UNITED BY

RESPECT

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of the more significant accounting policies of The University Athletic Association, Inc. (the Association), which affect significant elements of the accompanying basic financial statements.

(a) **Reporting entity—**The Association is a not-for-profit entity organized in 1929 for the purpose of conducting various intercollegiate athletic programs for and on behalf of the University of Florida. The Association operates for the service and convenience of the University of Florida and is a direct support organization and component unit (for accounting purposes only) of the University of Florida.

(b) **Measurement focus, basis of accounting, and financial statement presentation—** For financial reporting purposes, the Association is considered a special-purpose government engaged only in business-type activities. Accordingly, the Association prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America for proprietary funds, which is similar to those for private business enterprises. All assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Association are those that result from the operation of the University of Florida's intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Governmental Accounting Standards Board (GASB) standards require that capital contributions from Gator Boosters, Inc. and contributions to the University of Florida and University of Florida Foundation, Inc. are not considered operating revenues or expenses. They are reported after nonoperating revenues and expenses in the accompanying Statements of Changes in Revenues, Expenses and Changes In Net Position.

In addition to the business-type activities noted above, the Association accounts for the net position held in trust for the University Athletic Association, Inc. Employees' Money Purchase Pension Plan and Trust (the Pension Plan).

(c) **Cash and cash equivalents—**Cash and cash equivalents include cash in banks and money market funds available for immediate use. A bond was issued in March 2021 for $50,000,000 with funds restricted to use for the football training center project. At June 30, 2021 the remaining cash available was $34,007,125.

(d) **Accounts receivable—**Accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. The Association has no policy requiring collateral or other security to support its accounts receivable.

(e) **Inventories—**Inventories consist of items held for sale at the golf course pro shop and snack bar. Inventory items at the golf course pro shop are recorded at the lower of cost or market using the average cost method. All other inventory items are recorded at the lower of cost or market, as determined by using the first-in, first-out (FIFO) method.

(f) **Fair value measurement—**The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

(g) **Capital assets—**Capital assets purchased with an original cost of $5,000 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally 5 years for furniture, fixtures and equipment and 10 to 15 years for capital improvements, except for improvements to buildings which range from 20 to 30 years). Costs to maintain or repair these assets are expensed as incurred.

(h) **Accrued compensated absences—**Eligible employees are entitled to annual vacation and sick leave with pay. The Association accrues accumulated unpaid annual vacation leave and associated

employee-related costs. These amounts are included in the accompanying Statements of Net Position. Vacation pay is expensed when earned by the employee up to the maximum payout. Sick leave payments are expensed when used as sick leave is not eligible for payout.

(i) **Unearned revenues—**Current unearned revenues consist of advance sales of tickets for sport seasons in the next fiscal year, and miscellaneous other unearned fees received. The unearned items are recognized as revenue when the related games are played and when the service is performed or event occurs for which miscellaneous fees were received.

Additionally, unearned revenues included in other liabilities consist of advance sponsorship and royalty payments. The sponsorship and royalty amounts are recognized over the life of the agreements.

(j) **Net position—**Net position is classified and displayed in three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of assets that have constraints placed upon their use either by external donors 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. Restricted net position consists of capital contributions received for specific future capital projects
- Unrestricted – consists of assets that are available to the Association for any legal use.

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

(k) **Sales taxes retained—**In accordance with Chapter 1006, Section 71 of the Florida Statutes, the Association retains an amount equal to the sales taxes collected from ticket sales to athletic events for use in the support of women's athletic programs. Sales taxes retained totaled $668,506 and $2,161,019 for the years ended June 30, 2021 and 2020, respectively, and are included in other operating revenues in the Statements of Changes in Revenues, Expenses and Changes In Net Position.

(l) **Income taxes—**The Association is exempt from Federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code. However, the Association is subject to income tax on unrelated business income. The Association's primary source of unrelated business income is from certain investments in a limited liability company. Income taxes incurred during the year, if any, are estimated to be immaterial to the financial statements.

The Association files tax returns in the U.S. federal jurisdiction and in the state of Florida. Management of the Association considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Association's status as a not-for-profit entity. Management believes the Association met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements. The Association's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(m) **In-kind contributions—**Donations of materials and services are recorded at their fair market value at the date of donation.

(n) **Future accounting pronouncements—**GASB issued Statement No. 84, Fiduciary Activities, in January 2017. GASB 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions in GASB 84 are effective for fiscal years beginning after December 15, 2019. The Association has implemented this standard.

