 or 27%.
- The Organization's operating margin for the year ended 2021 decreased \$772,709 primarily due to the decreased number of live events because of Covid-19. For the year ended 2019, the Organization's operating profit decreased \$407,337 primarily due to the halt of all events from March 13 through June 30, 2020.
- Non-operating revenues and expenses for the year ended 2021 decreased \$297,614 compared to the increase of \$733,616 for the year ended 2020.

Financial Analysis of the Organization

Statements of Net Position

- Net Position serves as a measurement of the Organization's financial position over a period of time. The Organization's liabilities exceeded assets by \$678,033 as of June 30, 2021, whereas assets exceeded liabilities by \$279,111 as of June 30, 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 1,105,736	\$ 904,583	\$ 2,106,636
Capital assets	678,766	743,369	808,027
Total assets	<u>\$ 1,784,502</u>	<u>\$ 1,647,952</u>	<u>\$ 2,914,663</u>
Liabilities			
Current liabilities	<u>\$ 2,462,535</u>	<u>\$ 489,286</u>	<u>\$ 1,971,196</u>
Net Position			
Net investment in capital assets	\$ 678,766	\$ 637,744	\$ 808,027
Unrestricted	<u>(1,356,799)</u>	<u>(358,633)</u>	<u>(642,095)</u>
Total net position	<u>\$ (678,033)</u>	<u>\$ 279,111</u>	<u>\$ 165,932</u>

Capital Assets

- There were no additions to capital assets for the fiscal years ended 2021 and 2020. There were no capital assets disposed for the years ended 2021 and 2020. Depreciation expense in the current year totaled \$64,603. Depreciation expense in the prior year totaled \$64,658.

Please refer to the notes to the financial statements for additional explanation.

USF SUN DOME, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

Statements of Revenues, Expenses, and Changes in Net Position

The Organization functions as a single enterprise fund. The Organization provides management services and event hosting for the University of South Florida (the "University") and external customers utilizing the University's Arena. Revenues from event hosting and operations account for 90% and 94% of operating revenues in fiscal years 2021 and 2020, respectively. The cost of providing the remainder of the services was supported by management fees of \$134,086 and \$229,745 from the University and the University Foundation in fiscal years 2021 and 2020, respectively.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,362,912	\$ 3,819,263	\$ 4,945,241
Operating expenses	<u>2,070,369</u>	<u>3,754,011</u>	<u>4,472,652</u>
Operating income (loss)	(707,457)	65,252	472,589
Non-operating revenues (expenses)	<u>(249,687)</u>	<u>47,927</u>	<u>(685,689)</u>
Change in net position	<u>\$ (957,144)</u>	<u>\$ 113,179</u>	<u>\$ (213,100)</u>

As noted above, fiscal year 2021 operating income decreased \$772,709 compared to 2020.

- Operating revenues decreased to \$1,362,912 or by 64% for fiscal year 2021 compared to \$3,819,263 for fiscal year 2020. The decrease in operating revenue is due to the lost revenue from the Covid-19 shutdown. There were no events in the beginning of the fiscal year and limited to USF athletics majority of the year.
- Net ticket revenues were \$0 for the fiscal years ended 2021 and 2020.
- The largest operating expense category was salaries and wages, which decreased \$121,209 or 16% from the prior year. Salaries and wages for fiscal year 2021 was 32% of total operating expenses. The decrease in operating expense is due to a decrease in the number of events due to the Covid-19 shutdown.
- Operating and Administrative expenses decreased \$100,044 or 28% from the prior year. The fiscal year 2021 total for operating and administrative expenses were \$255,508 or 132% of total operating expenses. In fiscal year 2020, total Operating and Administrative expenses were \$355,602 or 9% of total operating expenses.
- In the fiscal year ended 2021, the Organization transferred \$249,687 to the University in support of repayment for the debt on the Arena compared to \$118,349 for fiscal year 2020.

Requests for Information

These financial statements are designed to provide detailed information on the Organization's operations to the Organization's Board, management, investors, creditors, and all others with an interest in the Organization's financial affairs and to demonstrate the Organization'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 Ashley Leko, CFO, University of South Florida, 4202 E. Fowler Avenue, ATH 100, Tampa, FL 33620.

