

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

FINANCIAL STATEMENTS

JUNE 30, 2023

UCF CONVOCATION CORPORATION
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
UCF Convocation Corporation
Orlando, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the UCF Convocation Corporation (the "Corporation"), a direct support organization and component unit of the University of Central Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation'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 Corporation, 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 Corporation, 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.

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 Corporation'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.

(Continued)

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 Corporation'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 Corporation'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 17, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

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

Crowe LLP

Tampa, Florida
October 17, 2023

**UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

This management discussion and analysis (MD&A) provides an overview of the financial position and activities of the UCF Convocation Corporation (the Corporation) as of and for the year ended June 30, 2023, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of management. The MD&A contains financial activity of the Corporation, a direct support organization and component unit of the University of Central Florida as of and for the fiscal year ended June 30, 2023 and 2022.

The Corporation is presented as a discrete component unit of the University of Central Florida (the University) and was certified as a direct support organization in August 2005. The purpose of the Corporation is to finance, construct and operate residential halls, a convocation center, and surrounding retail spaces on behalf of the University.

Pursuant to GASB Statement No. 35, the Corporation's basic financial statements include: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets, deferred outflows of resources, and liabilities of the Corporation, and it presents the net position of the Corporation at a specified time. Assets, plus deferred outflows of resources, less liabilities equals net position, which is one indicator of the Corporation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Corporation's financial condition. Restricted net position consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. Unrestricted net position consists of net assets that do not meet the definition of either restricted or net investment in capital assets. The Corporation's liabilities exceeded assets and deferred outflow of resources creating a deficit net position of \$103.4 million on June 30, 2023, primarily due to the Corporation's debt refunding in fiscal years 2016 and 2019. The deficit net position will continue to improve in future years as the Corporation continue to make payments on the outstanding debt from pledged revenues.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

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

		Condensed Statement of Net Position (For the Fiscal Years at June 30)		Variance	
				Amount	Percentage
	2023	2022			
Assets					
Current assets	\$ 41,693,819	\$ 25,840,120	\$ 15,853,699		61.35%
Noncurrent assets	<u>11,313,055</u>	<u>12,374,880</u>	<u>(1,061,825)</u>		-8.58%
Total Assets	<u>53,006,874</u>	<u>38,215,000</u>	<u>14,791,874</u>		38.71%
Deferred outflows	<u>3,165,101</u>	<u>3,423,476</u>	<u>(258,375)</u>		-7.55%
Liabilities					
Current liabilities	16,853,021	13,932,484	2,920,537		20.96%
Noncurrent liabilities	<u>133,068,150</u>	<u>142,354,733</u>	<u>(9,286,583)</u>		-6.52%
Total Liabilities	<u>149,921,171</u>	<u>156,287,217</u>	<u>(6,366,046)</u>		-4.07%
Deferred inflows	<u>9,651,298</u>	<u>10,949,112</u>	<u>(1,297,814)</u>		
Net Position					
Net investment in capital assets	202,771	348,615	(145,844)		-41.84%
Restricted	17,282,813	15,096,449	2,186,364		14.48%
Unrestricted	<u>(120,886,078)</u>	<u>(140,942,917)</u>	<u>20,056,839</u>		-14.23%
Total Net Position	<u>\$ (103,400,494)</u>	<u>\$ (125,497,853)</u>	<u>\$ 22,097,359</u>		-17.61%

In July 2018, the Corporation refunded its Housing project Series 2014A and Series 2014B certificates of participation with Series 2018A revenue bonds. The extinguishment of the defeased certificates terminated the Housing project ground lease between the Corporation and the University. All building and building improvements on the leased land transferred in ownership to the University. In June 2022, the Corporation modified the interest rate on the debt Series 2018A revenue bonds. The bonds shall bear interest at a rate of 2.82% per annum from their date of delivery payable on each April 1 and October 1, commencing October 1, 2022. The previous interest rate was 3.52% per annum. A detailed description of these debt issuances can be found in Note 5, *Long-term Obligations*, in the accompanying notes to the financial statements.

The Corporation's assets totaled \$53.0 million as of June 30, 2023. This balance primarily reflects an increase of \$14.8 million or 38.7 percent from the prior fiscal year. This is primarily due to an increase of \$10.8 million of Higher Education Emergency Relief Funds (HEERF) awarded to and transferred from the University representing arena pandemic related loss revenues. Additionally, there were increases of \$1.2 million and \$2.6 million in cash and cash equivalents and restricted cash respectively.

