

**UCF ATHLETICS ASSOCIATION, INC.  
(A COMPONENT UNIT OF THE UNIVERSITY  
OF CENTRAL FLORIDA)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**UCF ATHLETICS ASSOCIATION, INC.**  
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**JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
UCF Athletics Association, Inc.  
Orlando, Florida

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of the UCF Athletics Association, Inc. (the "Association"), a direct support organization and component unit of the University of Central Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association, as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, the Association adopted new accounting guidance, GASB Statement No. 87, Leases. There was no impact to net position as of July 1, 2021 as a result of adoption. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023 on our consideration of the Association'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association'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 Association's internal control over financial reporting and compliance.



Crowe LLP

Tampa, Florida  
February 28, 2023

**UCF ATHLETICS ASSOCIATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Introduction**

The UCF Athletics Association, Inc. (the Association), a not-for-profit corporation, is a Direct Support Organization (DSO) of the University of Central Florida (UCF).

The Association completed its fifth year of a strategic plan to cover a five-year period through 2021-22 and developed the following mission and vision statements, and core values:

**Mission Statement:** *To positively transform the lives of our students academically, athletically, and personally through a nationally competitive intercollegiate athletics program that enhances the reputation and visibility of the University.*

**Vision Statement:** *To be Florida's preeminent athletic program representing UCF and our community with distinction on the national stage as... "Orlando's Hometown Team"*

**Core Values:**

**STUDENT-ATHLETE SUCCESS**

In support of UCF's commitment to student success, we invest in our student-athletes as individuals and maintain an environment that encompasses their holistic development, empowering them to achieve their personal best in all facets of life.

**INTEGRITY**

In support of UCF's commitment to excellence, we maintain an unwavering commitment to the highest standards of character and sportsmanship in all we do.

**PARTNERSHIP**

In support of UCF's role as America's Partnership University, we are committed to fostering teamwork on campus and engaging the community through collaboration and mutually beneficial relationships.

**INCLUSION**

In support of UCF's commitment to inclusion, we embrace diversity and champion a welcoming and supportive environment for all members of our community.

**ACCOUNTABILITY**

In support of UCF's commitment to excellence, we set high standards, are reliable and hold ourselves responsible for our actions and results.

The success of the athletics programs can be attributed to many factors, which include its alliance with a great academic institution, outstanding coaches, extremely talented student-athletes, a strong recruiting base, state-of-the-art facilities, affiliation with a nationally competitive conference, tremendous University and community support, and an unequivocal commitment to each sport.

**UCF ATHLETICS ASSOCIATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Overview of the Financial Statements and Financial Analysis**

The Association is pleased to present its financial statements for the fiscal year ended June 30, 2022. This discussion and analysis provides an understanding of the Association's financial condition and operating activities for the year. The overview presented below highlights the significant financial activities that occurred during the year and should be read in conjunction with our financial statements which begin on page 11.

**Using the Financial Statements**

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Colleges and Universities*.

There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Association's net position is one indicator of the improvement or erosion of its financial health. However, one must also consider the non-financial facts such as the overall academic and athletic success as part of the evaluation. This success is evidenced by the following:

- UCF completed its ninth season in the American Athletic Conference in 2021-22 and has accepted an invitation to join the Big Twelve Conference effective July 1, 2023.
- Four teams won conference championships including women's indoor track, softball, women's basketball, and women's outdoor track.
- Nine of our sixteen teams participated in post-season competition – football, women's volleyball, men's soccer, women's basketball, softball, men's and women's golf, and women's track and women's tennis.
- Football won the Gasparilla Bowl by defeating the Florida Gators 29-17 on December 23, 2001.
- The 2022 spring semester represented the 28<sup>th</sup> semester in a row in which UCF student-athletes compiled a cumulative GPA of 3.0 or higher.
- For the seventh consecutive year, a student-athlete was named to the Order of Pegasus, the most prestigious honor presented to a student at UCF.

The Association implemented GASB Statement No. 87, *Leases* during fiscal 2021-22. The significant impacts of this reporting change are highlighted in the discussion below and further discussed in Note (1) Accounting Policies and Note (5) Leases.

**Statement of Net Position**

The Statement of Net Position presents the assets, liabilities and net position of the Association as of the end of the fiscal year. The Statement of Net Position is a point-in-time financial statement. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the Association. The Statement of Net Position is prepared using the economic resources measurement focus and the accrual basis of accounting, where revenues are recorded when they are earned, and expenses are recognized when they are incurred.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Association. They can determine how much the Association owes to

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

vendors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the Association.

Net position is divided into three major categories. The first category, invested in capital assets, net of related debt, provides the Association's equity in property, plant and equipment. The second category is restricted net position, which consists of assets that have constraints placed upon their use either by external donors, grantors, 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. The third category is unrestricted net position, which is available to the Association for any purpose.

<b>Condensed Statement of Net Position</b>				
<b>For the Fiscal Years at June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Assets</b>				
Current assets	\$ 31,196,715	\$ 17,719,268	\$ 13,477,447	76%
Non-current assets	65,162,186	35,045,135	30,117,051	86%
<b>Total Assets</b>	<b>96,358,901</b>	<b>52,764,403</b>	<b>43,594,498</b>	<b>83%</b>
<b>Liabilities</b>				
Current liabilities	15,598,824	12,646,180	2,952,644	23%
Non-current liabilities	60,086,065	20,001,684	40,084,381	200%
<b>Total Liabilities</b>	<b>75,684,889</b>	<b>32,647,864</b>	<b>43,037,025</b>	<b>132%</b>
<b>Net position</b>				
Net investment in capital assets	25,332,867	22,571,135	2,761,732	12%
Restricted	10,703,979	7,902,193	2,801,786	35%
Unrestricted	(15,362,834)	(10,356,789)	(5,006,045)	-48%
<b>Total Net Position</b>	<b>\$ 20,674,012</b>	<b>\$ 20,116,539</b>	<b>\$ 557,473</b>	<b>3%</b>

The Condensed Statement of Net Position above reflects a \$43.6 million increase in total assets and a \$43.0 million increase in total liabilities from the prior year. These increases were significantly impacted by the implementation of GASB 87 which resulted in recording leased assets totaling \$29.7 million and lease liabilities totaling \$30.0 million as of June 30, 2022. Summarized highlights of the information presented are as follows.