USF SUN DOME, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 752,917	\$ 464,306
Due from USF	102,384	48,960
Accounts receivable	233,036	362,250
Prepaid expenses	17,399	29,067
Total current assets	1,105,736	904,583
Capital assets, net	678,766	743,369
Total assets	\$ 1,784,502	\$ 1,647,952
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 114,275	\$ 1,069
Due to USF	98,115	95,751
Due to USF Foundation	64,503	123,654
Accrued expenses and other liabilities	56,810	58,500
Unearned revenue	20,760	210,312
Total current liabilities	354,463	489,286
Noncurrent liabilities		
Other long-term liability, less current portion	2,108,072	879,555
Total noncurrent liabilities	2,108,072	879,555
Total liabilities	\$ 2,462,535	\$ 1,368,841
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	\$ 678,766	\$ 743,369
Unrestricted	(1,356,799)	(464,258)
Total net position	\$ (678,033)	\$ 279,111

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

USF SUN DOME, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Event fees	\$ 1,201,405	\$ 3,154,003
Management fees	134,086	229,745
Sponsorships and commissions	-	111,054
Parking revenues	27,421	324,461
Total operating revenues	<u>1,362,912</u>	<u>3,819,263</u>
Operating expenses		
Salaries and wages	658,467	779,676
Payroll taxes and benefits	126,131	163,682
Costs of events	548,164	1,763,094
Repairs, maintenance and utilities	156,042	214,065
Operating and administrative expense	255,558	355,602
Contracted services	261,404	413,234
Depreciation	64,603	64,658
Total operating expenses	<u>2,070,369</u>	<u>3,754,011</u>
Operating income (loss)	<u>(707,457)</u>	<u>65,252</u>
Nonoperating revenues (expenses)		
Transfers to USF	(249,687)	(118,349)
Contributions from USF	-	166,276
Net nonoperating revenues (expenses)	<u>(249,687)</u>	<u>47,927</u>
Change in net position	<u>(957,144)</u>	<u>113,179</u>
Net position , beginning of year	279,111	165,932
Net position , end of year	<u>\$ (678,033)</u>	<u>\$ 279,111</u>

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

USF SUN DOME, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from customers	\$ 1,249,150	\$ 2,860,776
Cash paid to employees for services	(674,669)	(917,133)
Cash paid to vendors for goods and services	(36,183)	(3,101,690)
Net cash provided by (used in) operating activities	<u>538,298</u>	<u>(1,158,047)</u>
Cash flows from capital and related financing activities		
Net transfers to USF for debt service on Arena	(249,687)	(118,349)
Net cash used in capital and related financing activities	<u>(249,687)</u>	<u>(118,349)</u>
Net increase (decrease) in cash and cash equivalents	<u>288,611</u>	<u>(1,276,396)</u>
Cash and cash equivalents, beginning of year	464,306	1,740,702
Cash and cash equivalents, end of year	<u>\$ 752,917</u>	<u>\$ 464,306</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (707,457)	\$ 65,252
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	64,603	64,658
Changes in assets and liabilities:		
Accounts receivable	129,214	(48,958)
Due from USF	(53,424)	-
Prepaid expenses	11,668	(25,385)
Accounts payable	113,206	(14,625)
Due to USF	2,364	(117,379)
Due to USF Foundation	(59,151)	75,919
Accrued expenses and other liabilities	1,226,827	(248,000)
Unearned revenue	(189,552)	(909,529)
Net cash provided by (used in) operating activities	<u>\$ 538,298</u>	<u>\$ (1,158,047)</u>
Supplemental disclosure of noncash capital and related financing activities		
Forgiveness of debt	<u>\$ -</u>	<u>\$ 166,276</u>

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

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

USF Sun Dome, Inc. (herein collectively referred to as the “Organization”) operates a multi-purpose facility known as the Sun Dome Arena (“Arena”) on behalf of the University of South Florida (“University” or “USF”) to provide the students, faculty, and staff of the University, as well as the general public, an array of cultural, athletic, entertainment, and other educational events and activities.

The Organization also provides ownership and operational support for a Cessna I SP Aircraft (“Aircraft”). The Aircraft is exclusively used to conduct official University business pursuant to USF System Policy 0-021.

The Organization is a discretely presented component unit of the University of South Florida and is to be included in the University’s Comprehensive Annual Financial Report (CAFR).

(a) **Basis of presentation**—The Organization is a not-for-profit organization reported as a special-purpose entity engaged solely in business-type activities. The Organization operates as a single enterprise fund which contains multiple reporting divisions or departments that account for sources of revenue and cost of services. These departments consist of the corporate administration, Arena events, and aircraft operations.

(b) **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 Organization’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, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The Organization follows standards promulgated by the Governmental Accounting Standards Board (GASB) for accounting and financial reporting.

The statements of net position are presented in a classified format to distinguish between current and noncurrent assets and liabilities. The statements of revenues, expenses, and changes in net position are presented in a format which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Organization’s ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The statements of cash flows are presented using the direct method in compliance with GASB standards of accounting and financial reporting.