GASB issued Statement No. 87, Leases, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after June 15, 2021. The Association is currently evaluating the impact this statement will have on its financial statements.

(2) CASH AND CASH EQUIVALENTS:

The amounts reported as cash and cash equivalents include cash on hand, cash in bank demand accounts, cash held at the University of Florida and money market funds. Cash and cash equivalents at June 30, 2021 and 2020 were as follows:

Table 1. Cash and Cash Equivalents *(Note 2)*

	2021	2020
Money market funds	$ 1,632	$ 2,485
Cash in bank demand accounts	24,694,001	9,939,644
Cash held at the University of Florida	2,738,352	338,013
Cash on hand	70,988	298,827
Restricted cash	34,007,125	-
Total cash and cash equivalents	**$ 61,512,098**	**$ 10,578,969**

Cash in bank demand accounts are held in regional banks. Bank account balances for these bank demand accounts were $63,258,791 and $12,427,474, as of June 30, 2021 and 2020, respectively. Deposits are uncollateralized and are insured up to $250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). Uninsured bank balances totaled $62,779,328 and $12,177,474 as of June 30, 2021 and 2020, respectively. Money market funds are uninsured and collateralized by securities held by the institution, not in the Association's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a policy for custodial credit risk.

(3) INVESTMENTS:

A. University Athletic Association:

The Association reports investments at fair value, except those money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are defined as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

Short-term investments are comprised of investments in external investment pools with the State of Florida Division of Treasury and the State Board of Administration (SBA), and a separately managed investment account managed by Buckhead Capital Management, and are reported at fair value. Short-term investments typically are funds accumulated from Southeastern Conference (SEC) distributions, advance ticket sales and booster contributions and will be used to fund operations in the upcoming fiscal year. Other investments include mutual funds, commingled funds, multi-strategy hedge funds and separately managed investment accounts with Garcia Hamilton & Associates that are reported at fair value as determined by their net asset values at year end. The classification of investments between short-term and long-term is based on management's anticipated cash flow needs. However, the needs of the Association may require the sale or retention of investment balances that differ from the classifications reflected in the accompanying Statements of Net Position.

The Association's corporate investment policy divides the Association's assets into two portfolios, the long-term portfolio and the short-term portfolio. The policy states that the short-term portfolio invests in cash and cash equivalents and the long-term portfolio invests in a diversified portfolio of commingled and/or mutual funds in the following classes: domestic large cap equity, domestic small cap equity, international equity, hedged strategies and fixed income. The hedged strategies investment represents the Association's interest in the Florida Hedged Strategies Fund, LLC, a limited liability company that is managed by the University of Florida Investment Corporation (UFICO).

All of the Association's recurring fair value measurements as of June 30, 2021 and 2020 are valued using quoted market prices (Level 1 inputs), with the exception of bonds and notes which are valued using a matrix pricing model (Level 2 inputs), investments with the State Treasury which are valued based on the Association's share of the pool (Level 3 inputs) and hedge funds which are valued using net asset valuations.

The Association's investments at June 30, 2021 are reported as follows:

Table 2. Investments - June 30, 2021 *(Note 3A)*

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 8,159,602	$ -	$ -	$ 8,159,602
Cash Equivalents Classified as Short-term Investments:				
Commercial Paper	8,230,006	8,230,006	-	-
Non-Proprietary Cash Sweep	39,684,431	39,684,431	-	-
Certificates of Deposit	2,600,416	2,600,416	-	-
Bonds and Notes:				
Corporate Backed Obligations	6,880,973	-	6,880,973	-
Corporate Bonds	2,302,424	-	2,302,424	-
Government Bonds	4,557,229	-	4,557,229	-
Mortgage Backed Securities	6,688,878	-	6,688,878	-
Mutual Funds:				
Corporate Bonds	4,250,641	4,250,641	-	-
Equity	44,705,220	44,705,220	-	-
Total investments by fair value level	$ 128,059,820	$ 99,470,714	$ 20,429,504	$ 8,159,602
Investments measured at the net asset value (NAV)				
Multi-Strategy Hedge Funds	$ 6,709,891			
Total investments measured at fair value	$ 134,769,711			
Investments measured at amortized cost				
SBA Florida PRIME	$ 11,061			
Total investments	**$ 134,780,772**			

The Association's investments at June 30, 2020 are reported as follows:

Table 3. Investments - June 30, 2020 *(Note 3A)*

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 19,584,463	$ -	$ -	$ 19,584,463
Cash Equivalents Classified as Short-term Investments:				
Commercial Paper	6,146,061	6,146,061	-	-
Non-Proprietary Cash Sweep	13,871,082	13,871,082	-	-
US Government Short-Term	15,998,430	15,998,430	-	-
Bonds and Notes:				
Corporate Backed Obligations	5,846,026	-	5,846,026	-
Corporate Bonds	6,737,414	-	6,737,414	-
Government Bonds	3,292,509	-	3,292,509	-
Mortgage Backed Securities	4,069,920	-	4,069,920	-
Mutual Funds:				
Corporate Bonds	3,606,916	3,606,916	-	-
Equity	32,972,728	32,972,728	-	-
Total investments by fair value level	$ 112,125,549	$ 72,595,217	$ 19,945,869	$ 19,584,463
Investments measured at the net asset value (NAV)				
Multi-Strategy Hedge Funds	$ 5,645,839			
Total investments measured at fair value	$ 117,771,388			
Investments measured at amortized cost				
SBA Florida PRIME	$ 11,036			
Total investments	**$ 117,782,424**			

Multi-Strategy Hedge Funds—The Association's investment in multi-strategy hedge funds of $6,709,891 and $5,645,839 at June 30, 2021 and 2020, respectively, represents an interest in the Florida Hedged Strategies Fund, LLC (the Fund), a limited liability company that is managed by the UFICO. The underlying investments in the Fund are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying investee funds without adjustment, when the net asset valuations of the investments are calculated (or adjusted by the Fund if necessary) in a manner consistent with GAAP for investment companies. The Fund applies the practical expedient to its investments in investee funds on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that the Fund will sell an investment at an amount different from the net asset valuation or in other situations where practical expedient is not available, the Fund considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

The underlying investee funds value securities and other financial instruments on a mark-to-market or other estimated fair value basis. The estimated fair values of substantially all of the investments of the underlying investee funds, which may include securities for which prices are not readily available, are determined by the general partner or management of the respective underlying investee funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

External Investment Pools—The Association reported investments at fair value totaling $8,159,602 and $19,584,463 at June 30, 2021 and 2020, respectively, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled

investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of AA-f by Standard & Poor's (S&P), had an effective duration of 2.60 years and 0.43 years and fair value factor of 0.9840 and 1.0291 at June 30, 2021 and 2020 respectively. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The Association relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The Association reported investments totaling $11,061 and $11,036 at June 30, 2021 and 2020, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The Association's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by S&P's and had a weighted-average days to maturity (WAM) of 50 days and 53 days as of June 30, 2021 and 2020, respectively. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost. Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the

Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48 hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days." As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Bonds and Notes—The Association reported investments totaling $20,429,504 and $19,945,869 as of June 30, 2021 and 2020, respectively, in bonds and notes held in separately managed investment accounts. The investment managers of these accounts use an investment philosophy that is based on a multi-faceted, total return methodology which focuses on the four key components of fixed income portfolio construction: duration management, yield curve positioning, sector rotation, and security selection. The managers seek to add value and control risk in each component of the portfolio construction process to deliver superior risk-adjusted returns through all phases of the economic and interest rate cycles. The bonds and notes are priced on a frequent basis using valuation methodologies and techniques available through independent third parties. The Association's bonds and notes are subject to credit and interest rate risk as outlined in the sections below.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk if the securities are uninsured, not registered in the Association's name, and are held by the party that either sells to or buys for the Association. The Association does not have a policy regarding custodial credit risk. Custodial credit risk for the Association's bonds, notes and bond mutual funds as of June 30, 2021 and 2020 is categorized in the following schedule using S&P nationally recognized statistical ratings quality organizations:

Interest Rate Risk—For an investment, interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The Association does not have a policy for interest rate risk associated with its investments. Interest rate risk for the Association's bonds, notes and bond mutual funds as of June 30, 2021 and 2020 is as follows:

Table 4. Investments - Custodial Credit Risk *(Note 3A)*

	Quality Rating	2021 Fair Value	2020 Fair Value
Corporate Backed Obligation	S&P AAA	$ 4,001,512	$ 4,577,829
Corporate Backed Obligation	S&P BBB	301,602	-
Corporate Backed Obligation	Unrated	2,577,859	1,268,197
Corporate Bonds	S&P A	157,324	1,617,525
Corporate Bonds	S&P A-	790,232	2,734,213
Corporate Bonds	S&P AA-	-	1,000,640
Corporate Bonds	S&P AAA	-	212,914
Corporate Bonds	S&P BBB	-	170,000
Corporate Bonds	S&P BBB+	1,354,868	1,002,122
Government Bonds	S&P AA+	2,820,233	2,352,803
Government Bonds	Unrated	1,736,996	939,706
Mortgage Backed Securities	AA	-	259,064
Mortgage Backed Securities	AA+	2,116,047	2,549,152
Mortgage Backed Securities	AAA	1,341,553	161,492
Mortgage Backed Securities	Unrated	3,231,278	1,100,212
Subtotal		**20,429,504**	**19,945,869**
Bond Mutual Funds	Unrated	4,250,641	3,606,916
US Government Short-Term	AA+	-	15,998,430
Total		**$ 24,680,145**	**$ 39,551,215**

