

USF SUN DOME, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

**USF SUN DOME, INC.
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JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the USF Sun Dome, Inc., a direct-support organization and component unit of the University of South Florida, as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of USF Sun Dome, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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*, 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 USF Sun Dome, Inc 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 opinions.

Responsibilities of Management for the Financial Statements

USF Sun Dome, Inc.'s 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.

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 USF Sun Dome, Inc.'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 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, 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 USF Sun Dome, Inc.'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 USF Sun Dome, Inc.'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

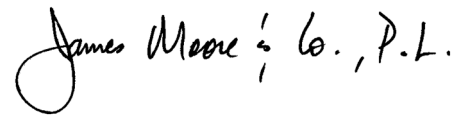
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part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

Emphasis of Matter – Risks and Uncertainties

As discussed in Note 12 to the financial statements, the entity has a deficit in net position as a lingering 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 12. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a stylized "M".

Gainesville, Florida
October 11, 2022

USF SUN DOME, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021

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, 2022. 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 increased by \$16,262, or 2% in fiscal year 2022, of which \$64,554 represented a decrease in the amount invested in capital assets and \$80,816 represented an increase in unrestricted net position. In fiscal year 2021, there was a decrease of \$957,144, or 343%, of which \$64,603 represented a decrease in the amount invested in capital assets and \$892,541 represented a decrease in unrestricted net position.

USF SUN DOME, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

- For the year ended June 30, 2022, cash increased \$2,576,679, or 342%. For the year ended June 30, 2021, cash increased \$288,611, or 62%. The increase for the year ending June 30, 2022 was primarily attributable to the increase in unearned revenue and event revenue throughout the year. The increase for the year ended June 30, 2021 was primarily attributable to an increase in unearned revenue and event revenue towards the end of the year.
- For the year ended June 30, 2022, total current liabilities increased by \$2,383,191 or 672%, primarily due to a substantial increase in unearned revenue. In 2021, total current liabilities decreased by \$134,823 or 28%, primarily due to a decrease in unearned revenue from the prior year.
- For the year ended June 30, 2022, total noncurrent liabilities increased by \$345,550 or 16%, primarily to an increase in the amount due to the management company. In 2021, total noncurrent liabilities increased by \$1,228,517 or 140%, primarily due to an increase in the amount due to the management company.
- For the year ended June 30, 2022, costs of events increased by \$1,394,502 or 254%. This increase was driven by more events throughout the year due to increased operations. In 2021, costs of events decreased by \$1,214,930 or 69%, primarily due to a decrease in the number of live events due to COVID-19.
- The Organization's operating margin for the year ended June 30, 2022 increased \$1,137,077, primarily due to the increased number of live events. In 2021, the Organization's operating margin decreased \$772,709 primarily due to the decreased number of live events because of COVID-19.
- Non-operating expenses for the year ended June 30, 2022 increased \$163,671 compared to the decrease of \$297,614 for the year ended 2021.

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 \$661,771 as of June 30, 2022, whereas liabilities exceeded assets by \$678,033 as of June 30, 2021.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Current assets	\$ 3,915,293	\$ 1,105,736	\$ 904,583
Capital assets	614,212	678,766	743,369
Total assets	<u>\$ 4,529,505</u>	<u>\$ 1,784,502</u>	<u>\$ 1,647,952</u>
Liabilities			
Current liabilities	\$ 2,737,654	\$ 354,463	\$ 489,286
Noncurrent liabilities	2,453,622	2,108,072	879,555
Total liabilities	<u>\$ 5,191,276</u>	<u>\$ 2,462,535</u>	<u>\$ 1,368,841</u>
Net Position			
Net investment in capital assets	\$ 614,212	\$ 678,766	\$ 743,369
Unrestricted	<u>(1,275,983)</u>	<u>(1,356,799)</u>	<u>(464,258)</u>
Total net position	<u>\$ (661,771)</u>	<u>\$ (678,033)</u>	<u>\$ 279,111</u>

USF SUN DOME, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

Capital Assets

- There were no additions to capital assets for the fiscal years ended June 30, 2022 and 2021. There were no capital assets disposed for the years ended June 30, 2022 and 2021. Depreciation expense in the current year totaled \$64,554. Depreciation expense in the prior year totaled \$64,603.

