

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
JUNE 30, 2007 AND 2006
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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Audit Committee,
The University Athletic Association, Inc.:

We have audited the accompanying financial statements of The University Athletic Association, Inc. (the Association), a direct support organization and component unit (for accounting purposes only) of the University of Florida, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2007 and 2006, and its revenues, expenses, and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007, on our consideration of the Association'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally

accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James Moore & Co., P.L.

Gainesville, Florida
September 7, 2007

**THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006**

Introduction

The University Athletic Association, Inc. (the Association), a not-for-profit corporation, is a Direct Support Organization of the University of Florida (UF). The Association exists to advance UF's teaching, research and service missions through the intercollegiate athletics program.

The Association's goal is to be the nation's finest intercollegiate athletics program, where each student-athlete has every opportunity for athletic and academic success and each coach has challenging and rewarding career opportunities. The Association recognizes its responsibility to UF to operate the Association in an efficient manner using sound business principles within an ethical decision making process.

The tremendous success of the athletic program can be attributed to many factors: outstanding coaches and support staff, extremely talented student-athletes, a great academic institution, a strong recruiting base, university support and a commitment to each sport. The Association's financial strength is also a key component in its success and is a major factor in maintaining or surpassing its current level of achievement in all the Association's endeavors.

Overview of the Financial Statements and Financial Analysis

The Association is pleased to present its financial statements for the fiscal years ended June 30, 2007 and 2006. This Discussion and Analysis is a narrative explanation of the Association's financial condition and operating activities for these years. The overview presented below highlights the significant financial activities that occurred during the past two years and describes changes in financial activity from the prior year. Please read this overview in conjunction with the comparative summaries of net assets and revenues, expenses and changes in net assets and the Association's financial statements which begin on Page 16.

Using these Financial Statements

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*.

There are three financial statements presented: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows.

The Association's net assets are one indicator of the improvement or erosion of its financial health when considered with non-financial facts such as the overall academic and athletic success of the intercollegiate athletic program and the condition of its facilities. This success is evidenced by:

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

- An unprecedented sweep of the national titles for both the Gator football and men's basketball teams led the University of Florida athletics program to sixth-place overall in the 2006-2007 Sports Academy Directors' Cup competition. The national all-sports competition award is presented annually by the National Association of Collegiate Directors of Athletics (NACDA), United States Sports Academy and USA Today. The finish marks Florida's 24th consecutive finish among the nation's top-10 programs. Florida and UCLA are the only schools to finish in the top 10 in national all-sports rankings every year since 1983-1984.
- Florida's sixth place finish in the Director's Cup standings was the highest by any school in the Southeastern Conference (SEC).
- The University of Florida men's basketball team became the first team in 15 years and just the seventh ever to win back-to-back national championships, defeating Ohio State 84-75 in the 2007 title game. Florida finished a school-best 35-5, breaking the 2005-2006 squad's record for wins (33). Florida men's basketball also claimed the 2007 SEC regular season and SEC Tournament titles.
- With its 41-14 victory over Ohio State in the Tostitos BCS National Championship Game, the University of Florida football team won its second national title in school history (1996, 2006). The Gators won their first Southeastern Conference championship since 2000 and seventh in program history with a 38-28 defeat of Arkansas on Dec. 2. Florida finished the season with a 13-1 overall record and was 7-1 in SEC play. The 13 wins established a single-season school record for victories.
- A total of 11 Gator athletic teams finished in the top 10 of their respective sports, including five among the top five. Florida won a league-high six SEC Championships in 2006-2007, to raise its total to 44 since the 1997-1998 academic year, the most by any conference school during the 10-year span. The Gators won the SEC in men's basketball, football, gymnastics, soccer, volleyball and shared the women's tennis title.
- Florida was also successful away from the athletic arena in 2006-2007, as the Gators had 187 SEC Academic Honor Roll accolades. The total ranks as the second-highest in school history.
- In an era when the NCAA estimates that 70 percent of Division I schools are losing money on intercollegiate athletics, the Association has contributed more than \$37.6 million since 1990 to help fund University of Florida academic endeavors.
- Over one million fans attended 153 home events in 2006-2007. Four UF teams ranked among the nation's top 10 in attendance.
- UF student-athletes, partnering with 35 schools, 24 civic organizations and 18 non-profit organizations, participated in Goodwill Gator activities by volunteering more than 2,000 hours of community service in 2006-2007.
- The Association has given nearly \$40 million back to the University of Florida since 1990, including a gift of \$6 million subsequent to June 30, 2007 in support of the Florida Opportunity Scholarship program.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Summary of Net Assets