- Total current assets primarily consist of unrestricted cash and cash equivalents totaling \$26.5 million and \$12.5 million as of June 30, 2022 and 2021, respectively. The increase of \$13.5 million from the prior year is primarily due to the receipt of Higher Education Emergency Relief funds transferred from the University at the end of the fiscal year.
- Non-current assets primarily consist of both capital assets totaling \$35.4 million and leased assets totaling \$29.7 million. The increase of \$30.1 million from the prior year primarily represents leased assets recorded due to the implementation of GASB 87. Leased assets include a football stadium, tennis complex, as well as vehicles and equipment. Capital assets include a softball stadium, indoor and outdoor practice facilities for football, a rowing center, nutrition center, and improvements to the track/soccer facility, the baseball stadium, practice facility for the UCF golf programs, and the Roth Athletic Center (RAC). The RAC is a 37,000 square foot facility containing working spaces for football, locker room space for men's and women's soccer, and offices for several coaches and administrative staff.

**UCF ATHLETICS ASSOCIATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

- Current liabilities primarily consist of amounts payable during the next fiscal year, including \$3.9 million of principal on various debt instruments, \$1.8 million for lease liabilities, and \$4.0 million of other accounts payable and accrued expenses as well as \$4.7 million of unearned football-related revenue. The increase of \$3.0 million from the prior year is primarily due to a \$1.0 million increase in the current portion of notes payable to the University due to the end of the two-year deferral period previously approved by the University to handle the financial impact of the coronavirus pandemic and \$1.8 million of lease liabilities recorded due to the implementation of GASB 87.
- Non-current liabilities primarily consist of amounts payable after the following fiscal year, including \$7.3 million for a line of credit and construction loan to fund construction projects and an additional \$4.5 million for the remaining amount owed to the University for outstanding loans, \$9.0 million for an operating line of credit from UCF Foundation, Inc., \$10.5 million exit fee payable to the American Athletic Conference, and lease liabilities totaling \$28.2 million. The increase of \$40.0 million in non-current liabilities from the prior year is primarily due to an increase of \$5.0 million in the line of credit payable to UCF Foundation, Inc., \$10.5 million due to the negotiated exit from the American Athletic Conference, and lease liabilities totaling \$28.2 million recorded due to the implementation of GASB 87. These increases were partially offset by a \$3.7 million decrease in principal on various debt instruments.
- Restricted net position includes approximately \$7.4 million restricted for capital projects and \$3.3 million restricted for various non-capital expenditures.
- Unrestricted net position is currently in a deficit. The primary reason for the deficit is due to operating loans that were needed in the early years of the Association. As our programs continue to be successful and with our growing alumni base, the deficit should ultimately be eliminated. Although revenue growth may not be as high in the short-term, the Association will be moving into the Big Twelve Conference by July 1, 2023, which will bring increased revenues and national exposure to the University and the Association. In addition, a growing alumni and market base should result in increased sponsorships, ticket sales, contributions, and suite/club sales from the new facilities that, in time, will put UCFAA in a stronger unrestricted financial position.

**Summary of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position present the revenues and expenses incurred during the fiscal year. Revenues and expenses are reported as operating and nonoperating. The GASB requires that state appropriations and other revenues, which are not payments for services, be classified as nonoperating revenues. Likewise, interest on related debt is classified as a non-operating expense. Because these nonoperating revenues, which include distributions from related parties, are budgeted to fund operating expenses, classifying them as nonoperating can cause the reporting of an operating loss. Therefore, the Association believes that income after distributions (included in the nonoperating revenues/expense section) provides the most appropriate measure of its financial results. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present revenues received by the Association, operating and nonoperating, and the expenses paid by the Association, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Association.

In general, operating revenues are received for providing goods and services to our various customers and constituencies. Operating expenses are those expenses paid to acquire or produce goods and services provided in the return for the operating revenues, and to carry out the mission of the Association. Nonoperating revenues are revenues received for which goods or services are not provided.

**UCF ATHLETICS ASSOCIATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Condensed Statement of Revenues, Expenses,  
and Changes in Net Position**

	2022	2021	Variance	
			Amount	Percentage
<b>Operating revenues:</b>				
Student fees	\$ 23,224,971	\$ 24,377,876	\$ (1,152,905)	-5%
Game tickets	6,170,453	2,165,406	4,005,047	185%
Conference and NCAA distributions	9,344,969	8,852,471	492,498	6%
Contributions from donors	11,639,384	4,173,075	7,466,309	179%
Game guarantees	350,300	265,000	85,300	32%
Scholarship support	9,275,436	9,000,091	275,345	3%
Sponsorships	6,654,564	6,814,979	(160,415)	-2%
Other operating revenues	2,303,190	6,519,757	(4,216,567)	-65%
<b>Total operating revenues</b>	<b>68,963,267</b>	<b>62,168,655</b>	<b>6,794,612</b>	<b>11%</b>
<b>Operating expenses:</b>				
Salaries and benefits	24,090,913	23,998,617	92,296	0%
Scholarships	10,883,110	10,430,432	452,678	4%
Travel	5,854,212	3,096,524	2,757,688	89%
Independent contractors/professional fees	8,615,043	8,033,644	581,399	7%
General and administrative	11,772,960	7,196,870	4,576,090	64%
Other operating expenses	8,013,222	2,955,372	5,057,850	171%
<b>Total operating expenses</b>	<b>69,229,460</b>	<b>55,711,459</b>	<b>13,518,001</b>	<b>24%</b>
<b>Nonoperating revenues (expenses):</b>				
Contributions from UCF and related entities	16,295,490	938,539	15,356,951	1636%
Contributions (Distributions) from Stadium Corp (net)	1,797,219	(1,712,953)	3,510,172	-205%
Interest expense	(1,282,185)	(431,276)	(850,909)	-197%
<b>Total nonoperating revenues (expenses)</b>	<b>16,810,524</b>	<b>(1,205,690)</b>	<b>18,016,214</b>	<b>-1494%</b>
Captial contributions	2,013,142	2,114,538	(101,396)	-5%
Athletic conference exit fee	(18,000,000)	-	(18,000,000)	100%
<b>Increase (decrease) in net position</b>	<b>557,473</b>	<b>7,366,044</b>	<b>(6,808,571)</b>	<b>-92%</b>
Net position, beginning of year	20,116,539	12,750,495	7,366,044	58%
<b>Net position, end of year</b>	<b>\$ 20,674,012</b>	<b>\$ 20,116,539</b>	<b>\$ 557,473</b>	<b>3%</b>

