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

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of,
UCF Stadium Corporation:

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, 2016 and 2015, 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

The Corporation's 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.

Auditors' 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 audits 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 auditors' 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.

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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, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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 20, 2016, 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 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.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2016

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

The management discussion and analysis (MD&A) provides an overview of the financial position and activities of the UCF Stadium Corporation, formerly known as the Golden Knights Corporation (the Corporation), for the years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-for Public Colleges*, as amended by GASB Statements Nos. 37 and 38. 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, 2016, 2015, and 2014.

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 stadium on behalf of the University and the UCF Athletics Association, Inc. (the Association).

OVERVIEW OF FINANCIAL STATEMENTS

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 financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (GASB). See the notes to the financial statements for a summary of the Corporation's significant accounting policies.

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 financial position of the Corporation at a specified time. Assets, plus deferred outflows of resources, less liabilities equal net position, which is one indicator of the Corporation's current financial condition. The changes in net position that occurs 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 creating a deficit net position of $47.9 million at June 30, 2016, primarily due to the Corporation's debt refunding. The deficit net position will improve in future years if the Corporation continues to reduce its outstanding long term debt obligations with the pledged revenues from the Association.

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)

	2016	2015	2014
Assets			
Current assets	$ 3,778,182	$ 9,846,897	$ 1,459,994
Noncurrent assets	9,992	58,869,487	58,068,030
Total Assets	3,788,174	68,716,384	59,528,024
Deferred Outflows	69,570	-	-
Liabilities			
Current liabilities	3,863,281	16,654,897	3,052,620
Noncurrent liabilities	47,888,383	42,418,253	51,690,064
Total Liabilities	51,751,664	59,073,150	54,742,684
Net Position			
Net investment in capital assets	9,992	(3,005,436)	(3,859,495)
Restricted	289,859	12,233,249	8,486,996
Unrestricted	(48,193,771)	415,421	157,839
Total Net Position	$ (47,893,920)	$ 9,643,234	$ 4,785,340

In December 2015, the Corporation refunded its Series 2006A tax-exempt, 2006B taxable and 2014 tax-exempt certifications of participation with 2015A, 2015B and 2015C revenue bonds, respectively. The extinguishment of the defeased certificates terminated the ground lease between the Corporation and the University. All building and building improvements on the leased land transferred in ownership to the University. 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 $3.8 million as of June 30, 2016. This balance reflects a $64.9 million, or 94.5 percent decrease as compared to June 30, 2015, resulting primarily from the transfer of all building and building improvement assets from the Corporation to the University at the time of the Corporation's debt refunding.

Liabilities totaled $51.8 million at June 30, 2016. This balance reflects a $7.3 million, or 12.4 percent decrease as compared to June 30, 2015, primarily due to current year debt service payments and additional principal payments made at the time of the Corporation's debt refunding. Current liabilities decreased by $12.8 million primarily due to the payoff of the Corporations Wells Fargo loan, at the time of the Corporation's debt refunding.

The Corporation has a deficit net position balance of $47.9 million as of June 30, 2016. This balance reflects a $57.5 million decrease as compared to June 30, 2015, primarily due to the transfer of all building and building improvement assets from the Corporation to the University at the time of the Corporation's debt refinancing.

The Corporation's restricted net position balance decreased by $11.9 million, or 97.6 percent primarily due to the release of the Corporation's debt service reserve funds at the time of the Corporation's debt refunding.

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 stadium, as well as revenues related to the Corporation's sponsorship agreement with Bright House Networks. In previous years' operating expenses included all necessary costs associated with the continued maintenance and operations of the stadium. Beginning with the 2015 fiscal year, the Corporation and the UCF Athletics' Association agreed that the Association would be responsible for all utility and insurance costs related to the Stadium to lead to greater cash flow efficiencies for both entities. For the current 2016 fiscal year, operating expenditures reported for the Corporation include depreciation expenses on the Stadium and associated equipment, repairs and improvements to the Stadium, amortization expenses relating to the write-off of the Corporation's prepaid insurance balance as a result of the debt refunding, and other financing related costs. Non-operating activity consists primarily of the loss on disposition of capital assets due to the transfer of the assets to the University, as previously described.