The Statements of Net Assets present the assets, liabilities and net assets of the Association as of the end of the last two fiscal years. A Statement of Net Assets is a point-in-time financial statement. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the Association. The Statements of Net Assets present end-of-the-year data concerning Assets (what the Association owns and how much is owed to the Association by others), Liabilities (what the Association owes to others and has collected from others before the service has been provided), and Net Assets (Assets minus Liabilities). The statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where revenues are recorded when they are earned and expenses are recognized when they are incurred.

From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the Association. They are able to determine how much the Association owes to vendors and lending institutions. Finally, the Statements of Net Assets provide a picture of the net assets and their availability for expenditure by the Association.

Net Assets are divided into three major categories. The first category, “invested in capital assets, net of related debt”, presents the Association’s equity in property, plant and equipment. The next net asset category is “restricted” net assets. The Association’s restricted net assets have constraints placed upon their use by independent donors. The final category is “unrestricted” net assets. Unrestricted assets are available to the Association for any legal use.

| Condensed Summary of Net Assets (thousands of dollars) | | | | | | | | |
|---|----|----------------------|----------------------|--------------------------------|---------------------------|----------------------|--------------------------------|---------------------------|
| | | 2007-2006 | | | 2006-2005 | | | |
| | | 2007 | 2006 | Increase (decrease) | Percent change | 2005 | Increase (decrease) | Percent change |
| Assets: | | | | | | | | |
| Current assets | \$ | 63,384 | \$ 53,337 | 10,047 | 18.84% | \$ 43,582 | 9,755 | 22.38% |
| Capital assets, net of depreciation | | 138,655 | 130,169 | 8,486 | 6.52% | 125,358 | 4,811 | 3.84% |
| Other assets | | 40,530 | 34,763 | 5,767 | 16.59% | 31,781 | 2,982 | 9.38% |
| Total assets | | <u>242,569</u> | <u>218,269</u> | <u>24,300</u> | <u>11.13%</u> | <u>200,721</u> | <u>17,548</u> | <u>8.74%</u> |
| Liabilities: | | | | | | | | |
| Long-term debt outstanding | | 84,150 | 84,915 | (765) | (0.90)% | 76,410 | 8,505 | 11.13% |
| Other liabilities | | 64,222 | 54,827 | 9,395 | 17.14% | 49,996 | 4,831 | 9.66% |
| Total liabilities | | <u>148,372</u> | <u>139,742</u> | <u>8,630</u> | <u>6.18%</u> | <u>126,406</u> | <u>13,336</u> | <u>10.55%</u> |
| Net assets: | | | | | | | | |
| Invested in capital assets, net of related debt | | 55,131 | 46,628 | 8,503 | 18.24% | 49,464 | (2,836) | (5.73)% |
| Restricted | | 5,896 | 984 | 4,912 | 499.19% | 15 | 969 | 6,460.00% |
| Unrestricted | | 33,170 | 30,915 | 2,255 | 7.29% | 24,836 | 6,079 | 24.48% |
| Total net assets | \$ | <u><u>94,197</u></u> | <u><u>78,527</u></u> | <u><u>15,670</u></u> | <u><u>19.95%</u></u> | <u><u>74,315</u></u> | <u><u>4,212</u></u> | <u><u>5.67%</u></u> |