The Condensed Statement of Revenue, Expenses, and Changes in Net Position above reflects a \$0.6 million increase in net position from the prior year. Summarized highlights of the information presented are as follows.

**Revenues:**

- Student athletic fees decreased due to a decrease in credit hours taken by students. The per-credit-hour rate did not change for 2021-22.
- Game tickets and contributions from donors increased primarily due to hosting seven home football games at near full stadium capacity versus only four games at 25% capacity in the prior year due to Covid-19 health and safety precautions limiting attendance. Athletics also launched Mission XII, a new fundraising campaign, to successfully prepare the department for Big 12 competition.

**UCF ATHLETICS ASSOCIATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

- Other operating revenues decreased primarily due to the collection of contract buyout fees from the University of Tennessee in the prior year.

**Expenses:**

- Travel, general and administrative, and other operating expenses increased due to intentional reductions implemented in the prior year to lessen the financial impact of the coronavirus pandemic. Decreases resulted from reducing competition schedules, regionalizing contests where possible, limiting game guarantees/multi-team events, the dead period extension in recruiting, and decreasing administrative expenses such as event operations, marketing/promotions, and shifting to electronic ticketing to save on printing and mailing costs. Other operating expenses also reflect an increase of approximately \$2.1 million of amortization expense for leased assets recorded due to the implementation of GASB 87.

**Nonoperating revenues (expenses):**

- The \$15.4 million increase in contributions from UCF and related entities represents Higher Education Emergency Relief funds transferred from the University. This represents a recovery of lost revenues experienced as a result of the coronavirus pandemic.
- The Association received \$1.8 million of net contributions from UCF Stadium Corporation for the year ended June 30, 2022. However, when combined with payments totaling \$2.1 million classified as interest expense and reductions of lease liability due to the implementation of GASB 87, net distributions to UCF Stadium Corp were \$0.3 million. This \$1.4 million reduction in net distributions to UCF Stadium Corporation is attributed to an increase in the Association's pledged revenues available to fund the Corporation's annual debt service obligations.

**Other changes in net position:**

- Other changes in net position are comprised of capital contributions and the athletic conference exit fee. Refer to Note (9) Special Item for additional information about this exit fee.

**UCF ATHLETICS ASSOCIATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Statement of Cash Flows**

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Association during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used in the operating activities of the Association. The second section reflects cash flows from noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	<b>Condensed Statement of Cash Flows</b>			
	<b>2022</b>	<b>2021</b>	<b>Variance</b>	
			<b>Amount</b>	<b>Percentage</b>
Cash flows from:				
Operating activities, net	\$ 2,274,239	\$ 9,345,090	\$ (7,070,851)	-76%
Noncapital financing activities, net	16,295,490	4,938,539	11,356,951	230%
Capital and related financing activities, net	(4,609,009)	(5,402,245)	793,236	15%
Investing activities, net	-	-	-	0%
Net change in cash and cash equivalents	13,960,720	8,881,384	5,079,336	57%
Cash and cash equivalents, beginning of year	12,651,358	3,769,974	8,881,384	236%
Cash and cash equivalents, end of year	<u>\$ 26,612,078</u>	<u>\$ 12,651,358</u>	<u>\$ 13,960,720</u>	<u>110%</u>

The Condensed Statement of Cash Flows above reflects a \$12.7 million increase in cash and cash equivalents from the prior year. Summarized highlights of the information presented are as follows.

- The \$7.1 million decrease in cash flows from operating activities reflects a \$10.8 million increase in receipts offset by a \$17.9 million increase in payments.
- The \$11.4 million increase in cash flows from noncapital financing activities reflects activity that did not occur in the prior year, including an inflow of \$15.4 million of Higher Education Emergency Relief Funds transferred from the University and an outflow of \$5.0 million toward the fee incurred by the Association's negotiated exit from the American Athletic Conference.
- The \$0.8 million increase in cash flows used in capital and related financing activities reflects a \$5.2 million increase in inflows, primarily due to a \$4.2 million increase in distributions from UCF Stadium Corporation, and a \$4.4 million increase in outflows due to increases of \$4.5 million in distributions to UCF Stadium Corporation, \$1.4 million in principal and interest payments on debt obligations, and \$1.7 million for payments on leased assets classified as operating outflows prior to the implementation of GASB 87, partially offset by a decrease of \$3.2 million purchases of capital assets.

**Capital Asset and Debt Administration**

The Association obtained a line of credit in the fall of 2004 with a local bank to fund certain capital projects. At the end of the year, approximately \$4.8 million was outstanding on the reducing balance revolving line of credit. Uses of the funds from the line of credit since the 2004-05 year were for the resurfacing of the women's track, a new softball stadium, a new Rowing Boat House, renovation to the soccer/track complex, adding seats to the baseball stadium, and a portion of the cost related to the construction of a golf practice facility.