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)

	2016	2015	2014
Operating revenues	$ 3,536,494	$ 2,953,792	$ 3,025,453
Operating expenses	2,221,383	1,956,120	2,578,687
Operating income	1,315,111	997,672	446,766
Net non-operating revenues (expense)	(58,852,265)	3,860,222	(362,352)
Change in net position	(57,537,154)	4,857,894	84,414
Net position, beginning of year	9,643,234	4,785,340	4,700,926
Net position, end of year	$ (47,893,920)	$ 9,643,234	$ 4,785,340

The Corporation's operating revenues for the year ended June 30, 2016 increased by $.6 million or 19.7 percent primarily due to the addition of the Carl Black & Gold premium seating section in Brighthouse Networks Stadium. Operating expenses for the year ended June 30, 2016 increased by $0.3 million, or 13.6 percent as compared to June 30, 2015, due primarily to the write-off of the Corporation's prepaid insurance balance as a result of the current year debt refunding. Non-operating expenses totaled $58.9 million at June 30, 2016. This balance reflects a $62.7 million increase from the prior year primarily due to the transfer of the Corporation's building and building improvement assets to the University as a result of the Corporation's debt refunding, as discussed above.

As described previously, the Corporation issued certificates of participation for the construction of the stadium and for the construction of the Student Leadership Center which were refunded and replaced with revenue bonds in December 2015. The 2015A, 2015B, and 2015C refunding revenue bond debt issues are secured by a pledge from the Association of their gross ticket revenues for football, Association rent, away game guarantees, conference distributions, and sponsorship revenue. 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. Once the covenants attached to the certificates are met, any unrestricted excess are transferred back to the Association. Pursuant to GASB No. 35, the Corporation records these receipts and payments with the Association as Transfers from the UCF Athletics Association and Transfers to the UCF Athletic Association, and classifies them as non-operating revenues and non-operating expenses, respectively. The net activity from these transfers for the fiscal year ended June 30, 2016 was a $4.6 million transfer from the Corporation to the Association.

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

Net Transfers with the UCF Athletic Association, Inc.

	2016	2015	2014
Ticket sales	$ 3,041,010	$ 3,355,629	$ 3,864,642
Sponsorship	224,000	219,000	214,000
Association rent	1,624,000	1,629,000	1,535,000
Away game guarantees	-	2,600,000	800,000
Conference distributions	-	2,833,083	4,668,058
Other transfers	252,995	-	-
Transfers from the UCF Athletic Association, Inc.	5,142,005	10,636,712	11,081,700
Transfers to the UCF Athletic Association, Inc.	(9,756,374)	(9,762,491)	(9,771,777)
Net Transfers	$ (4,614,369)	$ 874,221	$ 1,309,923

As a result of the Corporation's debt refunding, away game guarantees and conference distributions are no longer required to be transferred from the Association to the Corporation on an annual basis unless they are needed to meet the Corporation's annual debt service obligations. In the current fiscal year these revenues totaling $3.7 million, were not needed by the Corporation for debt service, or to meet the coverage ratio requirements on the debt.

With the Corporation's debt refunding, $4.1 million in cash previously held as funds restricted for debt service was released to the Association.

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 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 Corporation's cash during fiscal year 2016 was invested in short term interest-bearing money market funds. All investments are in compliance with the laws of the state and the investment policy of the University which the Corporation follows. Cash and cash equivalents represent cash-on-hand, bank deposits, and liquid investments with a maturity of three months or less. The Corporation's cash inflows primarily represent transfers from the Association, collections for premium seating and sponsorship revenue; cash outflows consist primarily of principal and interest payments related to the Corporation's debt issues, and transfers to the Association.

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

Condensed Statements of Cash Flows
(For the Fiscal Years Ended June 30)

	2016	2015	2014
Cash flows provided by (used in)			
Operating activities	$ 2,633,238	$ 2,931,015	$ 1,865,910
Non-capital financing activities	(1,445,315)	2,769,937	1,417,527
Capital and related financing activities	(14,940,866)	(463,608)	(3,332,789)
Investing activities	162,159	168,810	150,008
Change in cash	(13,590,784)	5,406,154	100,656
Cash and cash equivalents			
Beginning of year	14,533,656	9,127,502	9,026,846
End of year	$ 942,872	$ 14,533,656	$ 9,127,502

Cash and cash equivalents decreased by $13.6 million from the prior year primarily due to additional principal payments made by the Corporation during the December 2015 debt refunding.