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Highlights

- Total assets of the Association increased by \$24.3 million in 2007 and by \$17.5 million in 2006.
- In 2007, current assets increased \$10.0 million due to a \$1.7 million increase in cash and cash equivalents, a \$3.9 million increase in short term investments, a \$4.8 million increase in accounts receivable from home football game opponents and rights holders and a \$0.4 million decrease in restricted assets. In 2006, short term investments increased by \$10.7 million, accounts receivable from home football game opponents decreased by \$2.0 million and restricted assets increased by \$1.1 million, for a net increase of \$9.8 million.
- The \$8.5 million increase in capital assets in 2007 is primarily due to the purchase of new video scoreboards in the O'Connell Center and other venues, the completion of the baseball project and the construction of the football front door project. In 2006, capital assets increased \$4.8 million primarily due to the construction in progress on the baseball project.
- Other assets increased by \$5.8 million in 2007 and by \$3.0 million in 2006 due to increases in the value of long term investments.
- In 2007, long term debt outstanding decreased by \$0.8 million due to loan repayments. Long term debt outstanding increased by \$8.5 million in 2006 due to the issuance of \$10.0 million in tax-exempt revenue bonds in September and loan repayments totaling \$1.5 million.
- Other liabilities increased by \$9.4 million in 2007 due to a \$6.1 million increase in advanced football ticket sales and deferred Gator Booster contributions related to the 2007 and future football seasons, a \$1.4 million decrease in other unearned income, a \$4.3 million increase in accounts payable and accrued expenses and a \$0.4 million increase in compensated absences. In 2006, other liabilities increased by \$4.8 million due to a \$1.7 million increase in deferred Gator Booster contributions related to the 2006 football season, a \$2.5 million increase in accounts payable and accrued expenses and a \$0.6 million increase in compensated absences and employee longevity incentives payable.
- Total net assets increased by \$15.7 million in 2007 and by \$4.2 million in 2006. Unrestricted net assets increased by \$2.3 million and \$6.1 million in 2007 and 2006, respectively.
- In 2007, net assets invested in capital assets, net of related debt increased by \$8.5 million due to the payment of \$0.8 million on long term debt, purchases of \$14.9 million in fixed assets, spending of the remaining \$0.7 million of construction trust funds, disposals of \$0.2 million in fixed assets and the expensing of \$6.3 million in depreciation. Net assets invested in capital assets, net of related debt decreased by \$2.8 million in 2006 due to the issuance of \$10.0 million in additional long term debt (less unspent construction trust funds of \$0.7 million), payments of \$1.5 million on long term debt, purchases of \$11.4 million in fixed assets, disposals of \$0.7 million in fixed assets, the capitalizing of \$0.2 million in bond issuance costs and the expensing of \$5.9 million in depreciation.
- Restricted net assets increased by \$4.9 million in 2007 due to the receipt of temporarily restricted contributions for future projects. In 2006, restricted net assets increased by nearly \$1.0 million due to the monthly funding of a debt service interest sinking fund and the receipt of temporarily restricted contributions for future projects.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

Summary of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues and expenses incurred during each year. Revenues and expenses are reported as operating and nonoperating. In general, operating revenues are received for providing goods and services to the Association's various customers and constituencies. Operating expenses are those expenses paid to acquire or produce goods and services provided in return for the operating revenues, and to carry out the mission of the Association. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Nonoperating revenues are revenues received for which goods or services are not provided. The GASB requires that state appropriations, student athletic fees and other revenues which are not payment for services be classified as nonoperating revenues. Because these significant, recurring revenues are budgeted to fund operating expenses, classifying them as nonoperating can cause the reporting of an operating loss. For this reason, the Association believes that income before contributions (which includes nonoperating revenues and expenses) provides the most appropriate measure of its financial results. Nonoperating expenses include interest on capital asset-related debt.

Capital contributions are considered neither operating nor nonoperating and are reported after "Income before contributions". Contributions to the University of Florida include unrestricted gifts for the academic mission of the University, contributions for designated purposes, and costs contributed by the Association for UF projects. Contributions to the University of Florida Foundation are transfers by the Association to the athletic scholarship endowment.

Changes in Total Net Assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. The purpose of the Statements of Revenues, Expenses and Changes in Net Assets is to present the operating and nonoperating revenues received by the Association and the operating and nonoperating expenses paid by the Association, and any other revenues, expenses, gains and losses received or spent by the Association.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

