

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

UCF STADIUM CORPORATION
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JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
UCF Stadium Corporation
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the UCF Stadium Corporation (the "Corporation"), a direct support organization and component unit of the University of Central Florida, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

(Continued)

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, 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 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.



Crowe LLP

Tampa, Florida
October 29, 2021

**UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

The management discussion and analysis (MD&A) provides an overview of the financial position and activities of the UCF Stadium Corporation, (the Corporation), for the years ended June 30, 2021 and 2020, 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 for the fiscal years ended June 30, 2021, 2020, and 2019.

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 December 2005. The purpose of the Corporation is to finance, construct and operate a football stadium on behalf of the University and the UCF Athletics Association, Inc. (the Association).

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 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 \$38.2 million at June 30, 2021, primarily due to the transfer of fixed assets to the University from the Corporation's debt refunding in fiscal year 2016. The deficit net position will continue to improve in future years as the Corporation continues to reduce its outstanding long-term debt obligations with the pledged revenues from the Association.

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

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

	2021	2020	2019
Assets			
Current assets	\$ 3,826,942	\$ 4,124,587	\$ 3,574,200
Total Assets	3,826,942	4,124,587	3,574,200
Deferred Outflows	561,359	599,633	637,908
Liabilities			
Current liabilities	4,819,239	4,266,047	4,713,329
Noncurrent liabilities	37,736,438	39,878,627	41,933,816
Total Liabilities	42,555,677	44,144,674	46,647,145
Net Position			
Restricted	-	-	222,930
Unrestricted	(38,167,376)	(39,420,454)	(42,657,967)
Total Net Position	\$ (38,167,376)	\$ (39,420,454)	\$ (42,435,037)

The Corporation's assets totaled \$3.8 million as of June 30, 2021. This balance reflects a \$0.3 million, or 7.2 percent decrease from the prior fiscal year mostly due a decrease of \$2.2 million in the amount due from the University of Central Florida offset by an increase of \$2.0 million Due from the UCF Athletic Association for unearned revenues. These funds are being held on behalf of the Corporation at June 30, 2021.

Liabilities totaled \$42.6 million at June 30, 2021. This balance reflects a \$1.6 million, or 3.6 percent decrease from the prior fiscal year primarily due to payments on the Corporation's long-term debt.

The Corporation has a deficit net position balance of \$38.2 million as of June 30, 2021. This balance reflects a \$1.3 million, or 3.2 percent decrease from the prior fiscal year primarily due to the payments on the Corporation's long-term debt.

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(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 non-operating. 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 non-operating. 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. The majority of the Corporation's revenues and expenses are non-operating revenues and expenses as defined by GASB.

Operating revenue consists primarily of revenues related to the rights granted to donors in connection with luxury suites and club seats located within the football stadium, as well as sponsorship revenues. During fiscal year 2020, the Corporation granted sponsorship and advertising rights to the stadium's footprint to the UCF Athletics Association in exchange for an annual guaranteed royalty payment. The term of this agreement is effective July 1, 2019, to June 30, 2024, thereby terminating the prior agreement with Spectrum, and is expected to yield \$9.5 million over the term of the agreement.

Operating expenditures reported for the Corporation include repairs and improvements to the Stadium and other financing related costs. Nonoperating activity consists primarily of interest payments on the Stadium's long-term debt obligations and distributions between the Corporation and the Association.

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 Ended June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,735,086	\$ 3,348,571	\$ 4,173,555
Operating expenses	<u>1,174,035</u>	<u>38,015</u>	<u>146,229</u>
Operating income	561,051	3,310,556	4,027,326
Net non-operating revenues (expenses)	<u>692,027</u>	<u>(295,973)</u>	<u>(1,936,460)</u>
Change in net position	1,253,078	3,014,583	2,090,866
Net position, beginning of year	<u>(39,420,454)</u>	<u>(42,435,037)</u>	<u>(44,525,903)</u>
Net position, end of year	<u>\$ (38,167,376)</u>	<u>\$ (39,420,454)</u>	<u>\$ (42,435,037)</u>

The Corporation's operating revenues totaled \$1.7 million at June 30, 2021. This balance reflects a \$1.6 million decrease from the prior fiscal year primarily due to reductions in premium seating revenues resulting from a reduced football game schedule and seating capacity restrictions due to the coronavirus pandemic.