In fiscal year 2019-20, the Association obtained an \$8.5 million loan to construct the Roth Athletics Center, an approximately 37,000 square foot facility that expanded the meeting space utilized by the football

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

program, locker room facilities for men's and women's soccer, and administrative offices. The loan has a term of five years at a fixed interest rate of 2%. At the end of the year, approximately \$5.4 million was outstanding.

In fiscal year 2020-21, the Association entered into an 18-month revolving line of credit with the UCF Foundation, Inc. for \$4.0 million. In fiscal year 2021-22, the credit limit was increased to \$10.0 million and the term was extended to September 2024 to provide financial support arising from the athletic conference transition. At the end of the year, \$9.0 million was outstanding plus \$297,500 of accrued interest.

**Economic Outlook**

On September 10, 2021, the Association entered a new, and exciting era when UCF was invited to join the Big Twelve Conference. In June of 2022, the Association negotiated an exit from the American Athletic Conference effective as of June 30, 2023. With the projected increase in revenue streams from this membership (television, sponsorships, ticket sales, etc.), a growing alumni base most of whom live in the Central Florida region, increased revenue from fundraising and corporate partnerships, and the national exposure the University will continue to receive, the deficit balance in unrestricted net position should continue to decline over time.

**Requests For Information**

This financial report is designed to provide a general overview of the Association's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Associate Athletics Director/CFO, at 4465 Knights Victory Way, Orlando, FL 32816.

**UCF ATHLETICS ASSOCIATION, I&NC.  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 26,474,819
Accounts receivable, net	1,555,416
Prepaid expenses and other current assets	2,850,526
Due from the University of Central Florida	137,649
Due from the UCF Foundation, Inc.	855
Due from the UCF Stadium Corporation	177,450
Total current assets	<u>31,196,715</u>

**Non-current assets**

Restricted cash and cash equivalents	137,259
Capital assets, net of accumulated depreciation	34,327,690
Capital assets not being depreciated	1,034,918
Lease assets, net of accumulated amortization	29,662,319
Total noncurrent assets	<u>65,162,186</u>
Total assets	<u>96,358,901</u>

**Liabilities**

**Current liabilities**

Current portion of notes payable to the University of Central Florida	916,158
Current portion of construction note	2,619,000
Current portion of line of credit - promissory note	320,000
Current portion of athletic conference exit fee payable	2,500,000
Current portion of lease liability - related party	1,609,440
Current portion of lease liability	209,540
Current portion of compensated absences	177,788
Accounts payable and accrued expenses	1,466,090
Due to the University of Central Florida	140,808
Due to the UCF Stadium Corporation	534,329
Due to the UCF Convocation Corporation	103,971
Due to the UCF Foundation, Inc.	297,500
Unearned revenue	4,265,567
Unearned sponsorships revenue	438,633
Total current liabilities	<u>15,598,824</u>

**Non-current liabilities**

Notes payable to the University of Central Florida, less current portion	4,531,020
Construction note, less current portion	2,773,000
Line of credit - promissory note, less current portion	4,455,000
Line of credit payable to the UCF Foundation, Inc.	9,000,000
Athletic conference exit fee payable	10,500,000
Lease liability - related party	24,084,185
Lease liability	4,140,892
Compensated absences, less current portion	601,968
Total noncurrent liabilities	<u>60,086,065</u>
Total liabilities	<u>75,684,889</u>

**Net position**

Net investment in capital assets	25,332,867
Restricted for:	
Capital projects	7,363,446
Specific sports' activities	3,340,533
Unrestricted	<u>(15,362,834)</u>
Total net position	<u>\$ 20,674,012</u>

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

**UCF ATHLETICS ASSOCIATION, I&NC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Operating revenues</b>	
Student athletic fees	\$ 23,224,971
Contributions	11,639,384
Conference and NCAA distributions	9,344,969
Game tickets	6,170,453
Scholarship support	9,275,436
Sponsorships and royalties	6,654,564
Game guarantees	350,300
Other	2,303,190
Total operating revenues	<u>68,963,267</u>
<b>Operating expenses</b>	
Salaries and benefits	24,090,913
Scholarships	10,883,110
Independent contractors	8,615,043
Athletic supplies and subsistence	5,909,105
Travel	5,854,212
Rents and leases	951,457
Game guarantees	1,942,471
Depreciation and amortization	3,863,332
Other general and administrative	2,576,416
Utilities	1,234,366
Office	795,948
Insurance	970,298
Repairs and maintenance	795,048
Telephone	313,560
University overhead	100,000
Printing	139,493
Other sports team	194,688
Total operating expenses	<u>69,229,460</u>
<b>Operating income (loss)</b>	<u>(266,193)</u>
<b>Nonoperating revenues (expenses)</b>	
Contributions from the University of Central Florida - Gender Equity Allocation	938,539
Contributions from the University of Central Florida - HEERF Recovery Funds	15,356,951
Distributions to UCF Stadium Corporation	(6,129,550)
Loss on disposal of assets	(744)
Distributions from UCF Stadium Corporation	7,927,513
Interest expense	(1,282,185)
Total nonoperating revenues (expenses)	<u>16,810,524</u>
<b>Income before capital contributions and special item</b>	<u>16,544,331</u>
Capital contributions	2,013,142
Athletic conference exit fee (Note 9)	(18,000,000)
<b>Increase in net position</b>	<u>557,473</u>
<b>Net position, beginning of year</b>	<u>20,116,539</u>
<b>Net position, end of year</b>	<u>\$ 20,674,012</u>