**Condensed Summary of Revenues, Expenses and
Changes in Net Assets (thousands of dollars)**

| | | | 2007-2006 | | 2006-2005 | | | |
|---|-----------|-----------|------------------------|-------------------|-----------|------------------------|-------------------|--|
| | 2007 | 2006 | Increase (decrease) | Percent change | 2005 | Increase (decrease) | Percent change | |
| Operating revenues: | | | | | | | | |
| Football | \$ 49,626 | \$ 44,414 | 5,212 | 11.74% | \$ 41,487 | 2,927 | 7.06% | |
| Men's basketball | 7,963 | 5,964 | 1,999 | 33.52% | 5,629 | 335 | 5.95% | |
| Other sports | 696 | 655 | 41 | 6.26% | 703 | (48) | (6.83)% | |
| Auxiliaries | 15,703 | 11,609 | 4,094 | 35.27% | 9,765 | 1,844 | 18.88% | |
| Camps | 2,899 | 2,176 | 723 | 33.23% | 1,964 | 212 | 10.79% | |
| Other operating revenues | 10,535 | 7,329 | 3,206 | 43.74% | 8,156 | (827) | (10.14)% | |
| Total operating revenues | 87,422 | 72,147 | 15,275 | 21.17% | 67,704 | 4,443 | 6.56% | |
| Nonoperating revenues: | | | | | | | | |
| Student fees | 2,570 | 2,501 | 69 | 2.76% | 2,417 | 84 | 3.48% | |
| Investment income, net | 7,471 | 2,642 | 4,829 | 182.78% | 3,260 | (618) | (18.96)% | |
| Sales taxes retained | 1,234 | 1,002 | 232 | 23.15% | 884 | 118 | 13.35% | |
| Other nonoperating revenues | 452 | 452 | 0 | 0.00% | 452 | 0 | 0.00% | |
| Total nonoperating revenues | 11,727 | 6,597 | 5,130 | 77.76% | 7,013 | (416) | (5.93)% | |
| Total revenues | 99,149 | 78,744 | 20,405 | 25.91% | 74,717 | 4,027 | 5.39% | |
| Operating expenses: | | | | | | | | |
| Team expenses | 34,200 | 26,969 | 7,231 | 26.81% | 27,471 | (502) | (1.83)% | |
| Scholarships and support services | 18,252 | 15,173 | 3,079 | 20.29% | 14,074 | 1,099 | 7.81% | |
| General and administrative | 18,636 | 17,629 | 1,007 | 5.71% | 16,116 | 1,513 | 9.39% | |
| Auxiliaries | 4,807 | 4,414 | 393 | 8.90% | 4,076 | 338 | 8.29% | |
| Camps | 2,901 | 2,145 | 756 | 35.24% | 1,990 | 155 | 7.79% | |
| Depreciation and amortization | 6,302 | 5,858 | 444 | 7.58% | 5,766 | 92 | 1.60% | |
| Total operating expenses | 85,098 | 72,188 | 12,910 | 17.88% | 69,493 | 2,695 | 3.88% | |
| Nonoperating expenses | 2,962 | 2,583 | 379 | 14.67% | 2,213 | 370 | 16.72% | |
| Total expenses | 88,060 | 74,771 | 13,289 | 17.77% | 71,706 | 3,065 | 4.27% | |
| Capital contributions from Gator Boosters and others | 8,631 | 3,646 | 4,985 | 136.73% | 2,638 | 1,008 | 38.21% | |
| Contributions to University of Florida | (3,336) | (3,407) | 71 | (2.08)% | (1,775) | (1,632) | 91.94% | |
| Contributions to University of Florida Foundation | (714) | 0 | (714) | > 100% | 0 | 0 | 0.00% | |
| Increase in net assets | 15,670 | 4,212 | 11,458 | 272.03% | 3,874 | 338 | 8.72% | |
| Net assets, end of year | \$ 94,197 | \$ 78,527 | 15,670 | 19.95% | \$ 74,315 | 4,212 | 5.67% | |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Highlights