ECONOMIC OUTLOOK

The Corporation has enhanced the University's footprint by aiding in the construction of an on-campus stadium and with such, added great value to the University, the UCF Athletics Association, and the community as a whole. The Corporation is continuing to provide value to the University and the UCF Athletics' Association by aiding in the construction of the stadium's East Side Club expansion and the Student Leadership Center. The Corporation will continue to fulfill its obligation to repay the outstanding refunding revenue bonds, which mature in 2036, and maintain the 45,000 seat facility. 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.

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 Bert Francis, Assistant Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, FL 32826-3249.

UCF STADIUM CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Interest receivable	$ -	$ 49,285
Other receivables	117,057	136,567
Due from the University of Central Florida	2,197,814	3,199,842
Due from the UCF Athletics Association, Inc.	-	2,268
Due from the UCF Foundation, Inc.	520,439	1,029,755
Restricted cash and cash equivalents	942,872	5,429,180
Total current assets	3,778,182	9,846,897
Noncurrent assets		
Restricted cash and cash equivalents, less current portion	-	9,104,476
Prepaid bond insurance, net	-	717,550
Construction work in progress	-	2,457,569
Depreciable capital assets, net of accumulated depreciation	9,992	46,589,892
Total noncurrent assets	9,992	58,869,487
Total Assets	3,788,174	68,716,384
DEFERRED OUTFLOW OF RESOURCES		
Deferred loss on refunding of debt, net	69,570	-
LIABILITIES		
Current liabilities		
Current portion of long-term debt	1,674,000	12,858,000
Accounts payable and accruals	50,000	22,003
Contracts payable	-	1,504,194
Interest payable	653,013	658,558
Unearned revenue	1,486,268	1,612,142
Total current liabilities	3,863,281	16,654,897
Noncurrent liabilities		
Long-term debt, less current portion	47,888,383	42,418,253
Total Liabilities	51,751,664	59,073,150
NET POSITION		
Net investment in capital assets	9,992	(3,005,436)
Restricted for:		
Debt service	-	7,473,968
Renewal and replacement	-	1,026,394
Construction	271,178	3,596,470
Other	18,681	136,417
Unrestricted	(48,193,771)	415,421
Total Net Position	$(47,893,920)	$ 9,643,234

The accompanying notes to 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, 2016 AND 2015

	2016	2015
Operating revenues		
Naming rights	$ 1,010,490	$ 910,490
Premium seating	2,141,965	1,609,730
Commissions	384,039	433,572
Total operating revenues	3,536,494	2,953,792
Operating expenses		
Depreciation	678,945	1,629,227
Services and supplies	824,888	292,993
Amortization	717,550	33,900
Total operating expenses	2,221,383	1,956,120
Operating income	1,315,111	997,672
Nonoperating revenues (expenses)		
Transfers from the UCF Athletics Association, Inc.	5,142,005	10,636,712
Transfers from the UCF Foundation, Inc.	932,718	2,192,055
Transfers from the UCF Convocation Corporation	-	2,600,000
Transfers from the University of Central Florida	722,724	-
Transfers to the UCF Athletics Association, Inc.	(9,756,374)	(9,762,491)
Interest income	112,874	168,667
Interest expense	(2,290,053)	(1,974,721)
Loss on disposal of capital assets	(53,716,159)	-
Total nonoperating revenues (expenses)	(58,852,265)	3,860,222
Change in net position	(57,537,154)	4,857,894
Net position, beginning of year	9,643,234	4,785,340
Net position, end of year	$ (47,893,920)	$ 9,643,234