Liabilities totaled \$149.9 million as of June 30, 2023. This balance reflects a decrease of \$6.3 million, or 4.0 percent from the prior fiscal year primarily due to \$9.2 million of debt service payments offset by a \$1.3 million increase in unearned revenue.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses and changes in net position presents the Corporation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. GASB Statement No. 35 categorizes revenues and expenses as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

Operating revenue consists primarily of the rental revenue generated from on campus student housing and income generated by activities and events hosted inside the arena. Operating expenses include those necessary costs associated with the continued maintenance and operations of these facilities. Nonoperating activity consists primarily of interest expense and distributions to the University for construction projects.

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items. The Corporation recorded a special item expense in fiscal year 2019 to transfer the Housing project's building and building improvements to the University due to the termination of the Housing project ground lease with the July 2018 debt refunding. During fiscal year 2020, the Corporation recognized nonoperating housing rent subsidy revenue received from the University to contractually perform under the housing management agreement.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position
(For the Fiscal Years at June 30)

	<u>2023</u>	<u>2022</u>	Variance	
			<u>Amount</u>	<u>Percentage</u>
Operating revenues	\$ 33,665,139	\$ 33,404,482	\$ 260,657	0.78%
Operating expenses	16,993,472	16,319,814	673,658	4.13%
Operating income	<u>16,671,667</u>	<u>17,084,668</u>	<u>(413,001)</u>	<u>-2.42%</u>
Net nonoperating revenues (expenses)	<u>5,425,692</u>	<u>(6,363,900)</u>	<u>11,789,592</u>	<u>-185.26%</u>
Change in net position	22,097,359	10,720,768	11,376,591	106.12%
Net position, beginning of year	<u>(125,497,853)</u>	<u>(136,218,621)</u>	<u>10,720,768</u>	<u>-7.87%</u>
Total Net position	<u><u>\$ (103,400,494)</u></u>	<u><u>\$ (125,497,853)</u></u>	<u><u>\$ 22,097,359</u></u>	<u><u>-17.61%</u></u>

The Corporation's operating revenues totaled \$33.7 million at June 30, 2023. This balance reflects an increase of \$0.3 million, or 0.8 percent from the prior fiscal year. The Corporation's operating expenses totaled \$17.0 million at June 30, 2023. This balance reflects an increase of \$0.7 million, or 4.1 percent from the prior fiscal year. Net nonoperating revenues totaled \$5.4 million at June 30, 2023. This balance reflects an increase of \$11.8 million, or 185.3 percent from the prior fiscal year primarily due to a \$10.8 million of Higher Education Emergency Relief Funds (HEERF) awarded to and transferred from the University for arena pandemic related loss revenues. See Note 6 for more information.

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the Corporation's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the Corporation's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the Corporation. Cash flows from noncapital financing activities include changes in the amounts due from related parties. Cash flows from capital and related financing activities include changes associated with long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments and earning income on those investments.

The following summarizes cash flows for the fiscal years ended June 30:

Condensed Statement of Cash Flows
(For the Fiscal Years at June 30)

	<u>2023</u>	<u>2022</u>	Variance	
			<u>Amount</u>	<u>Percentage</u>
Cash flows provided by				
Operating activities	\$18,932,989	\$18,592,062	\$ 340,927	1.83%
Non-capital financing activities	(12,440,675)	(646,893)	(11,793,782)	1823.14%
Capital and related financing activities	(2,873,026)	(15,145,092)	12,272,066	-81.03%
Investing activities	<u>236,976</u>	<u>269,403</u>	<u>(32,427)</u>	<u>-12.04%</u>
Net increase in cash	3,856,264	3,069,480	786,784	25.63%
Cash and cash equivalents				
Beginning of year	<u>19,740,065</u>	<u>16,670,585</u>	<u>3,069,480</u>	<u>18.41%</u>
End of year	<u>\$23,596,329</u>	<u>\$19,740,065</u>	<u>\$ 3,856,264</u>	<u>19.54%</u>

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

CAPITAL ASSETS

At June 30, 2023, the Corporation had \$1.4 million in capital assets, less accumulated depreciation of \$1.2 million, for net capital assets of \$0.2 million. The following table summarizes the Corporation's capital assets, net of accumulated depreciation at June 30:

	Capital Assets, Net			
	(For the Fiscal Years Ended June 30)			
	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percentage</u>
Furniture & equipment	\$ 202,771	\$ 348,615	\$ (145,844)	-41.84%
Total	<u>\$ 202,771</u>	<u>\$ 348,615</u>	<u>\$ (145,844)</u>	-41.84%

DEBT ADMINISTRATION

As of June 30, 2023, the Corporation has two sets of outstanding capital debt issuances, the Series 2018A revenue bonds, referred to as the Housing project, and the Series 2015A and 2015B revenue bonds, collectively referred to as the Arena project. The outstanding principal balance on these debt issuances was \$142.2 million at June 30, 2023. Additional information about the Corporation's long-term debt is presented in Note 5 of the financial statements.