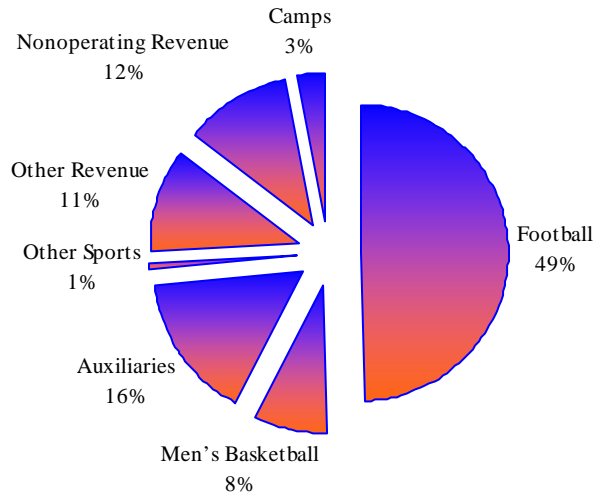
- The Condensed Statements of Revenues, Expenses and Changes in Net Assets present three consecutive years with an increase in Net Assets at the end of each year.
- Football revenues increased by \$5.2 million in 2007 due to the addition of a seventh home game and a ticket price increase. In 2006, football revenues increased by \$2.9 million due to a ticket price increase and a contribution increase for the existing luxury seating areas.
- Men's basketball revenue increased by \$2.0 million in 2007 due to a ticket price increase, creation of court side seating and additional contributions due to a new Gator Booster club level system for men's basketball.
- Auxiliaries revenue increased in 2007 by \$4.1 million due to a \$2.6 million increase in licensing, a \$0.8 million increase sportshop revenue, and a \$0.7 million increase in TV and radio rights fee revenues. Most of these increases were due to the football and men's basketball National Championships. In 2006, auxiliaries revenue increased by \$1.9 million due to increases in licensing, sportshop, golf course, TV and radio rights revenues.
- In 2007, other operating revenues increased by \$3.2 million as result of increased sponsorships and royalty revenue associated with the 100th anniversary of Florida football and concessions revenue from the additional home football game.
- Investment income increased in 2007 by \$4.8 million and decreased in 2006 \$0.6 million due to investment performance fluctuations.
- In both 2007 and 2006, sales taxes retained increased due to increases in home game ticket revenue and the local tax rate.
- In 2007, operating expenses increased by \$12.9 million. The \$7.2 million increase in team expenses was primarily attributable to increased salary costs for football and men's basketball, BCS football bowl expenses, costs associated with the baseball and women's basketball transitions and the hosting of various NCAA championship events. Support expenses increased by \$3.1 million due to the expenses associated with the 100th anniversary of Florida football and the cost for national championship celebrations for football and men's basketball. General and administrative increased by \$1.0 million due to administrative bonus' and related pension and payroll taxes.
- Operating expenses increased by \$2.7 million in 2006. Scholarship expenses increased primarily due to in-state and out-of-state tuition increases. Administrative and support expenses increased due to increases in utility costs and budgeted salary increases and the related pension and payroll taxes.

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(Continued)

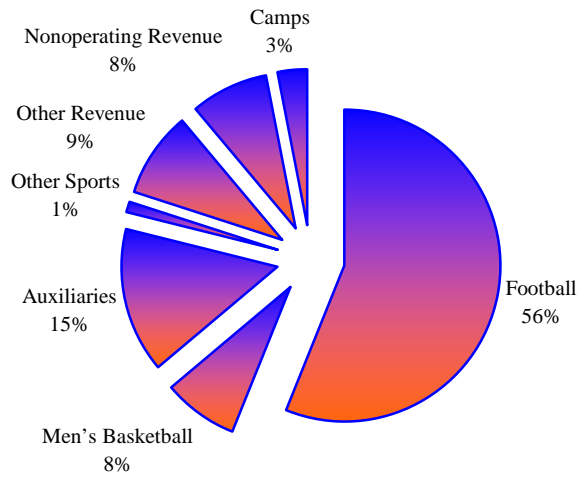
- Capital contributions are major gifts designated by the donors for facility construction, renovations and equipment purchases. Capital contributions in 2007 totaled \$8.6 million and included \$4.9 million for the football entrance project, \$1.4 million designated for the baseball project, \$1.0 million for the naming of the softball stadium, \$0.5 million for the naming of the football stadium Champions club, \$0.2 million for the naming of the golf course and other gifts totaling \$0.6 million. In 2006, capital contributions of \$3.6 million included \$1.4 million for the naming of the football stadium Champions club, \$0.4 million designated for the baseball project, \$0.4 million for a future team locker room at the golf course, \$0.3 million for naming of the football support facility at the practice field, \$0.3 million designated for the football practice field turf project, \$0.2 million for the future football entrance project, \$0.2 million for the naming of the golf course, \$0.2 million for the basketball practice facility and other gifts totaling \$0.2 million.
- Contributions to the University of Florida (UF) include unrestricted gifts for the academic mission of the University, contributions for designated purposes, and costs incurred by the Association for UF projects. Total contributions were \$3.3 million in 2007 and \$3.4 million in 2006. See Note 9 in the Notes to the Financial Statements for further details on contributions to UF.
- Contribution to the University of Florida Foundation (UFF) consisted of transfers by the Association to the athletic endowment fund as part of the 100 year celebration and men's basketball National Championship.

