

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

FINANCIAL STATEMENTS

JUNE 30, 2023

UCF ATHLETICS ASSOCIATION, INC.
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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, 2023, 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, 2023, 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.

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.

(Continued)

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 4-10 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 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
October 26, 2023

**UCF ATHLETICS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 accepted an invitation to join the Big 12 Conference and embarked on Mission XII, a strategic plan consisting of six objectives to successfully transition UCF Athletics into the Big 12 Conference and lay out a vision for the future. The objectives of Mission XII are as follows:

To fully support our student-athletes in their NIL endeavors.

To provide championship-caliber services to our student-athletes in their career pursuits.

To position UCF Athletics to win conference and national championships.

To successfully transition UCF Athletics into the Big 12 Conference.

To increase the UCF Athletics Operating Budget to be in the top half upon entry into the Big 12, then target top third.

To maximize self-generating revenue through ticket sales/ premium seating, Charge On Fund support, corporate sponsorships, licensing and other avenues.

The Association's core values are as follows:

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.

Overview of the Financial Statements and Financial Analysis

The Association is pleased to present its financial statements for the fiscal year ended June 30, 2023. 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.

**UCF ATHLETICS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 concluded American Athletic Conference membership and joined the Big Twelve Conference effective July 1, 2023.
- UCF won several conference championships including women's indoor track, softball, women's soccer, volleyball, and women's outdoor track.
- Football, volleyball, women's soccer, men's basketball, women's tennis, women's golf, and softball all participated in post-season competition. Eight teams were ranked in the Top 25 nationally during their season.
- UCF student-athletes extended their record-setting streak in the classroom to 31 consecutive semesters with a department grade-point average of 3.0 or better—including eight straight semesters with a 3.3 or higher mark. Nearly 70% of student-athletes posted a GPA of 3.0 or higher in the spring semester—and 46 earned a 4.0 GPA.
- Six UCF student-athletes were named American Athletic Conference Scholar-Athlete of the Year for their respective sports, the most of any school.

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 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.

**UCF ATHLETICS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

**Condensed Statement of Net Position
For the Fiscal Years at June 30**

	2023	2022	Variance	
			Amount	Percentage
Assets				
Current assets	\$ 27,280,762	\$ 31,196,715	\$ (3,915,953)	-13%
Non-current assets	62,605,833	65,162,186	(2,556,353)	-4%
Total Assets	<u>89,886,595</u>	<u>96,358,901</u>	<u>(6,472,306)</u>	<u>-7%</u>
Liabilities				
Current liabilities	18,313,189	15,598,824	2,714,365	17%
Non-current liabilities	53,092,272	60,086,065	(6,993,793)	-12%
Total Liabilities	<u>71,405,461</u>	<u>75,684,889</u>	<u>(4,279,428)</u>	<u>-6%</u>
Net position				
Net investment in capital assets	27,633,825	25,332,867	2,300,958	9%
Restricted	1,650,627	10,703,979	(9,053,352)	-85%
Unrestricted	(10,803,318)	(15,362,834)	4,559,516	30%
Total Net Position	<u>\$ 18,481,134</u>	<u>\$ 20,674,012</u>	<u>\$ (2,192,878)</u>	<u>-11%</u>

The Condensed Statement of Net Position above reflects a \$6.5 million decrease in total assets and a \$4.3 million decrease in total liabilities from the prior year. Summarized highlights of the information presented are as follows.

- Total current assets primarily consist of unrestricted cash and cash equivalents totaling \$17.6 million and \$26.5 million as of June 30, 2023 and 2022, respectively. This decrease of \$8.9 million is primarily due to the spending of Higher Education Emergency Relief funds received from the University at the end of the prior fiscal year. This decrease was partially offset by an increase of \$3.5 million in accounts receivable, net, primarily related to a multi-media rights agreement that was negotiated during the year.
- Non-current assets primarily consist of both capital assets totaling \$33.8 million and leased assets totaling \$27.7 million. 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. The \$2.5 million decrease in non-current assets is primarily due to depreciation and amortization of these assets.