Operating expenses totaled \$1.2 million at June 30, 2021. This balance reflects a \$1.1 million increase from the prior fiscal year that was funded by settlement proceeds received in the prior fiscal year.

Net nonoperating revenue totaled \$0.7 million at June 30, 2021. This balance reflects a \$1.0 million increase from the prior fiscal year primarily due to an increase of \$2.4 million in net distributions from the Association offset by a reduction in revenues from the \$1.4 million settlement proceeds received prior year.

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

The Corporation's Series 2015A, 2015B, and 2015C refunding revenue bonds are secured by a pledge from the Association of their gross ticket revenues for football, Association rent, away game guarantees, conference distributions, and guaranteed royalty revenue. The Corporation utilized these funds in meeting its annual debt service obligation and satisfying other debt covenant requirements as set forth related to the debt issuance. Once the covenants attached to the bonds are met, any excess unrestricted funds are distributed back to the Association. Pursuant to GASB No. 35, the Corporation records these receipts and payments with the Association as distributions from the Association and distributions to the Association and classifies them as non-operating revenues and non-operating expenses, respectively. The net activity from these distributions for the fiscal year ended June 30, 2021, was a \$1.7 million distribution from the Association to the Corporation.

The following table details net activity with the Association for the years ended June 30:

Net Distributions with the UCF Athletic Association, Inc.
(For the Fiscal Years Ended June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ticket sales	\$ 1,645,316	\$ 4,399,535	\$ 4,362,319
Association rent	2,121,000	2,121,000	2,121,000
Guaranteed royalty payment	1,850,000	1,050,000	-
Distributions from the Association	<u>5,616,316</u>	<u>7,570,535</u>	<u>6,483,319</u>
Distributions to the Association	<u>(3,903,363)</u>	<u>(8,281,433)</u>	<u>(7,180,462)</u>
Net Distributions	<u>\$ 1,712,953</u>	<u>\$ (710,898)</u>	<u>\$ (697,143)</u>

Away game guarantees and conference distributions are pledged revenues of the Corporation's debt issuances. However, these revenues are not required to be distributed from the Association to the Corporation unless they are needed to meet the Corporation's annual debt service obligations. In the current fiscal year these revenues, totaling \$5.5 million, were not needed by the Corporation for debt service, or to meet the coverage ratio requirements on the debt.

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(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 Statements of Cash Flows
(For the Fiscal Years Ended June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows provided by (used in)			
Operating activities	\$ 855,281	\$ 3,299,422	\$ 4,171,328
Noncapital financing activities	2,627,857	(488,907)	(157,051)
Capital and related financing activities	(3,623,606)	(3,625,888)	(3,871,589)
Investing activities	46,942	121,287	64,620
Change in cash	<u>(93,526)</u>	<u>(694,086)</u>	<u>207,308</u>
Cash and cash equivalents			
Beginning of year	116,473	810,559	603,251
End of year	<u>\$ 22,947</u>	<u>\$ 116,473</u>	<u>\$ 810,559</u>

DEBT ADMINISTRATION

As of June 30, 2021, the Corporation had \$39.8 million in outstanding revenue bond. This represents a decrease of \$2.1 million, or 5 percent, from the prior fiscal year. Additional information about the Corporation's long-term debt is presented in Note 4 of the financial statements.

The following summarizes the outstanding revenue bonds for the fiscal years ended June 30:

Long-Term Debt
(For the Fiscal Years Ended June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue Bonds	\$ 39,763,438	\$ 41,818,627	\$ 43,796,816
Total	<u>\$ 39,763,438</u>	<u>\$ 41,818,627</u>	<u>\$ 43,796,816</u>

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

ECONOMIC OUTLOOK

The Corporation's economic condition is closely tied to that of the Association. The Corporation has enhanced the University's footprint by aiding in the construction of an on-campus stadium, the stadium's east side club expansion, and the student leadership center, and with such, added great value to the University, the Association, and the community as a whole. Despite the impact to the Corporation's net position in fiscal year 2016 due to the transfer of capital assets to the University, the Corporation still maintains a strong ability to fulfill its annual debt service requirements since the debt is secured by pledge revenues from the Association. During the 2020 fiscal year, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. It is not expected to have an impact on the net results of the Corporation for fiscal year 2022. However, the extent to which the coronavirus will impact the Corporation's financial results will depend on future developments in the severity of and required response to the pandemic.