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

UCF STADIUM CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Receipts from premium seating	$ 2,016,091	$ 1,997,650
Receipts from sponsorships	1,030,000	773,923
Receipts from commissions	384,039	433,572
Payments to suppliers and others	(796,892)	(274,130)
Net cash provided by operating activities	2,633,238	2,931,015
Cash flows from noncapital financing activities		
Net change in funds held by the University of Central Florida	1,002,027	(2,447,241)
Transfers from the University of Central Florida	722,724	-
Transfers from the UCF Convocation Corporation	-	2,600,000
Transfers from the UCF Athletics Association, Inc.	5,144,273	10,664,823
Transfers from the UCF Foundation, Inc.	1,442,034	1,714,846
Payments to the UCF Athletics Association, Inc.	(9,756,374)	(9,762,491)
Net cash provided by (used in) noncapital financing activities	(1,445,316)	2,769,937
Cash flows from capital and related financing activities		
Purchases of capital assets	(6,796,898)	(953,376)
Proceeds from issuance of debt	50,387,577	4,010,000
Payments on long-term debt	(56,522,144)	(1,535,000)
Interest paid	(2,009,400)	(1,985,232)
Net cash used in capital and related financing activities	(14,940,865)	(463,608)
Cash flows from investing activities		
Interest income received	162,159	168,810
Net increase (decrease) in cash and cash equivalents	(13,590,784)	5,406,154
Cash and cash equivalents, beginning of year	14,533,656	9,127,502
Cash and cash equivalents, end of year	$ 942,872	$ 14,533,656
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,315,111	$ 997,672
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,396,495	1,663,127
Changes in assets and liabilities:		
Other receivables	19,510	(136,567)
Other current liabilities	-	(45,000)
Unearned revenue	(125,874)	432,920
Accounts payable and accruals	27,996	18,863
Net cash provided by operating activities	$ 2,633,238	$ 2,931,015
Cash and cash equivalents are presented on the Statements of Net Position as:		
Current restricted cash and cash equivalents	$ 942,872	$ 5,429,180
Noncurrent restricted cash and cash equivalents	-	9,104,476
	$ 942,872	$ 14,533,656

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

(1) Summary of Significant Accounting Policies:

The following is a summary of the more 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 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 and expenses generally result from providing services in connection with the Corporation's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The statement of cash flows is presented using the direct method in compliance with GASB standards of accounting and financial reporting.

(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) **Prepaid bond insurance**—For the year ending June 30, 2015, prepaid bond insurance of $717,550 consists of $1,017,000 of insurance premiums less accumulated amortization of $299,450 and the costs were being amortized utilizing the straight-line method over the term of the related financial instruments. Amortization expense for the year ended June 30, 2015, was 33,900. Amortization expense for the year ended June 30, 2016, was $717,550 that includes the write-off of insurance premiums paid for the certificates of participation that were extinguished during the year, as described in note 5.

(f) **Capital assets**—The Corporation's capital assets consist of furniture and equipment and works of art and historical treasures as of June 30, 2016. The Corporation's capital assets consist of buildings, infrastructure and other improvements; furniture and equipment; and works of art and historical treasures as of June 30, 2015. These 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. 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**—Revenues from sponsorship naming rights are recognized ratably over the term of the sponsorship agreement. Premium seating and commission 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 refunding of debt. The $69,570 balance of the deferred outflow of resources at June 30, 2016, has been recognized as an expense beginning in 2016 when the debt was extinguished and will further reduce the unrestricted net position over a 20-year repayment period of the new debt.

(j) **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. 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.

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

- 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.

- Unrestricted net position – This represents Corporation resources which do not meet the definition of "restricted" or "net investment in capital assets."

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, funds held for construction, and funds held in reserve as required in the trust indenture. For the years ended June 30, 2016 and 2015, the cash was invested in a government money market fund and short-term guaranteed investment contracts through a national bank in accordance with the University's investment policy for managing credit risks, which was adopted by the Corporation. The value of cash and cash equivalents held at the institution at June 30, 2016 and 2015, was $942,872 and $14,533,656, respectively.

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

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

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:

	2016	2015
Money market funds	$ 942,872	$ 11,502,171
Short-term guaranteed investment contracts	-	3,031,485
Cash and cash equivalents	$ 942,872	$ 14,533,656

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. Short-term guaranteed investment contracts are investment vehicles that guarantee a return on principal invested in the account over the life of the investment. For the years ended June 30, 2015, the Corporation has a fixed rate/fixed maturity benefit-responsive investment contract with an insurance company that maintains the funds in guaranteed interest accounts. The accounts are credited with earnings on the underlying investments and are subject to withdrawals. The contract is included in the financial statements at contract value as reported to the Corporation by the insurance company. The contract value being reported approximates fair value of the contract, which represents contributions made under the contract, plus earnings, less plan withdrawals. There are no reserves against contract values for credit risk of the contract issuer or otherwise. For 2016 and 2015, the average yield and crediting interest rates were approximately 5 percent based on maturities through December 2015. These assets are segregated and subject to withdrawal by the authorized trustee. In December 2015, the guaranteed investment contract was terminated with the Corporation's debt refunding, as described in Note 5.