**UCF ATHLETICS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

- Current liabilities primarily consist of amounts payable during the next fiscal year, including \$1.8 million of principal on various debt instruments, \$1.9 million for lease liabilities, \$4.7 million of other accounts payable and accrued expenses, and \$6.0 million of unearned football-related revenue. The increase of \$2.7 million is primarily due to a \$2.3 million increase in accounts payable and amounts due to related parties and \$1.3 million increase in unearned revenue. This was offset by a \$1.0 million decrease in the current portion of loans and notes payable.
- Non-current liabilities primarily consist of amounts payable after the following fiscal year, including \$5.3 million for a line of credit and construction loan to fund construction projects and an additional \$3.5 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., \$8.0 million exit fee payable to the American Athletic Conference, and lease liabilities totaling \$26.6 million. The decrease of \$7.0 million in non-current liabilities is primarily due to decreases of \$2.9 million in non-current portion of loans and notes payable, \$2.5 million in the American Athletic Conference exit fee, and \$1.6 million in lease liabilities.
- Restricted net position includes approximately \$1.3 million restricted for capital projects and \$0.3 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 moved into the Big Twelve Conference on 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 the Association 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
FOR THE YEAR ENDED JUNE 30, 2023**

	Condensed Statement of Revenues, Expenses, and Changes in Net Position			
	2023	2022	Variance	
			Amount	Percentage
Operating revenues:				
Student fees	\$ 23,026,146	\$ 23,224,971	\$ (198,825)	-1%
Contributions	8,172,797	11,639,384	(3,466,587)	-30%
Conference and NCAA distributions	9,932,486	9,344,969	587,517	6%
Game tickets	6,444,296	6,170,453	273,843	4%
Sponsorships and royalties	12,488,140	6,654,564	5,833,576	88%
Game guarantees	383,698	350,300	33,398	10%
Other operating revenues	2,804,424	2,303,190	501,234	22%
Total operating revenues	63,251,987	59,687,831	3,564,156	6%
Operating expenses:				
Salaries and benefits	26,599,277	24,090,913	2,508,364	10%
Independent contractors	11,830,228	8,615,043	3,215,185	37%
Scholarships	12,498,502	10,883,110	1,615,392	15%
Travel	5,775,360	5,854,212	(78,852)	-1%
Other operating expenses	23,555,676	19,786,182	3,769,494	19%
Total operating expenses	80,259,043	69,229,460	11,029,583	16%
Nonoperating revenues (expenses):				
Net Contributions from UCF and related entities	12,575,575	25,570,926	(12,995,351)	-51%
Net Contributions from Stadium Corporation	2,184,976	1,797,963	387,013	22%
Net other nonoperating revenues (expenses)	(914,443)	(1,282,929)	368,486	29%
Total nonoperating revenues (expenses)	13,846,108	26,085,960	(12,239,852)	-47%
Captial contributions	968,070	2,013,142	(1,045,072)	-52%
Athletic conference exit fee	-	(18,000,000)	18,000,000	100%
Increase (decrease) in net position	(2,192,878)	557,473	(2,750,351)	-493%
Net position, beginning of year	20,674,012	20,116,539	557,473	3%
Net position, end of year	\$ 18,481,134	\$ 20,674,012	\$ (2,192,878)	-11%

The Condensed Statement of Revenue, Expenses, and Changes in Net Position above reflects a \$2.2 million decrease 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 2022-23.
- Sponsorships and royalties revenue increased by \$5.8 million primarily due to a new multi-media rights agreement negotiated during the year and other changes in sponsorship arrangements. Contributions decreased by \$3.5 million primarily because receipts from the UCF Foundation are now separately classified and included in nonoperating revenues.

**UCF ATHLETICS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Expenses:

- Salaries and benefits increased \$2.5 million due to increases needed to align with Big 12 standards, coaching and staff hires, and relocation expenses. Independent contractors increased \$3.2 million and other operating expenses increased \$3.7 million in preparation for joining the Big 12 Conference.

Nonoperating revenues (expenses):

- The \$12.2 million decrease in nonoperating revenue is primarily due to a decrease the Higher Education Emergency Relief funds transferred from the University in the prior year.

Other changes in net position:

- Other changes in net position reflect a decrease of \$1.0 million in capital contributions received for the construction of the Roth Athletic Center.

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.