The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	Long-Term Debt			
	(For the Fiscal Years Endend June 30)			
	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percentage</u>
Revenue bonds	\$ 142,198,150	\$ 150,629,732	\$ (8,431,582)	-5.60%
Total	<u>\$ 142,198,150</u>	<u>\$ 150,629,732</u>	<u>\$ (8,431,582)</u>	-5.60%

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

Each year, in accordance with the support agreements with the University entered into at the time of each of these issuances, the Corporation calculates a debt service coverage ratio for both the Housing and Arena projects. The ratio is intended to represent the Corporation's ability to meet its current year debt obligations. The method for this calculation, which is further described within the agreements, is different for both the Housing project and the Arena project. Should the event occur where this ratio is not met, the University has pledged financial support to assist the Corporation's efforts to meet its debt obligations.

The Housing project calculation allows certain non-cash expenses to be added back to the Corporation's total for changes in net position. The calculation also allows for excess revenues from the Housing project, beyond those necessary for debt service, to be added to the coverage calculations for the Arena project. Per the agreement, the ratio is required to be 120 percent of the current year's principal and interest payments.

The Arena project calculation includes certain Arena facility revenues net of related expenses. These revenues include premium seating, sponsorship, naming rights, arena retail income, University operating payments, and excess revenues from the Housing project. Per the agreement, the ratio is required to be 120 percent of the current year's principal and interest payments.

The table below reflects the debt service coverage ratio for the Housing project for the fiscal year ended June 30, 2023:

	Housing Revenue Bonds Series 2018A
Change in net position, net of non-operating activity per agreement	\$ 12,301,201
Add back depreciation expense	8,154
Add back amortization expense	179,442
Add back interest expense	2,118,795
Add back management fees	149,519
Available for debt service	14,757,111
Annual debt service	\$ 6,846,276
 Coverage Ratio	 216%

UCF CONVOCATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Continued)

The table below reflects the debt service coverage ratio for the Arena project for the fiscal year ending June 30, 2023:

	Arena Revenue Bonds Series 2015A and 2015B	
Arena Revenues		
Net Premium Seating	\$	361,063
Advertising and Sponsorship		125,000
Net Naming Rights		163,889
UCF Operating Payment		2,200,000
Transfer from UCFCC Housing		5,199,567
Net Retail Income		1,105,337
Available for debt service		9,154,856
Annual debt service	\$	6,016,163
 Coverage Ratio		 152%

ECONOMIC OUTLOOK

The Corporation has added great value to the University by financing, constructing, and operating residential halls, a convocation center and surrounding retail spaces to enhance the students' experience on campus. Knights Plaza continues to strengthen its name and reputation on-campus and add value to the University. Operations are anticipated to remain constant by retaining high occupancy rates at the towers and continuing to host successful events at the convocation center. Additionally, the Addition Financial Arena has become a desired destination for live entertainment in the Central Florida area since opening in 2007. The Arena was ranked number one among on-campus University venues in the State of Florida and number twelve among on campus University venues worldwide by Pollstar, a trade publication for the concert and live music industry in their 2021 Year-End Top Venue Report. The economic outlook for the Corporation is positive regarding its ability to meet debt service obligations for both the housing and arena debt issuances.

REQUEST FOR INFORMATION

These financial statements are designed to provide detailed information on the Corporation's operations to the Corporation's Board, management, creditors, and all others with an interest in the Corporation's financial affairs and to demonstrate the Corporation's accountability for the assets it controls and funds it receives and expends. Questions concerning any of the information provided in this report or any requests for additional financial information should be addressed to Assistant Vice President for DSO Accounting and Reporting, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, FL 32826-3249.