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

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 93% and 90% of operating revenues in fiscal years 2022 and 2021, respectively. The cost of providing the remainder of the services was supported by management fees of \$308,788 and \$134,086 from the University and the University Foundation in fiscal years 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 4,481,206	\$ 1,362,912	\$ 3,819,263
Operating expenses	4,051,586	2,070,369	3,754,011
Operating income (loss)	<u>429,620</u>	<u>(707,457)</u>	<u>65,252</u>
Non-operating revenues (expenses)	(413,358)	(249,687)	47,927
Change in net position	<u>\$ 16,262</u>	<u>\$ (957,144)</u>	<u>\$ 113,179</u>

As noted above, fiscal year 2022 operating income increased \$1,137,077 compared to 2021.

- Operating revenues increased to \$4,481,206 or by 229% for fiscal year 2022 compared to \$1,362,912 for fiscal year 2021.
- Net ticket revenues were \$0 for the fiscal years ended June 30, 2022 and 2021.
- The largest operating expense category was cost of events, which increased \$1,394,502 or 254% from the prior year. Cost of events for fiscal year 2022 was 48% of total operating expenses.
- Operating and Administrative expenses increased \$169,650 or 66% from the prior year. The fiscal year 2022 total for operating and administrative expenses were \$425,208 or 10% of total operating expenses. In fiscal year 2021, total Operating and Administrative expenses were \$255,558 or 12% of total operating expenses.
- In the fiscal year ended 2022, the Organization transferred \$413,358 to the University in support of repayment for the debt on the Arena compared to \$249,687 for fiscal year 2021.

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, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 3,329,596	\$ 752,917
Due from USF	4,529	102,384
Accounts receivable	563,953	233,036
Prepaid expenses	17,215	17,399
Total current assets	3,915,293	1,105,736
Capital assets, net	614,212	678,766
Total assets	\$ 4,529,505	\$ 1,784,502
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 223,655	\$ 114,275
Due to USF	98,836	98,115
Due to USF Foundation	98,061	64,503
Accrued expenses and other liabilities	150,824	56,810
Unearned revenue	2,166,278	20,760
Total current liabilities	2,737,654	354,463
Noncurrent liabilities		
Other long-term liability	2,453,622	2,108,072
Total noncurrent liabilities	2,453,622	2,108,072
Total liabilities	\$ 5,191,276	\$ 2,462,535
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	\$ 614,212	\$ 678,766
Unrestricted	(1,275,983)	(1,356,799)
Total net position	\$ (661,771)	\$ (678,033)

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, 2022 AND 2021

	2022	2021
Operating revenues		
Event fees	\$ 3,619,332	\$ 1,201,405
Management fees	308,788	134,086
Sponsorships and commissions	162,060	-
Parking revenues	391,026	27,421
Total operating revenues	4,481,206	1,362,912
Operating expenses		
Salaries and wages	636,644	658,467
Payroll taxes and benefits	122,578	126,131
Costs of events	1,942,666	548,164
Repairs, maintenance and utilities	206,374	156,042
Operating and administrative expense	425,208	255,558
Contracted services	653,562	261,404
Depreciation	64,554	64,603
Total operating expenses	4,051,586	2,070,369
Operating income (loss)	429,620	(707,457)
Nonoperating revenues (expenses)		
Transfers to USF	(413,358)	(249,687)
Net nonoperating revenues (expenses)	(413,358)	(249,687)
Change in net position	16,262	(957,144)
Net position , beginning of year	(678,033)	279,111
Net position , end of year	\$ (661,771)	\$ (678,033)

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Cash received from customers	\$ 6,393,662	\$ 1,249,150
Cash paid to employees for services	(759,222)	(674,669)
Cash paid to vendors for goods and services	(2,644,403)	(36,183)
Net cash provided by operating activities	2,990,037	538,298
Cash flows from capital and related financing activities		
Net transfers to USF for debt service on Arena	(413,358)	(249,687)
Net cash used in capital and related financing activities	(413,358)	(249,687)
Net increase in cash and cash equivalents	2,576,679	288,611
Cash and cash equivalents, beginning of year	752,917	464,306
Cash and cash equivalents, end of year	\$ 3,329,596	\$ 752,917
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 429,620	\$ (707,457)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	64,554	64,603
Changes in assets and liabilities:		
Accounts receivable	(330,917)	129,214
Due from USF	97,855	(53,424)
Prepaid expenses	184	11,668
Accounts payable	109,380	113,206
Due to USF	721	2,364
Due to USF Foundation	33,558	(59,151)
Accrued expenses and other liabilities	439,564	1,226,827
Unearned revenue	2,145,518	(189,552)
Net cash provided by operating activities	\$ 2,990,037	\$ 538,298

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

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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 Annual Comprehensive Financial Report (ACFR).