(c) **Cash and cash equivalents**—The Organization considers all short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity of three months or less at the date of acquisition to be cash equivalents.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

(d) **Capital assets**—Capital assets are stated at cost. Costs of \$5,000 or more are capitalized and expenditures for repairs and maintenance are expensed in the period incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The useful life of these assets ranges from 9 to 19 years. When items of equipment and other property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Capital assets donated are reported at fair value at the time of the donation.

(e) **Accrued and other liabilities**—The Organization classifies accrued and other liabilities as current liabilities. These liabilities mainly represent amounts due to the Arena Manager (See Note 6), customer deposits, and liabilities associated with events that have occurred in the current fiscal year that have not been settled.

(f) **Unearned revenue**—The Organization classifies unearned revenue as current liabilities. Unearned revenue represents cash collected for events that will occur in the following fiscal year, including amounts held on behalf of event promoters to events that will be disbursed to the promoters upon event settlement.

(g) **Income taxes**—The Organization is a not-for-profit corporation established under the laws of the State of Florida and is exempt from income taxes under provisions of the Internal Revenue Code Section 501(c)(3) and similar state laws and is not considered a private foundation. However, the Organization is liable for federal income taxes on any income unrelated to its tax-exempt purpose. The Organization has taxable unrelated business income from the sale of advertising and certain Arena event revenue. In the past, the Organization has experienced net operating losses from its non-exempt activities. The Organization has elected to carry forward its net operating losses from its non-exempt activities from prior periods, and therefore, does not have an income tax liability for the years ending June 30, 2021 and 2020.

The Organization's tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization 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 Organization.

(h) **Accounting estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(i) **Allowance for doubtful accounts for accounts receivable**—The allowance for doubtful accounts is based on the Organization's assessment of the collectability of customer accounts receivable. As of June 30, 2021 and 2020, management has determined that no valuation allowance is necessary.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

(j) **Revenue recognition**—The Organization recognizes revenue in the period in which revenue is earned.

- *Event fees*—Revenues which arise from rental of the Arena are recognized upon occurrence of the event.
- *Management fees*—Revenues from USF to manage and operate the Arena are generally recognized in the period received or contractually obligated. Revenues from the USF Foundation to oversee the financial operations of the Aircraft are recognized as the expenses are incurred.
- *Sponsorship and commissions*—Revenue generated from food service and merchandise commissions are recognized upon settlement of events.
- *Ticket revenues*—Revenues generated from promoter sponsored events are recognized upon event settlement and are reflected net of amounts remitted to promoters (see Note 11).
- *Parking revenues*—Revenue generated from parking admission sales to the Arena are recognized upon occurrence of the event.

(k) **Non-operating revenues (expenses)**—The Organization classifies revenues and expenses which are directly related to the events as operating. All other revenues and expenses are classified as non-operating.

(l) **Net position**—Net position is classified as follows:

- *Net investment in capital asset*—This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. 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 net position*—This represents the Organization’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. There is no restricted net position at June 30, 2021 and 2020.
- *Unrestricted net position*—This represents Organization resources which do not meet the definition of “restricted” or “net investment in capital assets.”

In general, restricted funds are used first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available.

(m) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2020 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

At June 30, cash deposits consist of the following:

	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 9,407	\$ 7,407
Deposits with commercial banks – unrestricted	743,510	456,899
Total cash and cash equivalents	<u>\$ 752,917</u>	<u>\$ 464,306</u>

As of June 30, 2021 and 2020, aggregate bank balances were \$797,203 and \$541,741, respectively. Deposits are maintained with state-qualified public depositories. The entire balance was insured by federal depository insurance or by collateral held by the Organization’s custodial bank, which is pledged to a state trust fund that provides security in accordance with the Florida Security for Deposits Act, Chapter 280, for amounts held in excess of Federal Deposit Insurance Corporation limits.