UCF CONVOCATION CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2023

<u>ASSETS</u>	<u>2023</u>
Current assets	
Cash and cash equivalents	\$ 4,836,085
Accounts receivable	992,611
Lease receivable - related parties	940,563
Lease receivable - external parties	434,707
Due from the University of Central Florida	17,969,457
Due from the Athletics Association, Inc.	132,807
Prepaid expenses	114,499
Restricted cash and cash equivalents	16,273,090
Total current assets	<u>41,693,819</u>
Noncurrent assets	
Restricted cash and cash equivalents, less current portion	2,487,064
Lease receivable - related parties	5,463,064
Lease receivable - external parties	3,160,156
Capital assets, net of accumulated depreciation	202,771
Total noncurrent assets	<u>11,313,055</u>
Total Assets	<u>53,006,874</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred loss on refunding of debt	<u>3,165,101</u>
<u>LIABILITIES</u>	
Current liabilities	
Current portion of long-term debt	9,130,000
Accounts payable and accrued expenses	1,796,945
Interest payable	1,189,960
Due to the University of Central Florida	918,771
Unearned revenue	3,817,345
Total current liabilities	<u>16,853,021</u>
Noncurrent liabilities	
Long-term debt, less current portion	133,068,150
Total Liabilities	<u>149,921,171</u>
<u>DEFERRED INFLOW OF RESOURCES</u>	
Deferred lease inflow	<u>9,651,298</u>
<u>NET POSITION</u>	
Net investment in capital assets	202,771
Restricted for:	
Debt service	10,191,592
Renewal and replacement	2,487,064
Other	4,604,157
Unrestricted	<u>(120,886,078)</u>
Total Net Position	<u>\$ (103,400,494)</u>

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

UCF CONVOCATION CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	2023
Operating revenues	
Housing	\$ 19,271,916
Arena operations	12,864,216
Retail space rental	1,529,007
Total operating revenues	33,665,139
Operating expenses	
Services and supplies	13,671,831
Utilities and communications	3,107,808
Depreciation	170,578
Other	43,255
Total operating expenses	16,993,472
Operating income	16,671,667
Nonoperating revenues (expenses)	
Investment income	236,976
Interest expense	(4,825,429)
Distributions to the University of Central Florida	(838,917)
Distributions from the University of Central Florida	10,853,062
Net nonoperating revenues (expenses)	5,425,692
Increase (decrease) in net position	22,097,359
Net position, beginning of year	(125,497,853)
Net position, end of year	\$ (103,400,494)

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

UCF CONVOCATION CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023
Cash flows from operating activities	
Receipts from housing operations	\$ 20,764,570
Receipts from retail space rental	1,388,952
Receipts from arena operations	12,828,150
Payments to suppliers and others	<u>(16,048,773)</u>
Net cash provided by operating activities	<u>18,932,899</u>
Cash flows from noncapital financing activities	
Net change in funds held by the University of Central Florida	<u>(12,440,675)</u>
Net cash used in noncapital financing activities	<u>(12,440,675)</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(24,734)
Payments on long-term debt	(8,375,000)
Interest paid	(4,487,437)
Distributions from the University of Central Florida	10,853,062
Distributions to the University of Central Florida	<u>(838,917)</u>
Net cash used in capital and related financing activities	<u>(2,873,026)</u>
Cash flows from investing activities	
Investment income received	<u>236,976</u>
Net cash provided by investing activities	<u>236,976</u>
Net increase in cash and cash equivalents	3,856,174
Cash and cash equivalents, beginning of year	19,740,065
Cash and cash equivalents, end of year	<u>\$ 23,596,239</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,671,667
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	170,578
Changes in assets and liabilities:	
Prepaid expenses	(51,631)
Accounts receivable	158,985
Lease receivable	1,125,939
Accounts payable and accrued expenses	142,263
Due to the University of Central Florida	557,650
Due from the University of Central Florida	154,675
Due from the UCF Athletics Association, Inc.	(28,837)
Unearned revenue	1,329,424
Changes in deferred lease inflow	<u>(1,297,814)</u>
Net cash provided by operating activities	<u>\$ 18,932,899</u>
Cash and cash equivalents are presented on the Statements of Net Position as:	
Cash and cash equivalents	\$ 4,836,085
Current restricted cash and cash equivalents	16,273,090
Noncurrent restricted cash and cash equivalents	<u>2,487,064</u>
	<u>\$ 23,596,239</u>

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

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

The following is a summary of the significant accounting policies and practices of the UCF Convocation Corporation (the Corporation), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Corporation is a not-for-profit entity incorporated on October 26, 2005. The Corporation was created by the University of Central Florida (the University) as a direct support organization of the University whose purpose was to finance, construct and operate residential halls, a convocation center, and surrounding retail spaces on behalf of the University. The Corporation is presented as a discrete component unit of the University on the University's financial statements.