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REVENUE 2006-2007

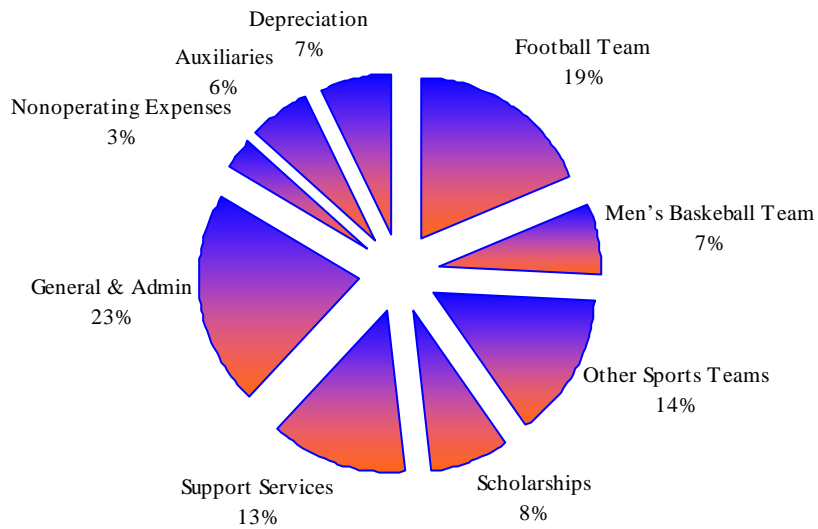


REVENUE 2005-2006

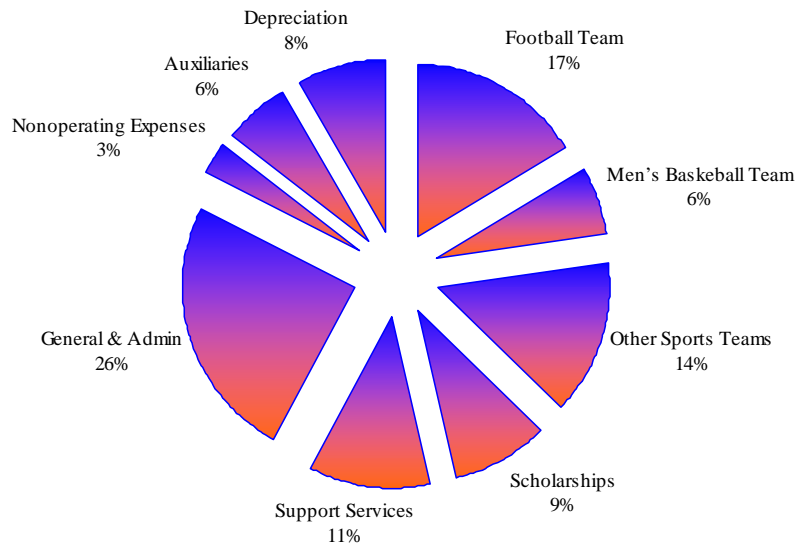


**THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
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EXPENSES 2006-2007



EXPENSES 2005-2006



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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Statement of Cash Flows

The final statements presented include Statements of Cash Flows. The primary purpose of the Statements of Cash Flows is to provide relevant information about the cash receipts and cash payments of the Association during the years shown. The statements classify cash receipts and cash payments as they result from operating, noncapital financing, capital and related financing, or investing activities. The first section, cash flows from operating activities, presents the cash effects of transactions and other events that enter into the determination of the Association's operating income. The second section, cash flows from noncapital financing activities, shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes and includes contributions to and from UF and the State of Florida. The next section, cash flows from capital and related financing activities, provides information about cash used for the acquisition and construction of capital and related items and cash received from contributions specifically designated for capital purposes. The fourth section, cash flows from investing activities, details the purchases, proceeds and interest received from investing activities. The final section reconciles the net cash provided (used) by operating activities to the operating income reflected on the Statements of Revenues, Expenses, and Changes in Net Assets.

