

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

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

UCF STADIUM CORPORATION
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JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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 the 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 the Corporation, as of June 30, 2020 and 2019, 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 19, 2020, 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 19, 2020

**UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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, 2020 and 2019, 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, 2020, 2019, and 2018.

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 \$39.4 million at June 30, 2020, 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 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, 2020 AND 2019
(Continued)

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

	2020	2019	2018
Assets			
Current assets	\$ 4,124,587	\$ 3,574,200	\$ 3,063,841
Total Assets	4,124,587	3,574,200	3,063,841
 Deferred Outflows	599,633	637,908	676,182
 Liabilities			
Current liabilities	4,266,047	4,713,329	4,108,921
Noncurrent liabilities	39,878,627	41,933,816	44,157,005
Total Liabilities	44,144,674	46,647,145	48,265,926
 Net Position			
Restricted	-	222,930	710
Unrestricted	(39,420,454)	(42,657,967)	(44,526,613)
Total Net Position	\$ (39,420,454)	\$ (42,435,037)	\$ (44,525,903)

The Corporation's assets totaled \$4.1 million as of June 30, 2020. This balance reflects a \$0.5 million, or 15.4 percent increase from the prior fiscal year primarily due an increase in the amount due from the University of Central Florida. These funds are being held on behalf of the corporation at June 30, 2020.

Liabilities totaled \$44.1 million at June 30, 2020. This balance reflects a \$2.5 million, or 5.4 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 \$39.4 million as of June 30, 2020. This balance reflects a \$3.0 million, or 7.1 percent increase 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, 2020 AND 2019
(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. Operating expenditures reported for the Corporation include repairs and improvements to the Stadium and other financing related costs. Non-operating 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>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 3,348,571	\$ 4,173,555	\$ 3,644,882
Operating expenses	38,015	146,229	438,710
Operating income	<u>3,310,556</u>	<u>4,027,326</u>	<u>3,206,172</u>
Net non-operating expense	<u>(295,973)</u>	<u>(1,936,460)</u>	<u>(1,778,946)</u>
Change in net position	3,014,583	2,090,866	1,427,226
Net position, beginning of year	<u>(42,435,037)</u>	<u>(44,525,903)</u>	<u>(45,953,129)</u>
Net position, end of year	<u>\$ (39,420,454)</u>	<u>\$ (42,435,037)</u>	<u>\$ (44,525,903)</u>

The Corporation's operating revenues totaled \$3.3 million at June 30, 2020. This balance reflects a \$0.8 million decrease from the prior fiscal year primarily due to the termination of the naming rights agreement.

Operating expenses totaled \$0.03 million at June 30, 2020. This balance reflects a \$0.1 million decrease from the prior fiscal year primarily due to a decrease in repair expenses for the football stadium.

Net non-operating expense totaled \$0.3 million at June 30, 2020. This balance reflects a \$1.6 million decrease from the prior fiscal year primarily due to \$1.4 million settlement proceeds, of which \$0.2 million was remitted in the form of a charitable donation and is included in distributions from the UCF Foundation.

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(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, 2020 was a \$0.7 million distribution from the Corporation to the Association.

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>2020</u>	<u>2019</u>	<u>2018</u>
Ticket sales	\$ 4,399,535	\$ 4,362,319	\$ 3,678,481
Association rent	2,121,000	2,121,000	2,121,000
Guaranteed royalty payment	1,050,000	-	-
Other distributions	-	-	379,589
Distributions from the Association	<u>7,570,535</u>	<u>6,483,319</u>	<u>6,179,070</u>
Distributions to the Association	<u>(8,281,433)</u>	<u>(7,180,462)</u>	<u>(6,567,475)</u>
Net Distributions	<u>\$ (710,898)</u>	<u>\$ (697,143)</u>	<u>\$ (388,405)</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 \$3.1 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, 2020 AND 2019
(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>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows provided by (used in)			
Operating activities	\$ 3,299,422	\$ 4,171,328	\$ 3,571,184
Noncapital financing activities	(488,907)	(157,051)	(243,653)
Capital and related financing activities	(3,625,888)	(3,871,589)	(3,628,712)
Investing activities	121,287	64,620	58,170
Change in cash	<u>(694,086)</u>	<u>207,308</u>	<u>(243,011)</u>
Cash and cash equivalents			
Beginning of year	810,559	603,251	846,262
End of year	<u>\$ 116,473</u>	<u>\$ 810,559</u>	<u>\$ 603,251</u>

DEBT ADMINISTRATION

As of June 30, 2020, the Corporation had \$41.8 million in outstanding revenue bonds as of June 30, 2020. This represents a decrease of \$2.0 million, or 4.5 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>2020</u>	<u>2019</u>	<u>2018</u>
Revenue Bonds	\$ 41,818,627	\$ 43,796,816	\$ 45,943,005
Total	<u>\$ 41,818,627</u>	<u>\$ 43,796,816</u>	<u>\$ 45,943,005</u>

UCF STADIUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(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. In December 2019, 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 expected to have an impact on the net results of operations in fiscal 2021. 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 Andrea Brown, Assistant Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, FL 32826-3249.