(b) **Financial statement presentation**—The Corporation's financial statements are presented in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended, which requires the Corporation to present:

- ◆ Management's Discussion and Analysis
- ◆ Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

(c) **Basis of accounting**—Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, special items, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The Corporation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources, special items, and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources, special items, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The Corporation follows GASB standards of accounting and financial reporting.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. The statement of revenues, expenses and changes in net position is presented in a format which distinguishes operating revenues and expenses from non-operating items. Operating revenues are defined as revenues generated from the primary mission of the Corporation; and include revenues generated from the operations of residence halls, the arena, and surrounding retail spaces. Operating revenues normally, but not always, result from exchange transactions defined as revenues received in exchange for a good or service. Non-operating revenues are defined as revenues not derived from the basic mission operations of the Corporation. Nonoperating revenues normally, but not always, result from non-exchange transactions, defined as value received with no good or service exchanged. The statement of cash flows is presented using the direct method in compliance with GASB standards of accounting and financial reporting.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

(d) **Cash and cash equivalents**—Amounts reported as cash and cash equivalents consist of cash on hand, cash held by a trust institution and invested in money market funds, and investments with original maturities of three months or less. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

(e) **Due From the University of Central Florida**—The amounts recorded as Due from the University of Central Florida includes funds held by the University on behalf of the Corporation.

(f) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from balances at year-end, based on management's assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them. There was no allowance for doubtful accounts recorded at June 30, 2023.

(g) **Capital assets**—The Corporation's capital assets consist of furniture and equipment. Assets are capitalized and recorded at cost at the date of acquisition. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Construction in progress is depreciated beginning on the date the assets are placed in service. Other costs incurred for repairs and maintenance are expensed as incurred.

The Corporation has a capitalization threshold of \$5,000 for furniture and equipment additions and a threshold of \$100,000 for new buildings and improvements. Depreciation is computed on the straight-line basis over estimated useful lives ranging from 5 to 39 years.

(h) **Revenue recognition**—Housing revenues are generated from the Towers at Knights Plaza I, II, III and IV where students enter into annual housing contracts covering the fall, spring and summer semesters. Arena operations relate to ticket sales for all events and are recognized after the facility has been used for its intended purposes by customers. Revenues collected in advance are recorded as unearned revenue and are recognized as revenue at the time the event takes place. Retail space rental revenues consist of monthly lease agreements with outside vendors for the use of various retail space located at the Convocation Center.

(i) **Unearned revenue**—Unearned revenue consists of amounts collected by the arena in advance of event dates; these revenues will be recognized in the period when the event occurs. Unearned revenue also includes amounts received in advance from students associated with their summer term in the Towers at Knights Plaza I, II, III and IV; these revenues are recognized pro-rata based on the number of days in the current period.

(j) **Deferred outflows of resources**—The net investment in capital assets includes the effect of recognizing a deferred outflow of resources from the loss on the Series 2014A, 2014B, 2015A and 2015B debt refunding's of \$3,165,101 at June 30, 2023. The balance has been recognized as an interest expense beginning in 2014 when the first debt series was extinguished and will further decrease net investment in capital assets position over a 20-year repayment period of the new debt.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Summary of Significant Accounting Policies: (Continued)

(k) **Net position**—The Corporation’s net position is classified as follows:

- Net investment in capital assets – This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets and deferred charges on refunding of debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this component of net position.
- Restricted – This represents the Corporation’s resources that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. According to authoritative discussions in the GASB 34 Implementation Guide exercise for calculating net position balances for governmental activities, if the liabilities relating to the restricted assets are greater than those assets, then no balance would be reported as restricted net position. The negative amount would be reported as a reduction to unrestricted net position.
- Unrestricted – This represents Corporation resources which do not meet the definition of “restricted” or “net investment in capital assets.”

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

(l) **Income taxes**—The Corporation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Corporation files income tax returns in the U.S. federal jurisdiction and in the state of Florida. The Corporation’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Corporation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Corporation.

(m) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities along with disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

The Corporation's restricted cash represents cash held by the Corporation's trustee in the Corporation's name. These funds consist of funds held for debt service payments and funds held in reserve as required in the trust agreement. For the year ended June 30, 2023, the cash was invested in a government money market fund.