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

**UCF ATHLETICS ASSOCIATION, I&NC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>Cash flows from operating activities</b>	
Receipts from student athletic fees	\$ 23,491,868
Receipts from contributions	12,235,318
Receipts from ticket sales	7,054,699
Receipts from sponsorships	7,877,574
Receipts from conference and NCAA distributions	9,344,969
Other receipts	2,855,975
Payments to suppliers and others	(35,011,623)
Payments to employees	(23,966,867)
Payments for scholarships	(1,607,674)
Net cash provided by (used in) operating activities	<u>2,274,239</u>
<b>Cash flows from noncapital financing activities</b>	
Drawdown on line of credit	5,000,000
Exit fee payments to athletic conference	(5,000,000)
Receipts from the University of Central Florida - HEERF recovery funds	15,356,951
Receipts from the University of Central Florida - Gender Equity Allocation	938,539
Net cash provided by (used in) noncapital financing activities	<u>16,295,490</u>
<b>Cash flows from capital and related financing activities</b>	
Distributions to UCF Stadium Corporation	(8,054,680)
Distributions from UCF Stadium Corporation	7,951,608
Capital donations	2,574,392
Purchases of capital assets	(2,121,043)
Principal and interest payments on debt obligations	(2,523,431)
Payments for leased assets - related party	(2,121,000)
Payments for leased assets	(314,855)
Net cash provided by (used in) capital and related financing activities	<u>(4,609,009)</u>
<b>Cash flows from investing activities</b>	
Interest income received	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>13,960,720</u>
<b>Cash and cash equivalents, beginning of year</b>	12,651,358
<b>Cash and cash equivalents, end of year</b>	<u>\$ 26,612,078</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income/ (loss)	\$ (266,193)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,702,048
Amortization	2,161,284
Changes in assets and liabilities:	
Accounts receivable, net	861,332
Prepaid expenses and other current assets	(2,186,884)
Accounts payable and accrued expenses	(2,249,761)
Unearned revenue	884,246
Unearned sponsorships revenue	9,165
Compensated absences	124,046
Due from/ to UCF	536,299
Due from UCF Foundation	595,934
Due from/ to UCF Convocation Corp	102,723
Net cash provided by operating activities	<u>\$ 2,274,239</u>
<b>Supplemental disclosure of noncash investing and capital financing activities:</b>	
Loss on disposal of capital assets	\$ 744
Interest accrued to principal	164,445

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

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

The following is a summary of the more significant accounting policies and practices of the UCF Athletics Association, Inc. (the Association), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The UCF Athletics Association, Inc. is a not-for-profit entity, which began operations July 1, 2003, organized for the purpose of conducting various intercollegiate athletics programs for and on behalf of the University of Central Florida (the University). As a direct support organization and component unit of the University, the Association operates for the service and convenience of the University.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Association have been prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Association are those that result from the operation of the University's intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. As required by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, contributions from the University and other direct support organizations, and contributions to the University and other direct support organizations of the University are not considered operating revenues or expenses and are reported as nonoperating revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

(c) **Cash and cash equivalents**—Cash and cash equivalents include cash in banks, pooled cash held with the University, and money market funds available for immediate use. The amounts reported as cash and cash equivalents include cash on hand, cash in bank demand accounts, and money market funds. Cash and cash equivalents that are externally restricted to make debt service payments, or to purchase or construct capital or other restricted assets, are classified as restricted and reported as Non-current assets.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned. The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are federally insured up to FDIC limits. As of June 30, 2022, no part of the Association's bank balance or pooled cash held with the University was exposed to custodial credit risk as uninsured and uncollateralized.

(d) **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 having outstanding balances and current relationships with them, it has concluded that losses on balances outstanding at year-end should be immaterial. Bad debt expense for the year ended June 30, 2022, was \$215,826 and the allowance for doubtful accounts at June 30, 2022, was \$481. The Association has no policy requiring collateral or other security to support its accounts receivable.

**UCF ATHLETICS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(e) **Capital assets**—Capital assets with initial, individual costs that equal or exceed \$5,000 and have estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Effective for fiscal year 2020-21, GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of A Construction Period*, requires interest expense incurred during the construction phase of capital assets to be recognized as an expense. GASB 89 is to be applied prospectively, therefore beginning with fiscal year 2020-21 interest is no longer included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives, which range from 3 years to 39 years.

(f) **Leases**—The Association determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and liabilities in the Statement of Net Position. Lease assets represent the Association's control of the right to use an underlying asset for the lease term, as specified in the contract. In exchange or exchange-like transactions, lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized systematically and rationally over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the Association's obligation to make lease payments from the lease arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less applicable lease incentives. Interest expense is recognized over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option.

The Association has established a materiality threshold of \$5,000 for equipment and \$100,000 for space based on the initial calculated net present value. Leases with a lease term of 12 months or less, or under the materiality threshold are not included as lease liabilities or right-to-use leased assets on the Statement of Net Position. Instead, the Association recognizes these lease payments as outflows of resources.

(g) **Income taxes**—The Association is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Association files tax returns in the U.S. federal jurisdiction. The Association's tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

The Association 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 Association.

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

(h) **Athletic fees**—The University charges an athletic fee to students each semester based on credit hours enrolled. Athletic fees for semesters which cross fiscal years are recognized during the year in which the semester is predominantly conducted. Athletic fees entitle students to attend all sporting events free of charge. The Association records athletic fees as operating revenues. Approximately 32% of total operating and non-operating revenue (excluding Contributions from University of Central Florida – HEERF Recovery Funds of \$15,356,951), net of distributions to UCF Stadium Corporation were derived from athletic fees during the year ended June 30, 2022.