	Condensed Statement of Cash Flows			
	2023	2022	Variance	
			Amount	Percentage
Cash flows from:				
Operating activities, net	\$ (1,820,348)	\$ 2,274,239	\$ (4,094,587)	-180%
Noncapital financing activities, net	(1,841,269)	16,295,490	(18,136,759)	-111%
Capital and related financing activities, net	(4,516,643)	(4,609,009)	92,366	2%
Investing activities, net	152,772	-	152,772	0%
Net change in cash and cash equivalents	(8,025,488)	13,960,720	(21,986,208)	-157%
Cash and cash equivalents, beginning of year	26,612,078	12,651,358	13,960,720	110%
Cash and cash equivalents, end of year	<u>\$ 18,586,590</u>	<u>\$ 26,612,078</u>	<u>\$ (8,025,488)</u>	<u>-30%</u>

The Condensed Statement of Cash Flows above reflects a \$8.0 million decrease in cash and cash equivalents from the prior year. Summarized highlights of the information presented are as follows.

- The \$4.1million decrease in cash flows from operating activities reflects a \$2.6 million decrease in receipts and a \$1.5 million increase in payments.
- The \$18.1 million decrease in cash flows from noncapital financing activities is primarily due to a \$13.7 million decrease in Higher Education Emergency Relief Funds received from the University, a \$5.0 million decrease in draws on the line of credit from UCF Foundation, and \$3.2 million transferred to the University for facility-related projects in the current year. Those decreases in cash flows totaling \$21.9 million were partially offset by a \$2.5 million decrease in exit fee payments to the American Athletic Conference and \$2.1 million increase in contributions received from UCF Foundation.

**UCF ATHLETICS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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 \$4.5 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 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 \$2.8 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 \$567,500 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, INC.
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Assets

Current assets

Cash and cash equivalents	\$ 17,572,168
Accounts receivable, net	5,049,445
Prepaid expenses and other current assets	2,739,127
Due from the University of Central Florida	489,252
Due from the UCF Foundation, Inc.	143,397
Due from the UCF Stadium Corporation	1,287,373
Total current assets	<u>27,280,762</u>

Non-current assets

Restricted cash and cash equivalents	1,014,422
Capital assets, net of accumulated depreciation	33,147,132
Capital assets not being depreciated	700,272
Lease assets, net of accumulated amortization	27,744,007
Total noncurrent assets	<u>62,605,833</u>
Total assets	<u>89,886,595</u>

Liabilities

Current liabilities

Current portion of loans and notes payable - related party	926,132
Current portion of loans and notes payable	1,948,000
Current portion of athletic conference exit fee payable	2,500,000
Current portion of lease liability - related party	1,641,484
Current portion of lease liability	263,192
Current portion of compensated absences	195,022
Accounts payable and accrued expenses	2,731,814
Due to the University of Central Florida	232,095
Due to the UCF Stadium Corporation	164,325
Due to the UCF Convocation Corporation	132,807
Due to the UCF Foundation, Inc.	1,547,090
Unearned revenue	6,031,228
Total current liabilities	<u>18,313,189</u>

Non-current liabilities

Loans and notes payable, less current portion - related party	12,558,873
Loans and notes payable, less current portion	5,280,000
Athletic conference exit fee payable	8,000,000
Lease liability, less current portion - related party	22,442,702
Lease liability, less current portion	4,133,235
Compensated absences, less current portion	677,462
Total noncurrent liabilities	<u>53,092,272</u>
Total liabilities	<u>71,405,461</u>

Net position

Net investment in capital assets	27,633,825
Restricted for:	
Capital projects	316,698
Specific sports' activities	1,333,929
Unrestricted	<u>(10,803,318)</u>
Total net position	<u>\$ 18,481,134</u>