The Corporation has cash and investments held by the University of \$17,140,220 at June 30, 2023. The amounts are included in Due From the University of Central Florida on the accompanying statement of net position. Investment income shown on the statement of revenues, expenses and changes in net position includes interest earned on the cash held by a trust institution, as well as realized gains/losses allocated from the University on funds held and invested on behalf of the Corporation. Section 1011.42(5), *Florida Statutes*, authorizes universities and their component units to invest funds with the State Treasury and State Board of Administration, and requires that these entities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities and their component units are subject to the requirements of Chapter 218, Part IV, *Florida Statutes*. The University's Board of Trustees has adopted a written investment policy establishing investment parameters within applicable Florida Statutes and the University's investment manual. Pursuant to Section 218.415(16), *Florida Statutes*, the Corporation is authorized to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, *Florida Statutes*; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

Cash and cash equivalents at June 30, were as follows:

	2023
Cash on hand	\$ 4,836,085
Money market funds	18,760,154
Cash and cash equivalents	\$ 23,596,239

Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name. The money market funds invest in diversified portfolios of high-quality, dollar-denominated short-term debt securities. Cash on hand is held at a financial institution that is not listed as a qualified public depository as defined by *Florida Statutes* Chapter 280. These funds are collateralized with securities held by the pledging financial institution, but not in the depositor's name.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), *Florida Statutes*, the Corporation's investments in securities must provide sufficient liquidity to pay obligations as they come due.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's investment policy and manual provides information on asset classes, target allocations, and ranges of acceptable investment categories.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the University's investment policy specifies certain requirements to pre-qualify financial institutions and brokers/dealers. The Corporation's investments are held by a third-party custodian, not in the name of the Corporation.

(3) **Capital Assets:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Furniture and equipment	\$ 1,599,095	\$ 24,734	\$ (193,900)	\$ 1,429,929
Less: accumulated depreciation	(1,250,480)	(170,578)	193,900	(1,227,158)
Total capital assets, net	<u>\$ 348,615</u>	<u>\$ (145,844)</u>	<u>\$ -</u>	<u>\$ 202,771</u>

(4) **Concentrations of Credit Risk:**

The Corporation has no policy requiring collateral or other security to support receivables from related parties, as described in Note 6.

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

	<u>2023</u>
Due from the University of Central Florida	\$ 17,969,457
Due from the UCF Athletics Association, Inc.	132,807
Due to the University of Central Florida	(918,771)

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(5) Long-term Obligations:

Housing

In May 2014, the Corporation issued a \$58,645,000 Refunding Certificate of Participation, Series 2014A directly to a bank. The certificate was scheduled to mature on October 1, 2034 and bore interest at a fixed rate of 3.61 percent per annum.

In October 2014, the Corporation issued a \$58,930,000 Refunding Certificate of Participation, Series 2014B directly to a bank. The certificate was scheduled to mature on October 1, 2035 and bore interest at a fixed rate of 3.80 percent per annum.

On July 2, 2018, the Corporation issued a \$104,636,000 Refunding Revenue Bond, Series 2018 directly to a bank. The bonds will mature on October 1, 2035 and bears interest at a fixed rate of 3.52 percent per annum. Proceeds of \$104,636,000 from the Refunding Revenue Bonds, plus an additional \$1,087,841 from the Corporation's debt service accounts, were used to purchase \$105,723,838 of U.S. Treasury State and Local Government Series Securities. The securities were used to prepay the outstanding Series 2014A certificates of participation for \$51,823,629 and the 2014B certificates of participation for \$53,659,213, and fund \$241,000 related to cost of issuance expenses. As a result of the refunding, the Corporation reduced its debt service requirement by \$5,916,949 over the next 17 years and obtained an economic gain of \$4,655,497. For the year ended June 30, 2019, \$231,432 related to the cost of issuance is included in interest expense.

On June 1, 2022, an interest rate modification occurred for the Capital Improvement Refunding Revenue Bond, Series 2018 to lower the interest rate from 3.52 percent to 2.82 percent per annum. The bonds bear interest at a rate of 2.82% per annum from their date of delivery payable on each April 1 and October 1, commencing October 1, 2022. Interest shall be calculated based on 30/360 day basis. All other terms remain the same, including the required coverage ratio of 1.20 and the support agreement with the University.

Arena

In August 2015, the Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B. The 2015A bonds will mature on October 1, 2035, and bear interest at fixed rates ranging from 3.00 to 5.00 percent per annum and the 2015B bonds will mature on October 1, 2026 and bear interest at fixed rates ranging from 2.00 to 4.30 percent per annum.

With the debt refundings for both the Housing and Arena projects, the extinguishment of the defeased certificates and revenue bonds, terminated the ground leases between the Corporation's Housing and Arena projects and the University. All related building and building improvement assets on the leased land transferred ownership to the University.

With each debt refunding the Corporation entered into separate support agreements with the University, whereby, in the event that net revenues available to pay debt service on the Series 2018 revenue bonds or funds available to pay debt service on the 2015A and 2015B revenue bonds are expected to be less than 120 percent of the respective debt service payments due, the University shall defer collecting certain expenditures to cover any such deficiencies. The University is obligated only to the extent that it has legally available revenues to cover the unpaid amounts.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Per trust indentures, revenues generated from Housing operations, Arena operations and Retail space rental less operating expenses are pledged towards debt service requirements for the Corporation. These revenues are presented on the statement of revenues, expenses and changes in net position.