REQUEST FOR INFORMATION

These financial statements are designed to provide detailed information on the Corporation's operations to the Corporation's Board, management, investors, 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 Financial Reporting, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, FL 32826-3249.

UCF STADIUM CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets		
Due from the University of Central Florida	\$ 1,344,536	\$ 3,571,957
Due from the UCF Athletics Association, Inc.	2,459,459	436,157
Restricted cash and cash equivalents	22,947	116,473
Total current assets	<u>3,826,942</u>	<u>4,124,587</u>
Total Assets	<u>3,826,942</u>	<u>4,124,587</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred loss on refunding of debt	<u>561,359</u>	<u>599,633</u>
<u>LIABILITIES</u>		
Current liabilities		
Current portion of long-term debt	2,027,000	1,940,000
Interest payable	533,259	561,202
Due to the UCF Athletics Association, Inc.	201,545	1,640
Unearned revenue	2,057,435	1,763,205
Total current liabilities	<u>4,819,239</u>	<u>4,266,047</u>
Noncurrent liabilities		
Long-term debt, less current portion	37,736,438	39,878,627
Total Liabilities	<u>42,555,677</u>	<u>44,144,674</u>
<u>NET POSITION</u>		
Unrestricted	(38,167,376)	(39,420,454)
Total Net Position	<u>\$ (38,167,376)</u>	<u>\$ (39,420,454)</u>

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

UCF STADIUM CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating revenues		
Premium seating	\$ 940,255	\$ 2,587,946
Commissions	614,831	580,625
Sponsorships	180,000	180,000
Total operating revenues	1,735,086	3,348,571
Operating expenses		
Services and supplies	1,174,035	38,015
Total operating expenses	1,174,035	38,015
Operating income	561,051	3,310,556
Nonoperating revenues (expenses)		
Distributions from the UCF Athletics Association, Inc.	5,616,316	7,570,535
Distributions from the UCF Foundation, Inc.	510,880	1,084,771
Distributions to the UCF Athletics Association, Inc.	(3,903,363)	(8,281,433)
Distributions to the University of Central Florida	-	(281,586)
Investment income	46,942	121,287
Interest expense	(1,578,748)	(1,659,547)
Settlement proceeds	-	1,150,000
Total nonoperating revenues (expenses)	692,027	(295,973)
Change in net position	1,253,078	3,014,583
Net position, beginning of year	(39,420,454)	(42,435,037)
Net position, end of year	\$ (38,167,376)	\$ (39,420,454)

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

UCF STADIUM CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from (to) operating activities		
Receipts from premium seating	\$ 1,234,485	\$ 2,518,283
Receipts from naming rights	-	58,529
Receipts from commissions	614,831	580,625
Receipts from sponsorships	180,000	180,000
Payments to suppliers and others	(1,174,035)	(38,015)
Net cash provided by operating activities	<u>855,281</u>	<u>3,299,422</u>
Cash flows from (to) noncapital financing activities		
Net change in funds held by the University of Central Florida	2,227,421	(1,294,832)
Distributions from the UCF Athletics Association, Inc.	3,593,014	7,551,365
Distributions from the UCF Foundation, Inc.	510,880	1,095,771
Distributions to the UCF Athletics Association, Inc.	(3,703,458)	(8,709,625)
Distributions to the University of Central Florida	-	(281,586)
Receipts from settlement proceeds	-	1,150,000
Net cash provided by (used in) noncapital financing activities	<u>2,627,857</u>	<u>(488,907)</u>
Cash flows from capital and related financing activities		
Payments on long-term debt	(1,940,000)	(1,863,000)
Interest paid	(1,683,606)	(1,762,888)
Net cash used in capital and related financing activities	<u>(3,623,606)</u>	<u>(3,625,888)</u>
Cash flows from investing activities		
Investment income received	46,942	121,287
Net decrease in cash and cash equivalents	<u>(93,526)</u>	<u>(694,086)</u>
Cash and cash equivalents, beginning of year	116,473	810,559
Cash and cash equivalents, end of year	<u>\$ 22,947</u>	<u>\$ 116,473</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 561,051	\$ 3,310,556
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Other receivables	-	58,529
Unearned revenue	294,230	(69,663)
Net cash provided by operating activities	<u>\$ 855,281</u>	<u>\$ 3,299,422</u>