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

UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Operating revenues	
Student athletic fees	\$ 23,026,146
Contributions	8,172,797
Conference and NCAA distributions	9,932,486
Game tickets	6,444,296
Sponsorships and royalties	12,488,140
Game guarantees	383,698
Other	2,804,424
Total operating revenues	63,251,987
Operating expenses	
Salaries and benefits	26,599,277
Independent contractors	11,830,228
Athletic supplies and subsistence	6,231,380
Game guarantees	1,383,000
Travel	5,775,360
Other general and administrative	10,415,795
Utilities	1,535,861
Scholarships	12,498,502
Depreciation and amortization	3,989,640
Total operating expenses	80,259,043
Operating income (loss)	(17,007,056)
Nonoperating revenues (expenses)	
Contributions from the University of Central Florida - Scholarship Support (non-cash)	11,125,388
Contributions from the University of Central Florida - Gender Equity Allocation (non-cash)	938,539
Contributions from the University of Central Florida - HEERF Recovery Funds and other	1,647,524
Contributions from the UCF Foundation	2,112,931
Distributions to the University of Central Florida	(3,248,807)
Distributions from UCF Stadium Corporation	8,798,736
Distributions to UCF Stadium Corporation	(6,613,760)
Other nonoperating revenue	147,083
Interest income	152,772
Interest expense	(1,214,298)
Total nonoperating revenues (expenses)	13,846,108
Loss before capital contributions	(3,160,948)
Capital contributions	968,070
Decrease in net position	(2,192,878)
Net position , beginning of year	20,674,012
Net position , end of year	\$ 18,481,134

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

**UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

Cash flows from operating activities	
Receipts from student athletic fees	\$ 22,841,964
Receipts from contributions	9,009,845
Receipts from conference and NCAA distributions	9,932,486
Receipts from ticket sales	7,100,034
Receipts from sponsorships	8,239,565
Other receipts	3,088,900
Payments to employees	(25,191,327)
Payments to suppliers and others	(35,468,701)
Payments for scholarships	(1,373,114)
Net cash provided by (used in) operating activities	<u>(1,820,348)</u>
Cash flows from noncapital financing activities	
Exit fee payments to athletic conference	(2,500,000)
Receipts from the University of Central Florida - HEERF recovery funds and other	1,647,524
Contributions from UCF Foundation	2,112,931
Distributions to University of Central Florida	(3,248,807)
Other nonoperating receipts	147,083
Net cash provided by (used in) noncapital financing activities	<u>(1,841,269)</u>
Cash flows from capital and related financing activities	
Distributions from UCF Stadium Corporation	8,798,736
Distributions to UCF Stadium Corporation	(6,983,764)
Capital donations	968,070
Purchases of capital assets	(587,055)
Principal and interest payments on debt obligations	(4,219,221)
Payments for leased assets - related party	(2,121,000)
Payments for leased assets	(372,409)
Net cash provided by (used in) capital and related financing activities	<u>(4,516,643)</u>
Cash flows from investing activities	
Interest income received	152,772
Net cash provided by (used in) investing activities	<u>152,772</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,025,488)</u>
Cash and cash equivalents, beginning of year	26,612,078
Cash and cash equivalents, end of year	<u>\$ 18,586,590</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (17,007,056)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,767,613
Amortization	2,222,027
Contributions from the University of Central Florida - Scholarship Support (non-cash)	11,125,388
Contributions from the University of Central Florida - Gender Equity Allocation (non-cash)	938,539
Changes in assets and liabilities:	
Accounts receivable, net	(3,494,029)
Prepaid expenses and other current assets	111,399
Accounts payable and accrued expenses	1,600,370
Unearned revenue	1,765,661
Unearned sponsorships revenue	(438,633)
Compensated absences	92,728
Due from/ to UCF Stadium Corporation	(1,109,923)
Due from/ to Universtiy of Central Florida	(260,316)
Due from UCF Foundation	837,048
Due from/ to UCF Convocation Corporation	28,836
Net cash provided by (used in) operating activities	<u>\$ (1,820,348)</u>

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

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(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, 2023, 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, 2023, was \$29,671 and the allowance for doubtful accounts at June 30, 2023, 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
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(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.

(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 29% of total operating and non-operating revenue (excluding Contributions from University of Central Florida – HEERF Recovery Funds, interest income, and other non-operating revenue), net of distributions to UCF Stadium Corporation were derived from athletic fees during the year ended June 30, 2023.

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Student athletic fees	\$ 23,026,146
Total operating revenues	63,251,987
Contributions from the University of Central Florida - Scholarship Support	11,125,388
Contributions from the University of Central Florida - Gender Equity Allocation	938,539
Distributions from UCF Foundation	2,112,931
Distributions to UCF Stadium Corporation	(6,613,760)
Distributions from UCF Stadium Corporation	8,798,736
	\$ 79,613,821
	29%

(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, 2023**

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	\$ 27,633,825
Restricted	1,650,627
Unrestricted	<u>(10,803,318)</u>
	<u>\$ 18,481,134</u>

Of the amount shown as restricted above, approximately \$0.3 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.