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. At June 30, 2021 and 2020, less than five percent of the Association's investments were held in the Florida Hedged Strategies Fund, LLC. Such concentrations are permitted by the Association's investment policy.

Table 5. Investments - Interest Rate Risk *(Note 3)*

	Average Duration	2021 Fair Value	2020 Fair Value
Corporate Backed Obligation	Less than one year	$ 6,880,973	$ 5,846,026
Corporate Bonds	Greater than five years	1,999,416	3,815,390
Corporate Bonds	Less than one year	303,008	2,922,024
Government Bonds	Greater than five years	3,084,916	-
Government Bonds	Less than one year	1,472,313	3,292,509
Mortgage Backed Securities	Less than one year	3,878,521	3,880,912
Mortgage Backed Securities	One to five years	2,810,357	189,008
Subtotal		**20,429,504**	**19,945,869**
Bond Mutual Funds	Greater than five years	4,250,641	3,606,916
US Government Short-Term	Less than one year	-	15,998,430
Total		**$ 24,680,145**	**$ 39,551,215**

Credit Risk—Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Association utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies.

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2021 and 2020, the investment portfolio met the foreign securities limitations.

B. University Athletic Association, Inc. Employees' Money Purchase Pension Plan and Trust – Fiduciary Funds – Pension Trust Fund

The fund's investments at December 31, 2020 are reported as follows:

Table 6. Investments - December 31, 2020 *(Note 3B)*

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Non-interest bearing cash	$ 67,275	$ 67,275	$ -	$ -
U.S. Government securities	6,043,503	-	6,043,503	-
Corporate bonds	5,091,212	-	5,091,212	-
Registered investment companies	33,032,501	33,032,501	-	-
Total investments by fair value level	$ 44,234,491	$ 33,099,776	$ 11,134,715	$ -
Investments measured at NAV				
Common/collective trusts:				
Equity funds	$ 5,669,396			
Fixed income funds	6,059,543			
Limited partnership interests	11,788,186			
Total investments measured at NAV	23,517,125			
Total investments measured at fair value	**$ 67,751,616**			

The fund's investments at December 31, 2019 are reported as follows:

Table 7. Investments - December 31, 2019 *(Note 3B)*

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Non-interest bearing cash	$ 54,625	$ 54,625	$ -	$ -
U.S. Government securities	3,602,351	2,444,190	1,158,161	-
Corporate bonds	5,466,231	-	5,466,231	-
Registered investment companies	28,660,174	23,853,990	4,806,184	-
Total investments by fair value level	$ 37,783,381	$ 26,352,805	$ 11,430,576	$ -
Investments measured at NAV				
Common/collective trusts:				
Equity funds	$ 11,156,138			
Limited partnership interests	9,508,893			
Total investments measured at NAV	20,665,031			
Total investments measured at fair value	**$ 58,448,412**			

Interest Rate Risk—For an investment, interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due.

Credit Risk—Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All are rated within the investment policy guidelines at December 31, 2020.

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Pension Plan policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed seventy (70) percent of the fund's total assets. The Pension Plan policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed twelve and one-half (12.5) percent of the outstanding stock of that company. At December 31, 2020, the investment portfolios met the single issuer limitations.

Custodial Credit Risk—Custodial credit risk is the risk that the Association may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension Plan policies allow for up to twenty-five (25) percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At December 31, 2020, the investment portfolios met the foreign securities limitations.

(4) PENSION PLANS

In 1979, the Association established The University Athletic Association, Inc. Employees' Money Purchase Pension Plan and Trust, a defined contribution pension plan covering substantially all full-time employees. Total pension expense for the plan was $635,374 and $3,228,353 (net of forfeitures of $95,040 and $650,323, respectively) for the years ended June 30, 2021 and 2020, respectively. Contributions are made by the Association to the pension plan based on 12% of an eligible employee's earnings. No employer contribution will be made from October 1, 2020 through October 1, 2021. The Internal Revenue Code Section 401(a)(17) set the annual compensation limit applicable to retirement plans at $290,000 for 2021 and $285,000 for 2020. During the years ended June 30, 2021 and 2020, total pension applicable payroll for employees covered under the plan was $6,086,783 and $32,322,299, which represented approximately 12% and 51% of total payroll for the years ended June 30, 2021 and 2020, respectively. Pension applicable payroll for the year ended June 30, 2021 includes July 1 – September 30, 2020 only, as the employer contribution was paused beginning October 1, 2020 as noted above.