(3) **Capital Assets:**

Capital assets consist of the following at June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Building improvements	\$ 15,826	\$ -	\$ -	\$ 15,826
Furniture and equipment	1,976,594	-	-	1,976,594
Aircraft	1,180,000	-	-	1,180,000
	<u>3,172,420</u>	<u>-</u>	<u>-</u>	<u>3,172,420</u>
Less: Accumulated depreciation	2,429,051	64,603	-	2,493,654
Total capital assets, net	<u>\$ 743,369</u>	<u>\$ (64,603)</u>	<u>\$ -</u>	<u>\$ 678,766</u>

Capital assets consist of the following at June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Building improvements	\$ 15,826	\$ -	\$ -	\$ 15,826
Furniture and equipment	1,976,594	-	-	1,976,594
Aircraft	1,180,000	-	-	1,180,000
	<u>3,172,420</u>	<u>-</u>	<u>-</u>	<u>3,172,420</u>
Less: Accumulated depreciation	2,364,393	64,658	-	2,429,051
Total capital assets, net	<u>\$ 808,027</u>	<u>\$ (64,658)</u>	<u>\$ -</u>	<u>\$ 743,369</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$64,603 and \$64,658, respectively.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(4) Concentrations of Credit Risk:

(a) **Collateral on receivables**—The Organization has no policy requiring collateral or other security to support receivables.

(b) **Custodial credit risk**—Custodial credit risk represents the potential loss of the Organization’s deposits in the event of a bank failure. The State of Florida Statutes requires deposits by governmental units in a financial institution to be collateralized. The State of Florida maintains control over the collateral requirements and authorizes certain financial institutions to act as depositories for governmental units. The Organization maintains all accounts in financial institutions approved by the State of Florida.

(5) Pledged Revenues:

In June 2011, the USF Board of Trustees approved for the University to conduct a major renovation (“Project”) of the Arena including modifications to the existing Arena to improve overall functionality and extend the useful life of the Arena for an additional 30-year period. The Organization temporarily ceased Arena operations during the renovation through the Project’s completion date in May 2012. The total cost of the Project and associated soft costs was approximately \$35.6 million which was funded internally by the University from existing cash resources. The University intends for future period net income from Arena operations to assist in the repayment of Project funding.

Effective September 1, 2013, the Organization entered into an Operating and Reporting Agreement with the University, the USF Financing Corporation (“Financing Corporation”) and SunTrust Bank (“Lender”) to refinance a portion of debt used for certain renovations and improvements to the Arena. As defined by the terms in the Operating and Reporting Agreement, the Organization has pledged Gross Operating Revenues from Arena operations to contribute towards the repayment of the \$20,000,000 debt refinancing.

During the years ended June 30, 2021 and 2020, the Organization transferred \$249,687 and \$118,349, respectively, to the University in support of repayment for the debt on the Arena.

(6) Management Agreement:

On July 1, 2017, the Organization entered into a five-year management agreement with an Arena Manager (“Manager”) for the Manager to act as the sole and exclusive manager and operator of the Sun Dome Arena. In return for the Manager’s services, the Organization pays the Manager a fixed monthly management fee of \$12,500, in addition to certain other quantitative and qualitative incentive-based management and administration fees. For the years ended June 30, 2021 and 2020, the Organization incurred total management and administration fees related to the management agreement of \$150,000 and \$275,000, respectively, which is included in Contracted Services in the Statements of Revenues, Expenses, and Changes in Net Position. At June 30, 2021 and 2020, the Organization owed the Manager \$2,108,072 and \$879,555, respectively, for management fees, personnel provided for Arena events and other event expenses.

Organization and the Manager have made a joint commitment to protect the revenue generating ability of the facility so that upon the return of full capacity events, the arena is positioned to be successful and provide positive business operations in the future. The strength of the partnership is in the Manager’s commitment to the overall success of not just the facility, but to the Organization and the greater University

USF SUN DOME, INC.
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JUNE 30, 2021 AND 2020

(7) Related Party Transactions:

The Organization is related to the University through partial common management. The Organization derives a significant portion of its revenue under a management agreement with the University to manage and operate the Arena. Under this management agreement, the Organization is authorized to hold and conduct events at times other than when the University requires the use of the facilities. The Organization retains all net revenues arising from these events.

In addition, the Organization provides management services for the operation and maintenance of the Aircraft. The Aircraft's exclusive use is to conduct official University business pursuant to USF System Policy 0-021 (See Note 10).

Due to the Organization's relationship to the University, the majority of events throughout the year related to intercollegiate athletics and student body activities, and therefore, produced a significant number of related party transactions for Arena operations. The vast majority of intercollegiate athletics events were from men's basketball, women's basketball and volleyball home games, while student body activities primarily comprised of University commencement ceremonies and various University departmental initiatives. During fiscal years ending June 30, 2021 and 2020, revenues from these events were \$208,973 and \$643,438, respectively.

During fiscal year 2021, the Organization transferred \$622,932 to the University and received \$373,245 from the University for operating expenses. During fiscal year 2020, the Organization transferred \$1,985,395 to the University and received \$1,867,046 from the University for operating expenses.