(2) **Accounts Receivable:**

Accounts receivable as of June 30, 2023, were as follows:

University of Central Florida – student athletic fees	\$	1,602,507
Sponsorships		3,307,021
Other		140,398
Allowance for doubtful accounts		<u>(481)</u>
	<u>\$</u>	<u>5,049,445</u>

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(3) Capital Assets:

Capital asset activity for the year ended June 30, 2023, 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	334,646	-	(334,646)	-	-
Total capital assets not being depreciated	<u>1,034,918</u>	<u>-</u>	<u>(334,646)</u>	<u>-</u>	<u>700,272</u>
Capital assets being depreciated:					
Furniture and equipment	5,260,813	587,055	-	-	5,847,868
Facilities improvements	35,153,072	-	-	-	35,153,072
Leasehold improvements	9,458,736	-	-	-	9,458,736
Total capital assets being depreciated	<u>49,872,621</u>	<u>587,055</u>	<u>-</u>	<u>-</u>	<u>50,459,676</u>
Accumulated depreciation					
Furniture and equipment	(4,557,787)	(277,072)	-	-	(4,834,859)
Facilities improvements	(8,974,064)	(999,905)	-	-	(9,973,969)
Leasehold improvements	(2,013,080)	(490,636)	-	-	(2,503,716)
Total Accumulated depreciation	<u>(15,544,931)</u>	<u>(1,767,613)</u>	<u>-</u>	<u>-</u>	<u>(17,312,544)</u>
Total capital assets being depreciated, net	<u>34,327,690</u>	<u>(1,180,558)</u>	<u>-</u>	<u>-</u>	<u>33,147,132</u>
Capital assets, net	<u>\$ 35,362,608</u>	<u>\$ (1,180,558)</u>	<u>\$ (334,646)</u>	<u>\$ -</u>	<u>\$ 33,847,404</u>

Decreases in construction in progress consist of planning and design costs that were expensed to other general and administrative expense due to management's decision not to move forward with the projects as originally designed.

(4) Long-Term Obligations:

Long-term liability activity for the year ended June 30, 2023, 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	\$ 5,447,178	\$ -	\$ (962,173)	\$ 4,485,005	\$ 926,132
Line of credit – promissory note	4,775,000	-	(320,000)	4,455,000	330,000
Construction note	5,392,000	-	(2,619,000)	2,773,000	1,618,000
Total notes payable (direct borrowings)	<u>15,614,178</u>	<u>-</u>	<u>(3,901,173)</u>	<u>11,713,005</u>	<u>2,874,132</u>
Line of credit payable to UCF Foundation, Inc.	9,000,000	-	-	9,000,000	-
Athletic conference exit fee payable	13,000,000	-	(2,500,000)	10,500,000	2,500,000
Compensated absences	779,756	221,300	(128,572)	872,484	195,022
Totals	<u>\$ 36,251,379</u>	<u>\$ 221,300</u>	<u>\$ (6,529,745)</u>	<u>\$ 32,085,489</u>	<u>\$ 5,569,154</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 0.73% for the year ended June 30, 2023. 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

UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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rate allowable under Florida law. The note is not subject to any acceleration clauses. At June 30, 2023, the amount outstanding was \$4,485,005.

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, 2023 the amount outstanding on the note was \$4,455,000. In July 2023 the Association renewed the agreement until July 2033, which carries interest at 79% of the Term SOFR Rate plus 1.34% (5.36% at June 30, 2023) and is secured by all student athletic fee revenue. 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, 2023, there was \$2,773,000 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, 2023, there was \$9,000,000 outstanding plus \$567,500 of accrued interest.

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, 2023, 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. The amount outstanding at the end of the year was \$10,500,000 with installments of \$2,500,000 due in fiscal year ending June 30, 2024 and \$666,667 annually thereafter through fiscal year ending June 30, 2036.

Interest expense for the year ended June 30, 2023 was \$588,048.