UCF STADIUM CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets		
Other receivables	\$ -	\$ 58,529
Due from the University of Central Florida	3,571,957	2,277,125
Due from the UCF Athletics Association, Inc.	436,157	416,987
Due from the UCF Foundation, Inc.	-	11,000
Restricted cash and cash equivalents	116,473	810,559
Total current assets	4,124,587	3,574,200
Total Assets	4,124,587	3,574,200
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred loss on refunding of debt	599,633	637,908
<u>LIABILITIES</u>		
Current liabilities		
Current portion of long-term debt	1,940,000	1,863,000
Interest payable	561,202	587,629
Due to the UCF Athletics Association Inc.	1,640	429,832
Unearned revenue	1,763,205	1,832,868
Total current liabilities	4,266,047	4,713,329
Noncurrent liabilities		
Long-term debt, less current portion	39,878,627	41,933,816
Total Liabilities	44,144,674	46,647,145
<u>NET POSITION</u>		
Restricted for:		
Construction	-	125
Other	-	222,805
Unrestricted	(39,420,454)	(42,657,967)
Total Net Position	\$ (39,420,454)	\$ (42,435,037)

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, 2020 AND 2019

	2020	2019
Operating revenues		
Naming rights	\$ -	\$ 960,490
Premium seating	2,587,946	2,373,452
Commissions	580,625	839,613
Sponsorships	180,000	-
Total operating revenues	3,348,571	4,173,555
Operating expenses		
Services and supplies	38,015	146,229
Total operating expenses	38,015	146,229
Operating income	3,310,556	4,027,326
Nonoperating revenues (expenses)		
Distributions from the UCF Athletics Association, Inc.	7,570,535	6,483,319
Distributions from the UCF Foundation, Inc.	1,084,771	432,820
Distributions to the UCF Athletics Association, Inc.	(8,281,433)	(7,180,462)
Distributions to the University of Central Florida	(281,586)	-
Investment income	121,287	64,620
Interest Expense	(1,659,547)	(1,736,757)
Settlement Proceeds	1,150,000	-
Total nonoperating revenues (expenses)	(295,973)	(1,936,460)
Change in net position	3,014,583	2,090,866
Net position, beginning of year	(42,435,037)	(44,525,903)
Net position, end of year	\$ (39,420,454)	\$ (42,435,037)

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, 2020 AND 2019

	2020	2019
Cash flows from (to) operating activities		
Receipts from premium seating	\$ 2,518,283	\$ 2,497,945
Receipts from naming rights	58,529	979,999
Receipts from commissions	580,625	839,613
Receipts from sponsorships	180,000	-
Payments to suppliers and others	(38,015)	(146,229)
Net cash provided by operating activities	3,299,422	4,171,328
Cash flows from (to) noncapital financing activities		
Net change in funds held by the University of Central Florida	(1,294,832)	(151,139)
Distributions from the UCF Athletics Association, Inc.	7,551,365	6,312,898
Distributions from the UCF Foundation, Inc.	1,095,771	431,820
Distributions to the UCF Athletics Association, Inc.	(8,709,625)	(6,750,630)
Distributions to the University of Central Florida	(281,586)	-
Receipts from settlement proceeds	1,150,000	-
Net cash used in noncapital financing activities	(488,907)	(157,051)
Cash flows from capital and related financing activities		
Payments on long-term debt	(1,863,000)	(2,031,000)
Interest paid	(1,762,888)	(1,840,589)
Net cash used in capital and related financing activities	(3,625,888)	(3,871,589)
Cash flows from investing activities		
Investment income received	121,287	64,620
Net increase (decrease) in cash and cash equivalents	(694,086)	207,308
Cash and cash equivalents, beginning of year	810,559	603,251
Cash and cash equivalents, end of year	\$ 116,473	\$ 810,559
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,310,556	\$ 4,027,326
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Other receivables	58,529	19,509
Unearned revenue	(69,663)	124,493
Net cash provided by operating activities	\$ 3,299,422	\$ 4,171,328

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

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(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. In the year ended June 30, 2019, the Corporation implemented GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improved the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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, 2020 AND 2019

(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. Guaranteed royalty revenues, included in distributions from the Association are now included in non-operating revenues for fiscal year ending June 30, 2020. 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, 2020 and 2019. 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**—In prior years, revenues from sponsorship naming rights were recognized ratably over the term of the sponsorship agreement. The naming rights agreement terminated during fiscal year 2020. Revenues from the guaranteed royalty agreement will be recognized as revenue at the time the amounts are transferred from the Association. Premium seating, 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 \$599,633 and \$637,908 at June 30, 2020 and 2019 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 GASB34 Implementation Guide exercise for calculating net position

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

balances for governmental activities, if the liabilities relating to the restricted assets are greater than those assets, then no balance would be reported as restricted net position. The negative amount would be reported as a reduction to unrestricted net position.