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

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) Summary of Significant Accounting Policies:

The following is a summary of the significant accounting policies and practices of the UCF Stadium 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 is to construct, operate and maintain the football stadium for and on behalf of the University and the UCF Athletics Association, Inc. (the Association). As a direct support organization and component unit of the University, the Corporation operates for the service and convenience of the University. The Corporation is presented as a discrete component unit of the University on the University's financial statements. The name of the Corporation was changed to UCF Stadium Corporation from Golden Knights Corporation during the year ended June 30, 2015.

(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:
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - Statements 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, and liabilities 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, 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, 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 premium seating, commissions and sponsorships. 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.

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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.

(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 include funds held by the University on behalf of the Corporation.

(f) **Capital assets**—The Corporation has no capital assets at June 30, 2021 and 2020. The Corporation's capital assets previously consisted of furniture and equipment; and works of art and historical treasures. Those assets were capitalized and recorded at cost at the date of acquisition. Additions, improvements, and other outlays that significantly extend the useful life of an asset were capitalized. 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.

(g) **Revenue recognition**—Association rent and guaranteed royalty payments are recognized as earned. Premium seating, ticket sales, commission, and sponsorship revenues are recognized as revenue at the time the event takes place.

(h) **Unearned revenue**—Unearned revenue consists of advance payments related to luxury suites and club seats in the football stadium. Suite and premium seating revenue is recognized in the period the athletic event occurs.

(i) **Deferred outflows of resources**—The unrestricted net position includes the effect of recognizing a deferred outflow of resources from the loss on the Series 2006A, 2006B and 2014 debt refundings. The balance of the deferred outflow of resources was \$561,359 and \$599,633 at June 30, 2021 and 2020 respectively. The deferred loss on refunding will be amortized as a component of interest expense over the life of the remaining debt.

(j) **Net position**—The Corporation's net position is classified as follows:

- **Restricted net position** – 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. The Corporation does not have any restricted net position for 2021 and 2020.
- **Unrestricted net position** – This represents Corporation resources which do not meet the definition of "restricted" or "net investment in capital assets."

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

There was no net investment in capital assets at June 30, 2021 and 2020. When both restricted and unrestricted net position is available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

(k) **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.

When required, 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 the 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.

(l) **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.

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

The Corporation's restricted cash shown on the statement of net position 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 for construction as required in the trust indenture. For the year ended June 30, 2021 the cash was invested in a government money market fund. The value of cash and cash equivalents held at the institution on June 30, 2021 and 2020 was \$22,947 and \$116,473, respectively.

The Corporation has cash invested by the University of \$1,344,536 and \$3,571,957 at June 30, 2021 and 2020, respectively. 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 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

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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.

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.

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) **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>2021</u>	<u>2020</u>
Due from the University of Central Florida	\$ 1,344,536	\$ 3,571,957
Due from the UCF Athletics Association, Inc.	2,459,459	436,571
Due to the UCF Athletics Association, Inc.	(201,545)	(1,640)

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(4) Long-term Obligations:

In December 2015, the Corporation issued Series 2015A tax-exempt refunding revenue bonds for \$33,995,000 with a net premium of \$2,332,576, Series 2015B taxable refunding revenue bonds for \$10,250,000, and a Series 2015C non-taxable refunding revenue bond for \$3,810,000 (the 2015 debt issue). The Series 2015A and Series 2015B bonds were issued as publicly traded bonds and the Series 2015C bonds were issued as a direct borrowing with a bank. These bonds were issued to refund and replace the Corporation's Series 2006A, 2006B, and 2014 Certificates of Participation. The refunding bonds include both term and serial bonds and are secured by a pledge from the Association of gross ticket revenues, Association rent, away game guarantees, conference distributions, sponsorship, and guaranteed royalty revenues. Principal and interest payments were made in accordance with the schedule set forth at the time of issuance and bear fixed interest rates that range from 2.49 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The extinguishment of the defeased certificates terminated the ground lease between the Corporation and the University. All the related building and building improvements assets on the leased land transferred to the University.