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The following is a schedule of future principal and interest payments for the loans outstanding as of June 30, 2023:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 5,374,132	\$ 639,141	\$ 6,013,272
2025	12,208,212	525,806	12,734,018
2026	2,085,320	261,152	2,346,472
2027	2,495,342	224,464	2,719,806
2028	1,051,667	180,669	1,232,336
2029-2033	5,508,334	576,050	6,084,384
2034-2036	2,489,998	43,425	2,533,423
Total	<u>\$ 31,213,005</u>	<u>\$ 2,450,707</u>	<u>\$ 33,663,712</u>

(5) **Leases:**

The Association follows GASB Statement No. 87, *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.

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.

Leased asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Leased assets being amortized:				
Furniture and equipment	\$ 966,452	\$ 303,715	\$ -	\$ 1,270,167
Facilities	30,857,151	-	-	30,857,151
Total leased assets	<u>31,823,603</u>	<u>303,715</u>	<u>-</u>	<u>32,127,318</u>
Accumulated amortization:				
Furniture and equipment	(227,503)	(288,246)	-	(515,749)
Facilities	<u>(1,933,781)</u>	<u>(1,933,781)</u>	<u>-</u>	<u>(3,867,562)</u>
Total accumulated amortization	<u>(2,161,284)</u>	<u>(2,222,027)</u>	<u>-</u>	<u>(4,383,311)</u>
Leased assets, net	<u>\$ 29,662,319</u>	<u>\$ (1,918,312)</u>	<u>\$ -</u>	<u>\$ 27,744,007</u>

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Lease liability activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease liabilities	\$ 30,044,057	\$ 318,714	\$ (1,882,158)	\$ 28,480,613	\$ 1,904,676
Totals	\$ 30,044,057	\$ 318,714	\$ (1,882,158)	\$ 28,480,613	\$ 1,904,676

Interest expense for the year ended June 30, 2023 was \$626,250.

Future commitments for remaining leases payable as of June 30, 2023 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>
2024	\$ 2,492,468	\$ 263,192	\$ 108,276	\$ 1,641,484	\$ 479,516
2025	2,437,811	214,398	102,413	1,674,166	446,834
2026	2,377,812	158,662	98,150	1,707,498	413,502
2027	2,259,703	42,372	96,331	1,741,495	379,505
2028	2,261,392	45,056	95,336	1,776,168	344,832
2029 - 2033	11,062,307	(18,417)	475,724	9,425,586	1,179,414
2034 - 2038	6,867,903	29,147	475,756	6,117,789	245,211
2039 - 2043	557,454	88,392	469,062	-	-
2044 - 2048	615,473	161,446	454,027	-	-
2049 - 2053	679,532	250,789	428,743	-	-
2054 - 2058	750,258	359,295	390,963	-	-
2059 - 2063	828,344	490,301	338,043	-	-
2064 - 2068	914,559	647,673	266,886	-	-
2069 - 2073	1,009,746	835,887	173,859	-	-
2074 - 2077	909,099	828,234	80,865	-	-
Total minimum lease payments	<u>\$ 36,023,861</u>	<u>\$ 4,396,427</u>	<u>\$ 4,054,434</u>	<u>\$ 24,084,186</u>	<u>\$ 3,488,814</u>

(6) Related Party Transactions:

Nonoperating revenue includes \$1,644,457 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, 2023. These fees are to specifically cover expenses incurred in maintaining the turf.

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Sponsorship revenue for the year ended June 30, 2023 includes \$600,000 allocated from the University’s exclusive beverage provider contract and \$964,712 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. Distributions to and from the Association and the Corporation for the year ended June 30, 2023, are as follows:

Distributions to UCF Stadium Corporation	\$ (6,613,760)
Distributions from UCF Stadium Corporation	8,798,736
Stadium rent payments to UCF Stadium Corporation	<u>(2,121,000)</u>
Net distributions	<u>\$ 63,976</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 \$16,644 were used to reduce employee contributions during the year ended June 30, 2023. There were no forfeited non-vested accounts as of June 30, 2023. 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, 2023, were \$915,967.

(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 \$44.3 million at June 30, 2023, 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, 2023, 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, 2023, the UCF Stadium Corporation distributed \$7,927,513 to the Association.

**UCF ATHLETICS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023, the total minimum commitment for all contracts for each of the next five years and in the aggregate is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2024	\$ 12,366,783
2025	10,003,242
2026	5,054,408
2027	3,588,700
2028	1,343,200
Total	<u>\$ 32,356,333</u>

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.

**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, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated October 26, 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*.

(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
October 26, 2023