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

There was no net investment in capital assets at June 30, 2020 and 2019. 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, 2020 the cash was invested in a government money market fund. The value of cash and cash equivalents held at the institution on June 30, 2020 and 2019 was \$116,473 and \$810,559, respectively.

The Corporation has cash invested by the University of \$3,571,957 and \$2,277,125 at June 30, 2020 and 2019, 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*

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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 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>2020</u>	<u>2019</u>
Due from the University of Central Florida	\$ 3,571,957	\$ 2,277,125
Due from the UCF Athletics Association, Inc.	436,571	416,987
Due from the UCF Foundation, Inc.	-	11,000
Due to the UCF Athletics Association, Inc.	(1,640)	(429,832)

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(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, 2020:

	<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>	
2021	\$ 275,000	\$ 55,502	\$ 1,665,000	\$ 1,628,104	\$ 3,623,606
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
2026-2030	784,000	39,019	11,440,000	5,033,411	17,296,430
2031-2035	-	-	14,035,000	2,437,936	16,472,936
2036-2036	-	-	3,160,000	134,910	3,294,910
Subtotals	2,229,000	246,311	37,785,000	14,929,756	55,190,067
Plus: Unamortized Bond Premium	-	-	1,804,627	-	1,804,627
Total	<u>\$ 2,229,000</u>	<u>\$ 246,311</u>	<u>\$ 39,589,627</u>	<u>\$ 14,929,756</u>	<u>\$ 56,994,694</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, 2020 AND 2019

(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, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<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>\$ 39,589,627</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>

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Direct Borrowings:</u>					
Revenue bonds	\$ 3,003,000	\$ -	\$ (506,000)	\$ 2,497,000	\$ 268,000
Total Direct Borrowings	<u>\$ 3,003,000</u>	<u>\$ -</u>	<u>\$ (506,000)</u>	<u>\$ 2,497,000</u>	<u>\$ 268,000</u>
<u>Other Debt:</u>					
Revenue bonds	\$ 40,905,000	\$ -	\$ (1,525,000)	\$ 39,380,000	\$ 1,595,000
Unamortized premiums	2,035,005	-	(115,189)	1,919,816	-
Total Other Debt	<u>\$ 42,940,005</u>	<u>\$ -</u>	<u>\$ 1,640,189</u>	<u>\$ 41,299,816</u>	<u>\$ 1,595,000</u>
Total Long-Term Debt:	<u>\$ 45,943,005</u>	<u>\$ -</u>	<u>\$ (2,146,189)</u>	<u>\$ 43,796,816</u>	<u>\$ 1,863,000</u>

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(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, 2020 and 2019, 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 \$1,659,547 and \$1,736,757 for fiscal years ended June 30, 2020 and 2019, 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, and 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. During fiscal year ended June 30, 2020 the Foundation remitted \$750,000 to Stadium on behalf of the Association towards the guaranteed royalty annual payment, and \$250,000 of settlement proceeds that were remitted in the form of a charitable donation, and is included in the distributions from the Foundation on the statement of revenues, expenses and changes in net position.

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

UCF STADIUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(6) **Related Party Transactions:** (Continued)

any such deficiencies. The University is obligated only to the extent it has legally available revenue to cover the unpaid amounts.

(7) **Deficit Net Position:**

The Corporation has a deficit net position for the year ended June 30, 2020 and 2019 of \$39,420,454 and \$42,435,037, 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, 2020 and 2019 was \$41,218,994 and \$43,158,908, 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. The remaining \$1,150,000 is presented on the statement of revenues, expenses and changes in net position as settlement proceeds.

(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 are expected to be affected in fiscal 2021. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

At the issuance of these financial statements, it is estimated that Premium Seating revenues and Distributions from the Association will decline due to fewer home football games and limitations on spectator attendance. However, pledged revenue distributions, including its annual rent and guaranteed royalty payment, received from the Association are estimated to meet the Corporation's fiscal 2021 debt service obligations. Should these revenues fall short of estimate 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 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, 2020, 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 19, 2020.

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 statement. 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 over financial reporting 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 19, 2020

**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, 2020. 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, 2020.

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 19, 2020