Student athletic fees	\$ 23,224,971
Total operating revenues	68,963,267
Contributions from the University of Central Florida - Gender Equity Allocation	938,539
Distributions to UCF Stadium Corporation	(6,129,550)
Distributions from UCF Stadium Corporation	7,927,513
	\$ 71,699,769
	32%

(i) **Sales taxes retained**—In accordance with Chapter 1006, Section 71 of the Florida Statutes, the Association retains an amount equal to sales taxes collected from ticket sales to athletic events for use in the support of women’s athletic programs.

(j) **Unearned revenue**—Unearned revenue consists of advance sales of athletic event tickets. Ticket revenue is recognized in the period the athletic event occurs.

(k) **Compensated absences**—State employees that work for the Association earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920 Florida Administrative Code and pursuant to bargaining agreements between the Board of Regents and the United Faculty of Florida. Employees hired after July 1, 2003, are employees of the Association and earn the right to be compensated during absences for annual leave (coaches and staff with similar duties as coaches are excluded) and sick leave pursuant to the Association’s policies and procedures. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The Association has recorded an accrual for the liability for the employee’s right to receive compensation for future absences.

(l) **Net position**—Net position is classified and displayed in three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of assets that have constraints placed upon their use either by external donors, grantors, 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 – consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

When both restricted and unrestricted net position is available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets	\$ 25,332,867
Restricted	10,703,979
Unrestricted	<u>(15,362,834)</u>
	<u>\$ 20,674,012</u>

Of the amount shown as restricted above, approximately \$7.4 million is restricted for capital projects and the remaining amount is donor restricted for various non-capital expenditures.

(m) **Use of estimates**—The preparation of financial statements in conformity with accounting assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) **Reporting change**—The Association implemented GASB Statement No. 87, *Leases*. The statement addresses accounting and financial reporting for leases. This statement requires the Association to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the contract's payment provisions. Under this statement, a lessee is required to recognize a lease liability and intangible right to use the leased asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Association's leasing activities. Refer to Note (5) Leases for additional disclosures.

(2) **Accounts Receivable:**

Accounts receivable as of June 30, 2022, were as follows:

University of Central Florida – student athletic fees	\$ 1,418,325
Sponsorships	96,396
Other	41,176
Allowance for doubtful accounts	<u>(481)</u>
	<u>\$ 1,555,416</u>

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**(3) Capital Assets:**

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Capitalized</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 700,272	\$ -	\$ -	\$ -	\$ 700,272
Construction in progress	694,996	2,126,543	-	(2,486,893)	334,646
Total capital assets not being depreciated	<u>1,395,268</u>	<u>2,126,543</u>	<u>-</u>	<u>(2,486,893)</u>	<u>1,034,918</u>
Capital assets being depreciated:					
Furniture and equipment	5,518,563	-	(589,818)	332,068	5,260,813
Facilities	33,463,510	-	(40,013)	1,729,575	35,153,072
Leasehold improvements	9,035,314	-	(1,828)	425,250	9,458,736
Total capital assets being depreciated	<u>48,017,387</u>	<u>-</u>	<u>(631,659)</u>	<u>2,486,893</u>	<u>49,872,621</u>
Accumulated depreciation:					
Furniture and equipment	(4,898,552)	(247,354)	588,117	-	(4,557,789)
Facilities	(8,044,739)	(966,045)	36,722	-	(8,974,062)
Leasehold improvements	(1,525,007)	(488,649)	576	-	(2,013,080)
Total accumulated depreciation	<u>(14,468,298)</u>	<u>(1,702,048)</u>	<u>625,415</u>	<u>-</u>	<u>(15,544,931)</u>
Capital assets, net	<u>\$ 34,944,357</u>	<u>\$ 424,495</u>	<u>\$ (6,244)</u>	<u>\$ -</u>	<u>\$ 35,362,608</u>

**(4) Long-Term Obligations:**

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable (direct borrowings):					
Notes payable to the University	\$ 5,282,733	\$ 164,445	\$ -	\$ 5,447,178	\$ 916,158
Line of credit – promissory note	5,080,000	-	(305,000)	4,775,000	320,000
Construction note	7,394,000	-	(2,002,000)	5,392,000	2,619,000
Total notes payable (direct borrowings)	<u>17,756,733</u>	<u>164,445</u>	<u>(2,307,000)</u>	<u>15,614,178</u>	<u>3,855,158</u>
Line of credit payable to UCF Foundation, Inc.	4,000,000	5,000,000	-	9,000,000	-
Athletic conference exit fee payable	-	18,000,000	(5,000,000)	13,000,000	2,500,000
Compensated absences	655,710	402,867	(278,821)	779,756	177,788
Totals	<u>\$ 22,412,443</u>	<u>\$ 23,567,312</u>	<u>\$ (7,585,821)</u>	<u>\$ 38,393,934</u>	<u>\$ 6,532,946</u>

The Association currently has a note payable to the University. Interest on the note payable accrues at a floating rate per annum equal to the SPIA rate of return as of the prior fiscal year, which was 1.61% for the year ended June 30, 2022. The loan had a maturity date in 2025 but was restructured during fiscal 2021 and now matures in 2027. The restructuring allowed for the deferral of the fiscal years 2021 and 2022 payments in the amount of \$1 million each year. Interest continued to accrue during the deferral period and was added to the outstanding principal balance. In the event of default, after 30 days the entire principal sum and accrued interest becomes due at the option of the University and the interest rate shall increase to the highest rate allowable under Florida law. The note is not subject to any acceleration clauses. At June 30, 2022, the amount outstanding was \$5,447,178.

The Association previously had a line of credit with a local bank to fund certain capital projects. During 2015, the line of credit was modified to disallow additional borrowings and repay the outstanding balance as a line of credit promissory note by June 2033 under a specified repayment schedule. The repayment schedule below assumes the agreement is renewed annually. If the agreement is not renewed annually, however, the entire balance will be due in full at that time. At June 30, 2022 the amount outstanding on the

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

note was \$4,775,000. In July 2022 the Association renewed the agreement until July 2033, which carries interest at 79% of the Term SOFR Rate plus 1.34% (2.53% at June 30, 2022) and is secured by an amount not to exceed 5% of the prior year's collection of student athletic fees and conference payments from the American Athletic Conference. In the event of default, the Lender may declare the loan and all obligations to be fully due and payable in their aggregate amount, together with accrued interest and all prepayment premiums, fees, and charges. The note is subject to acceleration if the lender reasonably deems itself insecure for any reason.