The following is a schedule of future principal and interest payments for the Series 2015A, Series 2015B and 2015C revenue bonds as of June 30, 2021:

	<u>Direct Borrowings Payable</u>		<u>Other Bonds Payable</u>		<u>Total Principal and Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 282,000	\$ 48,655	\$ 1,745,000	\$ 1,551,123	\$ 3,626,778
2023	289,000	41,633	1,825,000	1,469,404	3,625,037
2024	296,000	34,436	1,915,000	1,383,014	3,628,450
2025	303,000	27,066	2,000,000	1,291,854	3,621,920
2026	311,000	19,521	2,095,000	1,196,034	3,621,555
2027-2031	473,000	19,497	11,940,000	4,536,079	16,968,576
2032-2036	-	-	14,600,000	1,874,144	16,474,144
Subtotals	1,954,000	190,808	36,120,000	13,301,652	51,566,460
Plus: Unamortized Bond Premium	-	-	1,689,438	-	1,689,438
Total	<u>\$ 1,954,000</u>	<u>\$ 190,809</u>	<u>\$ 37,809,438</u>	<u>\$ 13,301,652</u>	<u>\$ 53,255,898</u>

The University entered into a support agreement such that it will fund certain deficiencies that may arise in the event the Corporation is unable to make the minimum payments on the bonds. In addition, if the Corporation has deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds 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 STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

With each of the Corporation's 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, the Corporation's debt is not subject to any acceleration clauses.

Changes in long-term debt for the year ended June 30, 2021, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Direct Borrowings:</u>					
Revenue bonds	\$ 2,229,000	\$ -	\$ (275,000)	\$ 1,954,000	\$ 282,000
Total Direct Borrowings	<u>\$ 2,229,000</u>	<u>\$ -</u>	<u>\$ (275,000)</u>	<u>\$ 1,954,000</u>	<u>\$ 282,000</u>
<u>Other Debt:</u>					
Revenue bonds	\$ 37,785,000	\$ -	\$ (1,665,000)	\$ 36,120,000	\$ 1,745,000
Unamortized premiums	1,804,627	-	(115,189)	1,689,438	-
Total Other Debt	<u>\$ 39,589,627</u>	<u>\$ -</u>	<u>\$ (1,780,189)</u>	<u>\$ 37,809,438</u>	<u>\$ 1,745,000</u>
Total Long-Term Debt	<u>\$ 41,818,627</u>	<u>\$ -</u>	<u>\$ (2,055,189)</u>	<u>\$ 39,763,438</u>	<u>\$ 2,027,000</u>

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Direct Borrowings:</u>					
Revenue bonds	\$ 2,497,000	\$ -	\$ (268,000)	\$ 2,229,000	\$ 275,000
Total Direct Borrowings	<u>\$ 2,497,000</u>	<u>\$ -</u>	<u>\$ (268,000)</u>	<u>\$ 2,229,000</u>	<u>\$ 275,000</u>
<u>Other Debt:</u>					
Revenue bonds	\$ 39,380,000	\$ -	\$ (1,595,000)	\$ 37,785,000	\$ 1,665,000
Unamortized premiums	1,919,816	-	(115,189)	1,804,627	-
Total Other Debt	<u>\$ 41,299,816</u>	<u>\$ -</u>	<u>\$ (1,710,189)</u>	<u>\$ 41,818,627</u>	<u>\$ 1,665,000</u>
Total Long-Term Debt	<u>\$ 43,796,816</u>	<u>\$ -</u>	<u>\$ (1,978,189)</u>	<u>\$ 41,818,627</u>	<u>\$ 1,940,000</u>

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

The Corporation amortized \$115,189 and \$115,189 of the bond premium to interest expense for the years ended June 30, 2021 and 2020, respectively. Bond premiums are amortized on an annual basis using the straight-line method, which is materially consistent with the effective interest method. Interest expense was \$1,578,748 and \$1,659,547 for fiscal years ended June 30, 2021 and 2020, respectively.

(5) **Commitments:**

The Corporation has a Management and Use Agreement with the Association to operate, manage and maintain the football stadium as part of the University's football program which is administered by the Association. As discussed in Note 4, the Association pledged gross ticket revenues, rent, away game guarantees, conference distributions, sponsorships, and guaranteed royalty revenues to the Corporation to meet the obligations of the revenue bonds. Once the covenants attached to the revenue bonds are met, any excess unrestricted funds are distributed back to the Association.