(5) CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2021 was as follows:

Table 8. Capital Assets - June 30, 2021 *(Note 5)*

	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	$ 2,430,236	$ -	$ -	$ 2,430,236
Construction in progress	63,487,548	23,789,284	(67,964,741)	19,312,091
Total capital assets not being depreciated	65,917,784	23,789,284	(67,964,741)	21,742,327
Capital assets being depreciated:				
Buildings and improvements	6,641,755	-	-	6,641,755
Furniture and equipment	28,503,407	778,666	(2,959,987)	26,322,086
Leasehold improvements	276,391,207	68,905,798	(16,169,475)	329,127,530
Total capital assets being depreciated	311,536,369	69,684,464	(19,129,462)	362,091,371
Less accumulated depreciation for:				
Buildings and improvements	4,753,966	141,696	-	4,895,662
Furniture and equipment	17,318,251	1,806,909	(2,930,879)	16,194,281
Leasehold improvements	109,972,488	7,726,604	(6,799,055)	110,900,037
Total accumulated depreciation	132,044,705	9,675,209	(9,729,934)	131,989,980
Total capital assets being depreciated, net	179,491,664	60,009,255	(9,399,528)	230,101,391
Capital assets, net	**$ 245,409,448**	**$ 83,798,539**	**$ (77,364,269)**	**$ 251,843,718**

Capital asset activity for the year ended June 30, 2020 was as follows:

Table 9. Capital Assets - June 30, 2020 *(Note 5)*

	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	$ 2,430,236	$ -	$ -	$ 2,430,236
Construction in progress	15,718,490	49,650,478	(1,881,420)	63,487,548
Total capital assets not being depreciated	18,148,726	49,650,478	(1,881,420)	65,917,784
Capital assets being depreciated:				
Buildings and improvements	6,641,755	-	-	6,641,755
Furniture and equipment	27,904,417	611,670	(12,680)	28,503,407
Leasehold improvements	274,704,267	1,879,348	(192,408)	276,391,207
Total capital assets being depreciated	309,250,439	2,491,018	(205,088)	311,536,369
Less accumulated depreciation for:				
Buildings and improvements	4,612,270	141,696	-	4,753,966
Furniture and equipment	15,480,679	1,850,252	(12,680)	17,318,251
Leasehold improvements	102,732,184	7,411,828	(171,524)	109,972,488
Total accumulated depreciation	122,825,133	9,403,776	(184,204)	132,044,705
Total capital assets being depreciated, net	186,425,306	(6,912,758)	(20,884)	179,491,664
Capital assets, net	**$ 204,574,032**	**$ 42,737,720**	**$ (1,902,304)**	**$ 245,409,448**

(6) LONG-TERM OBLIGATIONS:

The change in long-term obligations for the year ended June 30, 2021 was as follows:

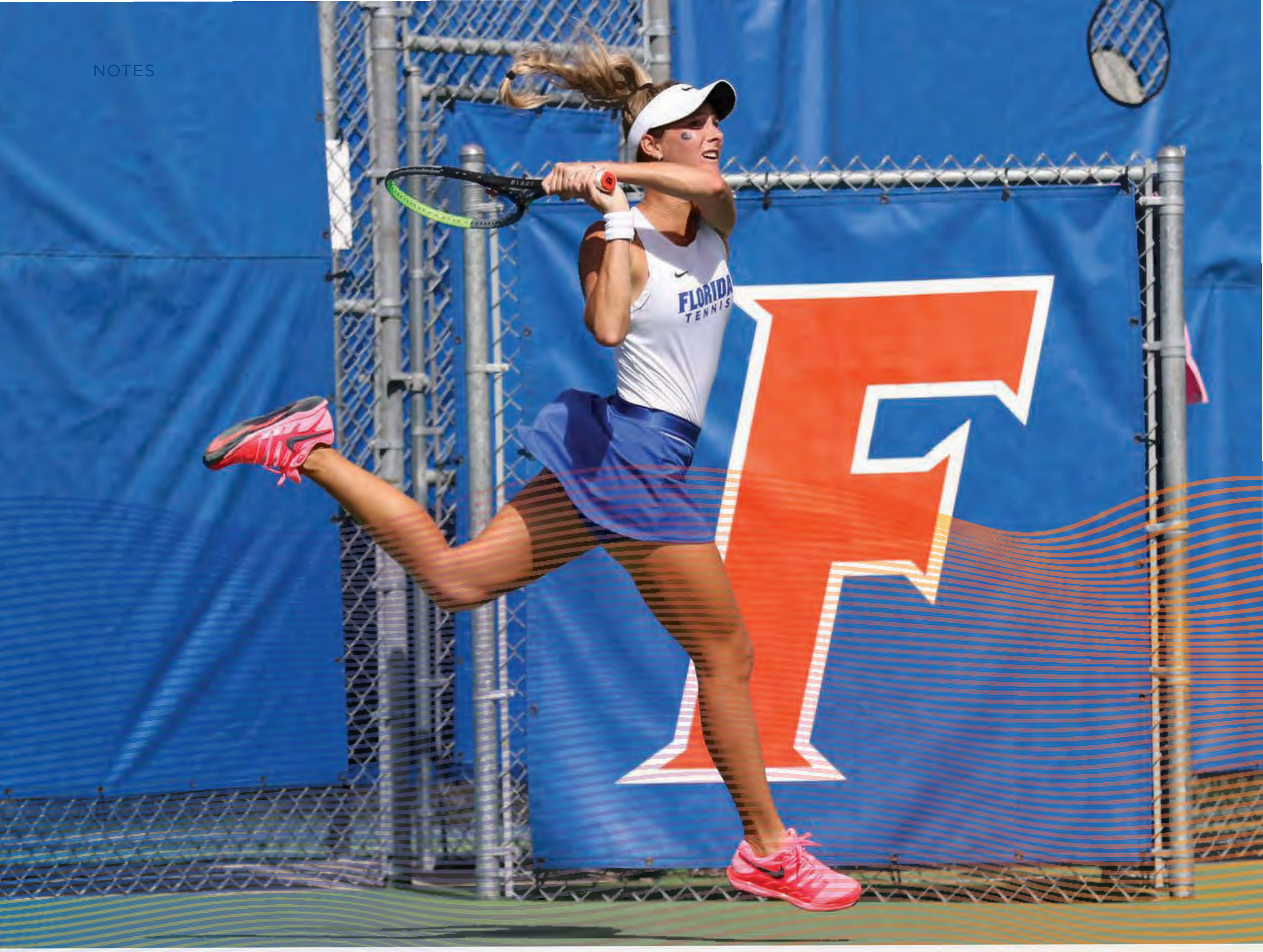
Table 10. Long-term Obligations - June 30, 2021 *(Note 6)*

Type of Long-term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Contracts payable	$ 1,495,987	$ 1,563,944	$ (2,236,405)	$ 823,526	$ 823,526
Accrued compensated absences	1,958,050	144,804	(185,301)	1,917,553	274,000
Unearned revenues	24,095,243	33,023,224	(21,785,243)	35,333,224	31,523,224
Long-term debt	119,375,000	50,000,000	(5,115,000)	164,260,000	6,775,000
Total long-term liabilities	**$ 146,924,280**	**$ 84,731,972**	**$ (29,321,949)**	**$ 202,334,303**	**$ 39,395,750**

The change in long-term obligations for the year ended June 30, 2020 was as follows:

Table 11. Long-term Obligations - June 30, 2020 *(Note 6)*

Type of Long-term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Contracts payable	$ 3,440,458	$ 200,814	$ (2,145,285)	$ 1,495,987	$ 997,150
Accrued compensated absences	1,769,672	737,378	(549,000)	1,958,050	264,000
Unearned revenues	65,285,708	20,172,715	(61,363,180)	24,095,243	21,015,243
Long-term debt	126,025,000	-	(6,650,000)	119,375,000	5,115,000
Total long-term liabilities	**$ 196,520,838**	**$ 21,110,907**	**$ (70,707,465)**	**$ 146,924,280**	**$ 27,391,393**



A. Long-term Debt:

At June 30, 2021 and 2020, the Association's Bonds outstanding bear interest based upon the following schedule:

Table 12. Long-term Debt *(Note 6A)*

	June 30, 2021			June 30, 2020		
Series	Outstanding Amount	Term	Interest Rate	Outstanding Amount	Term	Interest Rate
2001	$ 14,235,000	Daily Rate	Weekly	$ 14,235,000	Daily Rate	Weekly
2001	15,950,000	10/01/17 - 10/01/23	1.91%	15,950,000	10/01/17 - 10/01/23	1.91%
*2001	13,690,000	11/27/13 – 10/01/24	1.78%	14,475,000	11/27/13 – 10/01/24	1.78%
*2005	-	11/27/13 – 10/01/20	1.78%	1,000,000	11/27/13 – 10/01/20	1.78%
2007	3,500,000	10/01/16 - 10/01/26	2.08%	4,000,000	10/01/16 - 10/01/26	2.08%
2011	8,250,000	10/01/16 - 10/01/26	2.08%	9,000,000	10/01/16 - 10/01/26	2.08%
2015	11,250,000	07/01/15 – 10/01/20	2.39%	12,000,000	07/01/15 – 10/01/20	2.39%
2018	47,385,000	7/24/18 - 10/01/38	3.43%	48,715,000	7/24/18 - 10/01/38	3.43%
2021	50,000,000	03/19/21 - 10/01/41	1.97%	-	N/A	N/A
	$ 164,260,000			**$ 119,375,000**		

**In December 2019, the Association re-marketed the bonds for the purpose of a lower interest rate and debt service savings.*

Debt service requirements at June 30, 2021 were as follows:

Table 13. Debt Service Requirements *(Note 6A)*

Year Ended June 30,	Principal	Interest	Total Principal and Interest
2022	$ 6,775,000	$ 3,936,704	$ 10,711,704
2023	7,365,000	3,779,066	11,144,066
2024	7,530,000	3,746,012	11,276,012
2025	7,695,000	3,622,331	11,317,331
2026	7,870,000	3,416,570	11,286,570
2027 - 2031	42,515,000	13,739,671	56,254,671
2032 - 2036	25,235,000	8,739,626	33,974,626
2037 - 2041	22,915,000	5,527,696	28,442,696
2042 - 2046	21,155,000	3,438,060	24,593,060
2047 - 2051	15,205,000	1,044,638	16,249,638
	$ 164,260,000	**$ 50,990,374**	**$ 215,250,374**

The Association is subject to certain general and financial covenants related to the Bond agreements (the Agreements). The first financial covenant requires the Association to maintain a Net Revenues to Principal and Interest Requirements due on the bonds, as defined in the Agreements, of greater than 1.10:1.00, tested annually at the end of each fiscal year. The Association's ratio of net revenues to required principal and interest was 0.44 and 2.89 in 2021 and 2020, respectively. Each of the banks included in the Agreements waived the requirement for the Association to comply with the financial covenant for the fiscal year ended June 30, 2021, and waived any Event of Default that may arise under the Indenture and the respective Credit Agreements from the Association's failure to comply with the Financial Covenant for the fiscal year ended June 30, 2021. The second financial covenant requires the Association to maintain unrestricted cash, marketable securities and investments in an amount greater than twenty-five percent (25%) of its total indebtedness measured at the end of the fiscal year. At June 30, 2021, the required amount of liquidity was $41,065,000 and the actual amount was $162,285,743. At June 30, 2020, the required amount of liquidity was $29,843,750 and the actual amount was $128,361,393.

B. Unearned Revenues:

Changes in current unearned revenues for June 30, 2021 and 2020 are as follows:

Table 14. Changes in Current Unearned Revenues *(Note 6B)*

	2021	2020
Balance, beginning of year	$ 21,015,243	$ 60,608,980
Additions:		
Advance ticket sales and related handling	29,655,865	20,245,243
Unearned camp fees	531,073	-
Unearned other income	1,336,286	770,000
Total additions	31,523,224	21,015,243
Deductions:		
Earned ticket sales and related handling	(17,441,049)	(27,400,590)
Ticket refunds	(2,804,194)	-
Earned booster contributions	-	(29,456,817)
Earned amenities	-	(1,342,567)
Earned camp fees	-	(1,498,779)
Earned other income	(770,000)	(910,227)
Total deductions	(21,015,243)	(60,608,980)
Balance, end of year	**$ 31,523,224**	**$ 21,015,243**

Changes in long-term unearned revenues for June 30, 2020 and 2019 are as follows:

Table 15. Changes in Long-term Unearned Revenues *(Note 6B)*

	2021	2020
Balance, beginning of year	$ 3,080,000	$ 4,676,728
Additions:		
Unearned royalties	1,500,000	-
Total additions	1,500,000	-
Deductions:		
Contributions transferred to Gator Boosters	-	(826,728)
Royalties reclassified to current	(770,000)	(770,000)
Total deductions	(770,000)	(1,596,728)
Balance, end of year	**$ 3,810,000**	**$ 3,080,000**

2017 and 2016, respectively.