On October 2, 2019 the Association entered into a direct borrowing loan from a financial institution in the amount of \$8,550,000 to complete the buildout of phase two of the Roth Athletics Center located on the UCF campus. Principal payments are required by September 1st each year to reduce the loan balance to an agreed-upon amount negotiated annually. Interest on the loan is payable semi-annually at a fixed interest rate of 2%. The loan matures September 1, 2024 and is secured by certain pledged revenues of the Association. At June 30, 2022, there was \$5,392,000 outstanding.

On December 18, 2020, the Association entered into an 18-month revolving line of credit with the UCF Foundation, Inc. for \$4.0 million. On September 10, 2021, the Association increased the limit on this line of credit with the Foundation from \$4.0 million to \$10.0 million to provide financial support arising from the athletic conference transition. The term was also extended to September 10, 2024 and may be renewed for up to two additional 12-month periods. The line bears simple interest at 3% per annum. At June 30, 2022, there was \$9,000,000 outstanding plus \$297,500 of accrued interest.

See Note (9) Special Item for details regarding the invitation to join the Big Twelve (Big 12) Conference and payment schedule associated with the fee for existing the American Athletic Conference (AAC).

The following is a schedule of future principal and interest payments for the loans outstanding as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 6,355,158	\$ 556,061	\$ 6,911,219
2024	5,374,728	495,041	5,869,769
2025	12,208,541	391,332	12,599,873
2026	2,085,343	136,769	2,222,112
2027	2,540,410	110,606	2,651,016
2028-2032	5,423,335	283,684	5,707,019
2033-2036	3,626,664	36,613	3,663,277
Total	<u>\$ 37,614,178</u>	<u>\$ 2,010,107</u>	<u>\$ 39,624,285</u>

Interest expense for the years ended June 30, 2022 and 2021, was \$1,282,185 and \$431,276, respectively.

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

(5) **Leases:**

The Association follows GASB Statement No. 87, Leases. Space and equipment are leased from external parties and UCF Stadium Corporation for various terms under long-term, non-cancellable agreements. The leases expire at various dates and provide renewal options ranging from 3 to 60 years. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the Association's incremental borrowing rate. The Association does not have any leases subject to a residual value guarantee.

Management has implemented the provisions of the Statement by calculating the lease assets and lease liabilities of resources related to these lease contracts as of July 1, 2021. Management then recognized the current year payment provisions as outflows. The beginning balances of certain items were restated to reflect this implementation and are noted below. A restatement of beginning net position due to the change in accounting principle was not required.

Leased asset activity for the year ended June 30, 2022, was as follows:

	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Leased assets being amortized:				
Furniture and equipment	\$ 966,452	\$ -	\$ -	\$ 966,452
Facilities	30,857,151	-	-	30,857,151
Total leased assets	<u>31,823,603</u>	<u>-</u>	<u>-</u>	<u>31,823,603</u>
Accumulated amortization:				
Furniture and equipment	-	(227,503)	-	(227,503)
Facilities	-	(1,933,781)	-	(1,933,781)
Total accumulated amortization	<u>-</u>	<u>(2,161,284)</u>	<u>-</u>	<u>(2,161,284)</u>
Leased assets, net	<u>\$ 31,823,603</u>	<u>\$ (2,161,284)</u>	<u>\$ -</u>	<u>\$ 29,662,319</u>

Lease liability activity for the year ended June 30, 2022, was as follows:

	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Lease liabilities	\$ 31,823,603	\$ -	\$ (1,779,546)	\$ 30,044,057	\$ 1,818,980
Totals	<u>\$ 31,823,603</u>	<u>\$ -</u>	<u>\$ (1,779,546)</u>	<u>\$ 30,044,057</u>	<u>\$ 1,818,980</u>

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Future commitments for remaining leases payable as of June 30, 2022 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>External Parties</u>		<u>Related Parties</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,439,170	\$ 209,540	\$ 108,630	\$ 1,609,440	\$ 511,560
2024	2,438,228	214,472	102,756	1,641,484	479,516
2025	2,383,572	164,512	98,060	1,674,166	446,834
2026	2,323,572	107,583	94,989	1,707,498	413,502
2027	2,205,463	(9,928)	94,391	1,741,495	379,505
2028 - 2032	11,053,340	(26,694)	475,034	9,241,586	1,363,414
2033 - 2037	8,979,003	18,763	476,241	8,077,956	406,043
2038 - 2042	546,524	75,511	471,013	-	-
2043 - 2047	603,406	145,617	457,789	-	-
2048 - 2052	666,208	231,485	434,723	-	-
2053 - 2057	735,547	335,908	399,639	-	-
2058 - 2062	812,103	462,123	349,980	-	-
2063 - 2067	896,626	613,884	282,742	-	-
2068 - 2072	989,947	795,539	194,408	-	-
2073 - 2077	1,092,982	1,012,117	80,865	-	-
Total minimum lease payments	<u>\$ 38,165,691</u>	<u>\$ 4,350,432</u>	<u>\$ 4,121,260</u>	<u>\$ 25,693,625</u>	<u>\$ 4,000,374</u>

**(6) Related Party Transactions:**

Nonoperating revenue includes \$15,356,951 of Higher Education Emergency Relief Funds (HEERF) awarded to and transferred from the University. These funds were provided to replace certain revenues lost during fiscal years ended June 30, 2020 and 2021 as a result of the coronavirus pandemic. Also included in nonoperating revenue is \$938,539 expended by the University for women's salaries to support gender equity in athletics.