With both the Arena and Housing project debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of thirty days following written notice from the other party, such failure shall constitute a default under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, neither the Housing nor Arena debt is not subject to any acceleration clauses.

The following is a schedule of future principal and interest payments for both the Housing and Arena revenue bonds as of June 30, 2023:

Fiscal Year Ending June 30,	Direct Borrowing Housing Revenue Bonds Payable		Non-Direct Borrowing Arena Revenue Bonds Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2024	\$ 5,520,000	\$ 2,208,483	\$ 3,610,000	\$ 2,404,030	\$ 13,742,513
2025	5,685,000	2,050,493	3,755,000	2,259,438	13,749,931
2026	5,835,000	1,888,061	3,910,000	2,103,205	13,736,266
2027	6,000,000	1,721,187	4,055,000	1,956,243	13,732,430
2028	6,165,000	1,549,661	4,190,000	1,822,325	13,726,986
2029-2033	33,510,000	5,003,526	23,910,000	6,161,694	68,585,220
2034-2036	18,360,000	673,416	17,000,000	1,038,200	37,071,616
Subtotals	81,075,000	15,094,827	60,430,000	17,745,135	174,344,962
Plus:					
Unamortized premium	-	-	693,150	-	693,150
Total	<u>\$ 81,075,000</u>	<u>\$ 15,094,827</u>	<u>\$ 61,123,150</u>	<u>\$ 17,745,135</u>	<u>\$ 175,038,112</u>

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Changes in long-term debt for the year ended June 30, 2023, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Direct Borrowings:</u>					
Housing revenue bonds	\$ 85,970,000	\$ -	\$ (4,895,000)	\$ 81,075,000	\$ 5,520,000
Total Direct Borrowings	<u>\$ 85,970,000</u>	<u>\$ -</u>	<u>\$ (4,895,000)</u>	<u>\$ 81,075,000</u>	<u>\$ 5,520,000</u>
<u>Other Debt:</u>					
Arena revenue bonds	\$ 63,910,000	\$ -	\$ (3,480,000)	\$ 60,430,000	\$ 3,610,000
Unamortized premiums	749,732	-	(56,582)	693,150	-
Total Other Debt	<u>\$ 64,659,732</u>	<u>\$ -</u>	<u>\$ (3,536,582)</u>	<u>\$ 61,123,150</u>	<u>\$ 3,610,000</u>
Total Long-Term debt	<u>\$ 150,629,732</u>	<u>\$ -</u>	<u>\$ (8,431,582)</u>	<u>\$ 142,198,150</u>	<u>\$ 9,130,000</u>

Interest expense for fiscal year ending June 30, 2023, was \$4,825,429. Bond premiums are amortized on an annual basis using the straight-line method, which is materially consistent with the effective interest method. This amount was \$56,582 for fiscal year ending June 30, 2023, and is included in interest expenses shown on the Statement of revenues, expenses and changes in net position.

(6) **Related Party Transactions:**

The Corporation has entered into various support agreements with the University (as more fully described in Note 5 above), whereby, in the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. There were no distributions from the University for the year ended June 30, 2023.

The Corporation receives certain housing management, operation, and maintenance services from the University pursuant to an amended and restated housing management agreement. Service and supplies expense includes management fees paid to the University of \$149,519 for the fiscal year ended June 30, 2023.

Distributions to the university include transfers of \$38,100 for fiscal year ended June 30, 2023, to fund repair and replacement projects managed by the university's facilities department. Also included is a discretionary housing management fee, as required by the trust indenture, of \$89,373. Additionally, there was a \$500,000 distribution related to the Arena scoreboard repayment for fiscal year ended June 30, 2023.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(6) Related Party Transactions: (Continued)

Arena operations in the statement of revenues expenses and changes in net position, includes \$125,000 for fiscal year ended June 30, 2023, for sponsorship revenue allocated from the university's exclusive beverage provider contract with a third party. This is included in the Due from the University of Central Florida balance of \$17,969,457 on the statement of net position for the fiscal year ended June 30, 2023.

During 2008, the Corporation entered into an agreement with the Association for the use of the Convocation Center to support the Association's athletic program. This revenue represents monthly overhead reimbursement from the Association which totaled \$535,000 for the year ended June 30, 2023 and is included in arena operations revenues on the statement of revenues, expenses and changes in net position.