(7) RELATED-PARTY TRANSACTIONS:

Gator Boosters, Inc. (Gator Boosters) receives contributions from the public and remits the majority of these funds (less their operating expenses) to the Association. Contributions of $13,424,081 and $47,948,153 were recognized from Gator Boosters, for the years ended June 30, 2021 and 2020, respectively, and have been included in the accompanying Statements of Changes in Revenues, Expenses and Changes In Net Position. Additionally, the Association provides accounting and other support services to Gator Boosters. The Association recognized contract revenue in the amount of $190,000 for the years ended June 30, 2021 and 2020.

Gator Boosters recognizes contribution expense for amounts remitted to the Association in the year in which such amounts are remitted. The Association, however, recognizes these amounts as revenue in the year in which the related athletic event is held. A reconciliation of contribution revenues from Gator Boosters as recognized in the accompanying Statements of Changes in Revenues, Expenses and Changes In Net Position to contribution expense as reflected in the financial statements of Gator Boosters for the years ended June 30, 2021 and 2020 is as follows:

Table 16. Related Party Transactions - Booster Transfers *(Note 7)*

	2021	2020
Contributions to the Association, as reported in the financial statements of Gator Boosters	$ 14,234,478	$ 17,664,608
Recognition of prior year amounts received from Gator Boosters that were previously unearned	(810,397)	30,283,545
Contributions from Gator Boosters, as recognized in the accompanying Statements of Revenues, Expenses and changes in Net Position	**$ 13,424,081**	**$ 47,948,153**

Contributions and operating expenses are paid to the University throughout the year. Included in accounts payable at June 30, 2021 and 2020 is $14,944,767 and $2,496,816, respectively, due to the University of Florida.

The Association actively sells personalized Gator Walk bricks as a fundraising initiative. For the fiscal years ended June 30, 2021 and 2020, profits from the sale of these bricks totaling $19,113 and $23,996, respectively, were contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment.

(8) OPERATING LEASES:

The Association leases various equipment and facilities under operating leases. Total lease expense for the years ended June 30, 2021 and 2020, was $847,369 and $1,714,184, respectively. Included in lease expense for the years ended June 30, 2021 and 2020, were payments in the amount of $383,872 and $1,214,764, respectively, to the University of Florida for the rental of the O'Connell Center and recreational sports fields. In addition, the Association has a long-term lease between the Association and the University of Florida Board of Trustees for the lease of various other athletic facilities on the University campus. There are no rental payments due under the lease.

Future minimum lease payments under noncancelable operating lease agreements for the next five years are as follows:

Table 17. Operating Leases *(Note 8)*

Year Ending June 30,	Amount
2022	$ 1,484,817
2023	350,844
2024	94,036
2025	6,808
2026	5,030
	$ 1,941,535

(9) COMMITMENTS:

The Association has entered into employment contracts with certain employees expiring in years through 2029 that provide for a minimum annual salary. At June 30, 2021, the total commitment for all contracts for each of the next five years and thereafter in the aggregate is as follows:

Table 18. Commitments *(Note 9)*

Year Ending June 30,	Amount
2022	$ 24,955,605
2023	18,414,965
2024	15,663,352
2025	13,490,127
2026	9,597,495
Thereafter	8,141,359
	$ 90,262,903

At June 30, 2021, the Association has commitments to provide funding for additional capital improvement projects of approximately $57,000,000.

(10) INCOME TAXES:

The Association did not incur any income tax expense for the years ended June 30, 2021 and 2020. The Association did however, pay an excise tax of $1,701,556 and $435,308 on highly compensated employees for calendar years 2019 and 2018.

(11) RISK MANAGEMENT:

The Association purchased conventional commercial insurance coverage for potential exposures in the areas of property, workers' compensation, automobile liability and physical damage, and other general liability exposures. This insurance was purchased from various independent carriers and is designed to insure against such risks and minimize the Association's financial exposure. The Association also participates with the employees in the purchase of group health, dental and life insurance for its employees and their families.

The Association has also purchased commercial excess insurance to cover injuries to student-athletes sustained during practice or play. This policy requires a $10,000 deductible per athlete per incident. Any amounts paid by the athletes' private insurance carriers can be applied to the Association's deductible.

The Association is not involved in any risk pools with other governmental entities.

(12) COVID-19 PANDEMIC

The financial impacts of the COVID-19 pandemic were felt through the end of fiscal year 2020 and much of fiscal year 2021, and such financial impacts have been reflected in the June 30, 2021 and 2020 financial statements.