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.

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

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 assets at June 30, 2016, were as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Non-depreciable capital assets:				
Construction in progress	$ 2,457,569	$ -	$ (2,457,569)	$ -
Depreciable capital assets:				
Building and building improvements	57,802,162	7,733,682	(65,535,844)	-
Equipment	2,327,104	81,522	(2,145,704)	262,922
Art and historical treasures	6,500	-	-	6,500
Total depreciable capital assets	60,135,766	7,815,204	(67,681,548)	269,422
Accumulated depreciation	(13,545,874)	(678,945)	13,965,389	(259,430)
Total depreciable capital assets, net	46,589,892	7,136,259	(53,716,159)	9,992
Capital assets, net	$ 49,047,461	$ 7,136,259	$ (56,173,728)	$ 9,992

Capital assets at June 30, 2015, were as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Non-depreciable capital assets:				
Construction in progress	$ -	$ 2,457,569	$ -	$ 2,457,569
Depreciable capital assets:				
Building and building improvements	57,802,162	-	-	57,802,162
Equipment	2,327,104	-	-	2,327,104
Art and historical treasures	6,500	-	-	6,500
Total depreciable capital assets	60,135,766	-	-	60,135,766
Accumulated depreciation	(11,916,647)	(1,629,227)	-	(13,545,874)
Total depreciable capital assets, net	48,219,119	(1,629,227)	-	46,589,892
Capital assets, net	$ 48,219,119	$ 828,342	$ -	$ 49,047,461

(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 7.

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

	2016	2015
Due from the University of Central Florida	$ 2,197,814	$ 3,199,842
Due from the UCF Athletics Association, Inc.	-	2,268
Due from the UCF Foundation, Inc.	520,439	1,029,755

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

In August 2006, the Corporation issued Series 2006A tax-exempt Certificates of Participation for $45,685,000 and Series 2006B taxable Certificates of Participation for $18,850,000, (the 2006 debt issue). The debt was issued to finance a portion of the costs of designing, acquiring, constructing and equipping an approximately 45,000 seat football stadium on the campus of the University, containing luxury suites and club seats. The certificates include both term and serial certificates and are secured by a pledge from the Association of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue. Principal and interest payments related to the tax-exempt portion of the 2006 debt issue are made in accordance with the schedule set forth at the time of issuance and bear fixed interest rates that range from 4 percent to 6 percent, and maturity dates that range from March 2031 to March 2036. The Series 2006B Certificates were issued as variable rate certificates with interest being calculated at an Auction Period Rate.

In April 2008, due to prevailing market conditions at the time with respect to the Auction Period Rate and its effect on the taxable debt costs, the Corporation determined that it was in its best interest to provide for the conversion of the method of calculating interest on the Series 2006B certificates from the Auction Period Rate to a Short Term Rate. As a result, the Corporation entered into a loan agreement with Wells Fargo bank (formerly known as Wachovia Bank) to borrow $16,700,000. The proceeds of the loan were used to purchase all outstanding Series 2006B taxable certificates of participation. Those certificates of participation are held in trust and have been registered in the name of the bank as pledgee. The note was payable from and secured by a lien upon and pledge of all payments received with respect to the Corporation's Series 2006B certificates.

In December 2014, the Corporation issued a single Series 2014 tax-exempt Certificate of Participation for $4,010,000. This debt was issued to finance a portion of the costs of designing, acquiring, constructing and equipping an approximately 22,500 square-foot Student Leadership Center facility, which will provide ample space for increased student services as well as room to house athletic compliance offices and career services programing. The certificate was secured by a pledge from the Association of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue. Principal and interest payments related to the tax-exempt certificate are made in accordance with the schedule set forth at the time of issuance and bears a fixed interest rate of 2.49 percent, and matures in March 2029.