Related party receivables and payables are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due from USF	\$ 102,384	\$ 48,960
Due to USF	(98,115)	(95,751)
Due to USF Foundation	(64,503)	(123,654)

(8) Commitments and Contingencies:

The Organization was not aware of any significant pending or threatened legal actions and there were no legal settlements as of and for the years ended June 30, 2021 and 2020. See Note 6 for Arena management commitment.

(9) Risk Management:

The Organization is exposed to various risk of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Organization has transferred risk of loss to outside parties. The Organization purchases comprehensive insurance that includes coverage for general liability, property, tenant liability, worker's compensation, crime, and automobile.

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(10) **Aircraft:**

The Organization has title to an aircraft acquired from the University of South Florida Foundation (“USF Foundation”). The Organization, through delegation from the University, provides ownership and operational support of the Aircraft for the University’s exclusive use to conduct official University business pursuant to USF System Policy 0-021. The USF Foundation, as determined by the University, has committed to the Organization full funding support for the operation and maintenance of the Aircraft net of user fees collected by the Organization. Effective April 2010, the Organization entered into a management agreement with an aircraft management company, which provides services in connection with the managing, operating, chartering, and maintaining of the Aircraft.

The Organization includes the aircraft operating activity in the Operating Revenues and Expenses on the Statements of Revenues, Expenses, and Changes in Net Position. The Organization records the funds received from the USF Foundation as revenue to the extent of any net expenses incurred by the aircraft operations. The table below summarizes the aircraft operating activity for fiscal year 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating revenues		
Management fee – cash received from USF Foundation	\$ 193,654	\$ 353,400
Advanced payments – due to USF Foundation	(64,503)	(123,654)
Total aircraft revenue	<u>\$ 129,151</u>	<u>\$ 229,746</u>

	<u>2021</u>	<u>2020</u>
Operating expenses		
Expenses	\$ 134,086	\$ 229,746
Capital additions to aircraft	-	-
Aircraft depreciation	64,603	64,006
Total operating expenses	<u>\$ 198,689</u>	<u>\$ 293,752</u>

(11) **Promoter Sponsored Events:**

The majority of concerts and shows at the Arena are sponsored and contracted with independent promoters. Ticket sales for these events are remitted directly to the promoters and the Organization receives payment for rental of the facility, use of its staff and a commission on tickets sold. Therefore, the Organization recognizes these operational payments as revenues, rather than gross ticket sales from each event. As evidenced by the table below, COVID impacted event ticket sales and related amounts remitted to promoters for fiscal year end 2021.

The table below summarizes gross ticket sales and expenses for fiscal year 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross ticket sales	\$ -	\$ 2,877,809
Amounts remitted to promoters	-	(2,877,809)
Net ticket revenue	<u>\$ -</u>	<u>\$ -</u>

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
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(12) **Recent Accounting Pronouncements:**

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after June 15, 2021. The Organization is currently evaluating the impact this statement will have on its financial statements.

(13) **Risks and Uncertainties – COVID-19:**

During the year ended June 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. The financial impacts of the COVID-19 pandemic were felt through the end of fiscal year 2020 and all of fiscal year 2021, and such financial impacts have been reflected in the June 30, 2021 financial statements.

Due to the severity of the pandemic and the majority of events being cancelled during the year, the Organization had a significant reduction in revenue leading to a net loss for the year ended June 30, 2021 and a deficit net position. Management has evaluated the Organization's ability to continue as a going concern and has implemented a plan of action to mitigate the relevant conditions that raise substantial doubt about the Organization's ability to continue as a going concern. Management has a positive financial outlook as cash balances are on the rise as of Q4 of fiscal year 2021 and events are being booked again for the fiscal year 2022. Management plans to pay off Arena Manager payables as cash balances exceed a specific threshold. Management and the Manager will continue to review operations as events return to normal at which time, in consultation with all appropriate parties, a timeline for repayment will be determined. Until this time, Management will pay down the Arena Manager payables as cash balances exceed a specific threshold on a per event basis. Management is confident in the Manager's abilities to bring the facility back to an operational status that will position the Arena for future financial success.

**INDEPENDENT AUDITORS' 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**

To the Board of Directors,
USF Sun Dome, Inc.:

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 USF Sun Dome, Inc. as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise USF Sun Dome, Inc.'s basic financial statements, and have issued our report thereon dated October 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered USF Sun Dome, Inc.'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 USF Sun Dome, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of USF Sun Dome, Inc.'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.

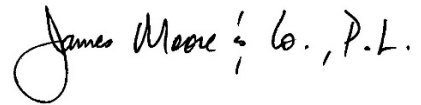
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USF Sun Dome, Inc.'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.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2021