During 2015, the Corporation entered into an operating agreement with the University to maintain and operate the Convocation Center throughout the year. Operating revenue from the University totaled \$2,200,000 for the year ended June 30, 2023 and is included in arena operations revenues on the statement of revenues, expenses, and changes in net position.

During the year ended June 30, 2012, the Corporation entered into an operating agreement with the University for the University's use of the Corporations' managed parking garages throughout the year. Rental revenue from the University of Central Florida totaled \$1,036,388 for the year ended June 30, 2023 and is included in housing revenues on the statement of revenues, expenses and changes in net position.

The Corporation also has various rental agreements with the University for the use of retail space surrounding the arena. Revenues generated from the agreements was \$1,203,880 for the year ended June 30, 2023, and is included in retail space rental revenues on the statement of revenues, expenses and changes in net position.

On July 12, 2022, the Corporation's Board of Directors approved the cancellation of the naming rights agreement between the Corporation and Addition Financial that was effectively and retroactively replaced by the annual guaranteed royalty agreement between the Corporation and UCF Athletics Association. This agreement guarantees the Corporation \$1.04M beginning in fiscal year 2023 with incremental increases throughout the term ending in June 2036.

Distributions from the University of Central Florida as shown on the statement of revenues, expenses and changes in net position represents \$10.8 million of Higher Education Emergency Relief Funds (HEERF) awarded to and transferred from the University. These funds were provided to replace loss revenues sustained by the Corporation's arena and venue event operations during fiscal years June 30, 2020 and 2021 as a result of the coronavirus pandemic. These non-recurring funds will be used to support facility projects over the next two fiscal years.

**UCF CONVOCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(7) Leases Paid to the Corporation:

The Corporation leases commercial retail space at Knights Plaza to the University and other external entities under leases with existing terms of one to ten years under long-term non-cancellable agreements. Total lease payments received from external parties included \$82,851 of interest and \$441,239 of principal. Total lease payments received from related parties included \$99,944 of interest and \$875,626 of principal. At June 30, 2023 a deferred lease inflow of \$9,651,298 was recorded on the statement of net position and is being amortized on a straight line basis over the lease term. At June 30, 2023, approximate future minimum rental payments to be received under non-cancellable leases are as follows:

Fiscal Year Ending June 30	Lessor (Landlord)	Total	External Parties		Related Parties	
			Principal	Interest	Principal	Interest
2024	Convocation Corp.	\$ 1,538,198	\$ 434,707	\$ 75,610	\$ 940,563	\$ 87,316
2025	Convocation Corp.	1,520,342	388,829	68,317	988,966	74,231
2026	Convocation Corp.	1,502,014	405,709	60,996	974,594	60,714
2027	Convocation Corp.	1,499,407	372,563	53,470	1,026,587	46,787
2028	Convocation Corp.	1,039,570	271,556	46,819	687,636	33,558
2029-2033	Convocation Corp.	3,107,559	1,123,630	150,972	1,785,281	47,677
2034-2038	Convocation Corp.	488,056	433,111	54,944	-	-
Thereafter	Convocation Corp.	169,025	164,756	4,269	-	-
Total Minimum Lease Payments		\$ 10,864,171	\$ 3,594,862	\$ 515,397	\$ 6,403,627	\$ 350,284

(8) Deficit Net Position:

The Corporation has a deficit net position for the year ended June 30, 2023, of \$103,400,494. This deficit is attributed to the transfer of all housing and arena related building and building improvements to the University as a result of the termination of the Housing and Arena ground leases between the Corporation and the University with the July 2018 and August 2015 debt refundings. The Corporation's housing and related debt were previously included as a component of the net investment in capital assets portion of net position balance but is now included as a component of unrestricted net position. The Corporation's arena related debt reflected as a component of unrestricted net position for the year ended June 30, 2023, was \$60,156,216. The Corporation's housing related debt reflected as a component of unrestricted net position for the year ended June 30, 2023, was \$78,876,833.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
UCF Convocation Corporation
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the UCF Convocation Corporation (the "Corporation"), 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 Corporation's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Crowe LLP

Tampa, Florida
October 17, 2023

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, *FLORIDA STATUTES***

Board of Directors
UCF Convocation Corporation
Orlando, Florida

We have examined the UCF Convocation Corporation's (the "Corporation") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended June 30, 2023. Management of the Corporation is responsible for the Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements contained in Section 218.415, *Florida Statutes*, during the year ended June 30, 2023.

The purpose of this report is solely to comply with Chapter 10.550, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Tampa, Florida
October 17, 2023