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

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 to a bank (the 2015 debt issue). These bonds were issued to refund and replace the Corporation's Series 2006A, 2006B, and 2014 Certificates of Participation. Proceeds of $46,577,576 from the refunding bonds plus an additional $4,879,667 from the Corporations debt service accounts were used to purchase $40,376,088 of U.S. Treasury State and Local Government Series Securities and to make a cash deposit with the Corporation's trust to prepay the balance on the 2006B taxable certificates. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2006 A&B certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the defeased certificates on March 1, 2016. As a result of the refunding, the Corporation reduced its capital improvement debt service requirement by $7,520,700 over the next 20 years and obtained an economic gain of $617,527. Approximately $224,000 related to the cost of issuance is included in interest expense for the year ended June 30, 2016.

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 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, and sponsorship revenue. 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 1.60 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The following is a schedule of future principal payments for the Series 2015A, Series 2015B and 2015C revenue bonds as of June 30, 2016:

Fiscal Year Ending June 30,	Bonds Payable		Total Principal and Interest
	Principal	Interest	
2017	$ 1,674,000	$ 1,959,040	$ 3,633,040
2018	1,715,000	1,913,712	3,628,712
2019	1,786,000	1,843,637	3,629,637
2020	1,863,000	1,768,989	3,631,989
2021	1,940,000	1,689,706	3,629,706
2022-2026	11,061,000	7,093,243	18,154,243
2027-2031	12,658,000	4,565,760	17,223,760
2032-2036	14,600,000	1,874,145	16,474,145
Subtotals	47,297,000	22,708,232	70,005,232
Plus: Unamortized bond premium	2,265,383	-	2,265,383
Total	$ 49,562,383	$ 22,708,232	$ 72,270,615

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

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.

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificates of participation	$ 43,470,000	$ -	$ (43,470,000)	$ -	$ -
Wells Fargo loan	11,430,000	-	(11,430,000)	-	-
Revenue bonds	-	48,055,000	(758,000)	47,297,000	1,674,000
Unamortized premiums	376,253	2,332,576	(443,446)	2,265,383	-
Total long-term debt	$ 55,276,253	$ 50,387,576	$ (56,101,446)	$ 49,562,383	$ 1,674,000

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificates of participation	$ 40,600,000	$ 4,010,000	$ (1,140,000)	$ 43,470,000	$ 1,428,000
Unamortized premium	405,064	-	(28,811)	376,253	
Wells Fargo loan	11,825,000	-	(395,000)	11,430,000	11,430,000
Total long-term debt	$ 52,830,064	$ 4,010,000	$ (1,563,811)	$ 55,276,253	$ 12,858,000

The Corporation amortized $67,194 and $28,811 of the bond premium to interest expense for the years ended June 30, 2016 and 2015, respectively.

(6) **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 5, the Association pledged gross ticket revenues, rent, away game guarantees, conference distributions, and sponsorship revenues to the Corporation to meet the obligations of the revenue bonds. Once the covenants attached to the revenue bonds are met, any unrestricted excess funds are transferred back to the Association.

(7) Related Party Transactions:

As set forth in the trust indenture related to the 2015 debt issue (as more fully described in Note 5 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, and sponsorship revenue. 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. With the revised trust indenture, away game guarantee's and conference distributions are no longer required to be transferred from the Association to the Corporation on an annual basis unless they are needed to meet the Corporation's annual debt service obligations. Funds remaining after all debt covenants are met are transferred from the Corporation to the Association. Pursuant to GASB No. 35, the Corporation records these receipts and payments with the Association as Transfers from the UCF Athletics Association Inc. and Transfers to the UCF Athletic Association Inc., and classifies them as nonoperating revenues.

In September 2015, the Corporation entered into a Fundraising Agreement with the Foundation concurrent with the 2015 debt issue. 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 Transfers from the Foundation in nonoperating revenues.

As discussed in Note 5, *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.

(8) Deficit Net Position:

The Corporation has a deficit net position of $47,893,920 at June 30, 2016. 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, 2016, was $49,492,814.

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

To the Board of Directors of
UCF Stadium Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the UCF Stadium Corporation (the Corporation), a direct support organization and component unit of the University of Central Florida (the University), as of and for the year ended June 30, 2016, 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 20, 2016.

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

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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2016