The Association is assessed an annual overhead charge by the University of \$100,000 for utilization of facilities and equipment. The fair market value of renting the facilities and equipment are not subject to objective measurement or valuation and are not included in these financial statements.

The Association is assessed an annual overhead charge of \$535,000 by the UCF Convocation Corporation for the use of the Convocation Center to support the Association's athletic program.

The Association entered into an agreement with the University of Central Florida Campus Life for maintenance of the turf grass fields used by Campus Life. Under the terms of the agreement, the Association was compensated \$123,600 during the year ended June 30, 2022. These fees are to specifically cover expenses incurred in maintaining the turf.

Sponsorship revenue for the year ended June 30, 2022 includes \$629,164 allocated from the University's exclusive beverage provider contract and \$786,779 of licensing commissions for the sale of licensed athletic apparel and other merchandise allocated from the University's contract with a third party.

The Association has a line of Credit with UCF Foundation, Inc. See Note (4) Long-Term Obligations for additional details.

The Association transferred funds to the UCF Stadium Corporation (the Corporation) for liabilities incurred related to the construction of the football stadium and for repayment of trust indentures as described in Note (8). In accordance with the trust indentures agreements, the Corporation transferred funds back to the Association, for any unrestricted funds after the annual debt service payments have been made for the year.

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Distributions to and from the Association and the Corporation for the year ended June 30, 2022, are as follows:

Distributions to UCF Stadium Corporation	\$ (6,129,550)
Distributions from UCF Stadium Corporation	7,927,513
Stadium rent payments to UCF Stadium Corporation	<u>(2,121,000)</u>
Net distributions	<u>\$ (323,037)</u>

**(7) Retirement:**

The Association sponsors the UCF Athletics Association, Inc. Employees' 403(b) plan, a defined contribution plan covering substantially all full-time employees. Contributions are made by the Association to the plan based on eligible employees' earnings. The Association contributes 5% of eligible employee earnings to the plan. Participants are vested immediately in their contributions plus actual earnings thereon. A participant is fully vested after two years of credited service. Participants become immediately 100% vested in the Association's contribution portion of their accounts upon death, disability, or the attainment of normal retirement age, as defined in the Plan. Forfeited non-vested accounts with balances totaling \$29,839 were used to reduce employer contributions during the year ended June 30, 2022. There were no forfeited non-vested accounts as of June 30, 2022. Any balances in these accounts would be used to reduce future employer contributions or pay administrative expenses of the Plan. Total contributions to the retirement plan for the year ended June 30, 2022, were \$679,645.

**(8) Commitments:**

As part of the repayment of the trust indenture for the on-campus football stadium, the Association has pledged the following revenues to the UCF Stadium Corporation (the Corporation that is obligated under the trust indentures) until the debt has been fully paid: football ticket sales, sponsorships, football away game guarantees and the distributions from the American Athletic Conference and NCAA for conference generated revenue. The amount of this pledge is approximately \$47.9 million at June 30, 2022, which is equal to the remaining principal and interest payments on these trust indentures. This pledge is in effect until the trust indentures are paid off, which is expected to be March 1, 2036 (the maturity date of the trust indentures). During the year ended June 30, 2022, the Association distributed \$6,129,550 and recorded lease payments of \$2,121,000 to UCF Stadium Corporation from these sources. Distributions to the UCF Stadium Corporation occur on a monthly basis. Once annual debt service obligations are met, the UCF Stadium Corporation may distribute, subject to approval by UCF's Board of Trustees, any surplus funds to the Association. For the year ended June 30, 2022, the UCF Stadium Corporation distributed \$7,927,513 to the Association.

The Association has entered into employment contracts with various coaches and administrators. The agreements call for a minimum amount due for salaries and other benefits with clauses for bonuses and incentives as defined by the contracts. Contracts expire from 2023 to 2028. At June 30, 2022, the total minimum commitment for all contracts for each of the next five years and in the aggregate is as follows:

**UCF ATHLETICS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>Year Ending June 30,</b>	<b>Total</b>
2023	\$ 12,322,708
2024	9,700,708
2025	7,197,542
2026	4,123,708
2027	1,514,708
Thereafter	91,000
Total	\$ 34,950,374

The Association is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the ultimate resolution of such claims and lawsuits will not have a materially adverse effect on the financial position of the Association.

**(9) Special Item:**

On September 10, 2021, the UCF Board of Trustees voted to accept an invitation to join the Big 12 Conference and withdraw from the AAC by July 1, 2024. On June 9, 2022, the Association and AAC executed a separation agreement allowing for UCF to exit the AAC effective June 30, 2023.

In accordance with the separation agreement, the Association agreed to pay an exit fee of \$18,000,000. This amount is reported as a special item in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2022. Payments totaling \$5,000,000 are presented as cash outflows from noncapital financing activities in the accompanying Statement of Cash Flows for the year ended June 30, 2022. The amount outstanding at the end of the year was \$13,000,000 with annual installments of \$2,500,000 due in fiscal years ending June 30, 2023 and 2024 and \$666,667 annually thereafter through fiscal year ending June 30, 2036.

In addition to the exit fee, the Association prepaid a \$2,500,000 entrance fee to join the Big 12 Conference effective July 1, 2023. This amount was included in prepaid and other assets in the accompanying Statement of Net Position as of June 30, 2022. This deposit will be invested in money market, government securities or other similar investment vehicles selected by the conference. The deposit and net earnings will be returned to the Association when UCF officially joins the conference. If UCF does not join, then the deposit and net earnings will be retained by the conference.

**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 Athletics Association, Inc.  
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 Athletics Association, Inc. (the "Association"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated February 28, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association'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*.

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(Continued)

**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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Tampa, Florida  
February 28, 2023