(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, 2022 AND 2021

(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, 2022 and 2021.

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, 2022 and 2021, management has determined that no valuation allowance is necessary.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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 events or management of the Aircraft 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, 2022 and 2021.
- *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.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

At June 30, cash deposits consist of the following:

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 9,407	\$ 9,407
Deposits with commercial banks – unrestricted	3,320,189	743,510
Total cash and cash equivalents	<u>\$ 3,329,596</u>	<u>\$ 752,917</u>

As of June 30, 2022 and 2021, aggregate bank balances were \$3,461,846 and \$797,203, 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, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Building improvements	\$ 15,826	\$ -	\$ -	\$ 15,826
Furniture and equipment	1,976,594	-	-	1,976,594
Aircraft	1,180,000	-	-	1,180,000
	3,172,420	-	-	3,172,420
Less: Accumulated depreciation	2,493,654	64,554	-	2,558,208
Total capital assets, net	<u>\$ 678,766</u>	<u>\$ (64,554)</u>	<u>\$ -</u>	<u>\$ 614,212</u>

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
	3,172,420	-	-	3,172,420
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>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$64,554 and \$64,603, respectively.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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, 2022 and 2021, the Organization transferred \$413,358 and \$249,687, 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, 2022 and 2021, the Organization incurred total management and administration fees related to the management agreement of \$544,534 and \$150,000, respectively, which is included in Contracted Services in the Statements of Revenues, Expenses, and Changes in Net Position. At June 30, 2022 and 2021, the Organization owed the Manager \$2,453,622 and \$2,108,072, respectively, for management fees, personnel provided for Arena events and other event expenses.

USF SUN DOME, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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, 2022 and 2021, revenues from these events were \$380,325 and \$208,973, respectively.

During fiscal year 2022, the Organization transferred \$1,959,297 to the University and received \$1,545,939 from the University for operating expenses. During fiscal year 2021, the Organization transferred \$622,932 to the University and received \$373,245 from the University for operating expenses.

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

	<u>2022</u>	<u>2021</u>
Due from USF	\$ 4,529	\$ 102,384
Due to USF	(98,836)	(98,115)
Due to USF Foundation	(98,061)	(64,503)

(8) 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.

USF SUN DOME, INC.
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(9) **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 2022 and 2021:

	2022	2021
Operating revenues		
Management fee – cash received from USF Foundation	\$ 319,349	\$ 193,654
Advanced payments – due to USF Foundation	(98,061)	(64,503)
Total aircraft revenue	\$ 221,288	\$ 129,151

	2022	2021
Operating expenses		
Expenses	\$ 221,288	\$ 134,086
Aircraft depreciation	64,554	64,603
Total operating expenses	\$ 285,842	\$ 198,689

(10) **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-19 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 2022 and 2021:

	2022	2021
Gross ticket sales	\$ 4,015,295	\$ -
Amounts remitted to promoters	(4,015,295)	-
Net ticket revenue	\$ -	\$ -

USF SUN DOME, INC.
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(11) **Recent Accounting Pronouncements:**

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset -an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022. The Organization is currently evaluating the impact this statement will have on its financial statements.

(12) **Risks and Uncertainties:**

During the year ended June 30, 2021, the Organization suffered a significant reduction in revenue, a net loss, and a deficit net position from the impact of the majority of events being canceled due to the COVID-19 pandemic. During the year ended June 30, 2022, event restrictions were lifted and the Organization resumed full operations, including a full event schedule. This led to a significant increase in the Organization's cash balances, revenues and operating income for the year ended June 30, 2022, however the Organization still has a significant deficit in net position as of June 30, 2022. 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 2022 and a full event schedule has been booked for the fiscal year 2023. The Organization began paying down outstanding payables to the Arena Manager during the year ended June 30, 2022 and Management plans to continue to pay off Arena Manager payables as cash balances exceed a specific threshold. 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.

(13) **Subsequent Events**

Subsequent to June 30, 2022, the Organization canceled an event and began refunding advance ticket sales of approximately \$102,000, which are reported as unearned revenues as of June 30, 2022. As of October 11, 2022, all advance ticket sales related to the canceled event at June 30, 2022 had been refunded.

**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, 2022, 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 11, 2022.

Report on 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.

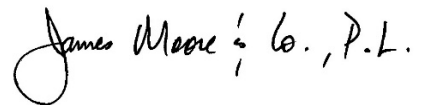
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and 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.

Report on 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 11, 2022