(6) **Related Party Transactions:**

As set forth in the trust indenture related to the 2015 debt issue (as more fully described in Note 4 above), the debt is secured by a pledge from the Association of their gross ticket revenues for football, Association rent, away game guarantees, conference distributions, sponsorships, and guaranteed royalty revenues. The Corporation utilizes these funds in meeting its annual debt service obligation and satisfying other debt covenant requirements as set forth related to the debt issuance. Away game guarantees and conference distributions are pledged revenues of the Corporation's debt issuances. However, these revenues are not required to be transferred by the Association unless they are needed to meet the Corporation's annual debt service obligations. Funds remaining after all debt covenants are met, are distributed from the Corporation to the Association.

Pursuant to GASB No. 35, the Corporation records these receipts and payments with the Association as distributions from the Association and distributions to the Association and classifies them as nonoperating revenues and non-operating expenses, respectively.

In September 2015, the Corporation entered into a Fundraising Agreement with the Foundation concurrent with the 2015 debt issuances. In accordance with this agreement the Foundation works with the Association regarding the lease of luxury suites and club seats located at the stadium as well as managing the capital gift campaign designated for the stadium. Any funds collected by the Foundation are remitted to the Corporation. Receipts from the Foundation related to suites and club seats are recorded as premium seating in operating revenues and receipts related to capital gifts are recorded as distributions from the Foundation in nonoperating revenues.

As discussed in Note 4, *Long-Term Obligations*, the Corporation entered into a support agreement with the University, such that the University will fund certain deficiencies that may arise in the event the Corporation is unable to make minimum payments on the bonds. In addition, if the Corporation has deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. The University is obligated only to the extent it has legally available revenue to cover the unpaid amounts.

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(7) **Deficit Net Position:**

The Corporation has a deficit net position for the year ended June 30, 2021 and 2020 of \$38,167,376 and \$39,420,454, respectively. This deficit balance can be attributed to the transfer of all building and building improvement assets to the University as a result of the termination of the ground lease between the Corporation and the University with the December 2015 debt refunding. The Corporation's related debt was previously included as a component of the net investment in capital assets portion of net position but are now included as a component of unrestricted net position. The Corporation's debt balances reflected as a component of unrestricted net position for the year ended June 30, 2021 and 2020 was \$39,202,080 and \$41,218,994 respectively.

(8) **Litigation Settlement Proceeds:**

On February 10, 2020, the Corporation executed a mediated settlement agreement for a total of \$1.4 million. This total includes \$250,000 of settlement proceeds that were remitted to the UCF Foundation in the form of a charitable donation and then transferred to the Corporation. This amount is included in the Distributions from the UCF Foundation on the statement of revenues, expenses and changes in net position for fiscal year 2020. The remaining \$1,150,000 is presented on the statement of revenues, expenses and changes in net position as settlement proceeds for the previous fiscal year. At June 30, 2021 there was a balance remaining of \$260,677 included in the total Due From UCF Athletics on the statement of net position.

(9) **Recent Event:**

In the Spring of 2020, local, U.S. and world governments encouraged social distancing to curtail the spread of the coronavirus pandemic. Restrictions were imposed on the size and duration of social and business gatherings. Most industries are continuing to experience disruption to business operations and reduced consumer spending. Due to the impact on the 2020 football season, the operations and business results of the Corporation were affected in fiscal year 2021. The Association is planning for full stadium capacity and a nearly sold-out football season. However, the extent to which the coronavirus may continue to impact business activity will depend on future developments, which are unknown and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain or treat its impact among others. Pledge distributions from the Association for stadium rent and guaranteed royalty payments are estimated to be sufficient to meet the Corporation's fiscal 2022 debt service obligations. Should these revenues fall short of estimates the university support agreement disclosed in Note 4 will cover the debt service obligations.

**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 Stadium 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 Stadium Corporation (the "Corporation"), as of and for the year ended June 30, 2021, 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 29, 2021.

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 may exist that have not been identified.

(Continued)

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 29, 2021

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

Board of Directors
UCF Stadium Corporation
Orlando, Florida

We have examined the UCF Stadium Corporation's (the "Corporation") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended June 30, 2021. 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.

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, 2021.

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 29, 2021