| Condensed Summary of Cash Flows (thousands of dollars) | | | | | | | | |
|---|----|------------------|-----------------|--------------------------------|---------------------------|-----------------|--------------------------------|---------------------------|
| | | 2007-2006 | | 2006-2005 | | | | |
| | | 2007 | 2006 | Increase (decrease) | Percent change | 2005 | Increase (decrease) | Percent change |
| Cash flows from: | | | | | | | | |
| Operating activities | \$ | 12,850 | \$ 11,095 | 1,755 | 15.82% | \$ 1,877 | 9,218 | 491.10% |
| Noncapital financing activities | | 303 | 1,949 | (1,646) | (84.45)% | 2,031 | (82) | (4.04)% |
| Capital & related financing activities | | (9,936) | (1,839) | (8,097) | 440.29% | (6,938) | 5,099 | (73.49)% |
| Investing activities | | (1,545) | (11,552) | 10,007 | (86.63)% | (5,593) | (5,959) | 106.54% |
| Net change in cash and cash equivalents | | <u>1,672</u> | <u>(347)</u> | <u>2,019</u> | <u>(581.84)%</u> | <u>(8,623)</u> | <u>8,276</u> | <u>(95.98)%</u> |
| Cash and cash equivalents, end of year | \$ | <u>5,705</u> | <u>\$ 4,033</u> | <u>1,672</u> | <u>41.46%</u> | <u>\$ 4,380</u> | <u>(347)</u> | <u>(7.92)%</u> |

Highlights

- Cash flows from operating activities increased by \$1.8 million in 2007 due to increased cash receipts from royalties, right and sponsors and cash receipts from ticket holders. In 2006, cash flows from operating activities increased by \$9.2 million due to increased cash contributions from Gator Boosters and cash receipts from ticket holders.
- Cash provided by noncapital financing activities decreased by \$1.6 million in 2007 and by \$82 thousand in 2006 due to increased cash contributed to the University of Florida.
- In 2007, cash used in capital and related financing activities increased by \$8.1 million due to the completion of the baseball project. Cash used in capital and related financing activities increased by \$5.1 million in 2006 due to the issuance of additional capital debt and the purchase of capital assets.
- Cash used in investing activities decreased by \$10.0 million in 2007 due to increased cash receipts from the sale and maturities of investment securities. In 2006, cash used in investing activities

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

decreased by \$6.0 million due to increased cash payments for the purchases of investment securities.

Capital Asset and Debt Administration

A major renovation and expansion of the west side of Ben Hill Griffin Stadium was completed in August, 2003. The project was started in May, 2001. The expansion included a new club level, the Champions Club, and additional suites as well as expanded and renovated Bull Gator, Press and President's decks. The total cost of the football stadium expansion was approximately \$55.0 million of which \$5.0 million is being funded from private contributions and \$50.0 million from the 2001 bond issue.

In October, 2001, the Association issued \$57.4 million in tax-exempt revenue bonds. Proceeds of the bond issue were used to retire the outstanding 1994 Capital Improvement Revenue bonds and to pay costs associated with bond issuance and to fund a portion of the new basketball facility. The remaining proceeds were used for the football stadium expansion. In 2003, revenue from the pre-sold Champions Club level and additional suites was \$5.5 million per year, which exceeded the estimated debt service on the 2001 bonds. A total of \$54.5 million and \$55.3 million was outstanding at June 30, 2007 and 2006, respectively.

In September, 2005, the Association issued \$10.0 million in tax-exempt revenue bonds. Proceeds were used to finance the construction of improvements and the expansion of McKethan Stadium at Perry Field, the construction of a new football equipment storage facility/restroom/training room and renovation and improvements to the Lemerand Athletic Center. The total issue of \$10.0 million was outstanding at June 30, 2007 and 2006.

The 1990 tax-exempt revenue bonds remain outstanding (\$19.6 million at June 30, 2007 and 2006). The Association's total long term debt as of June 30, 2007 and 2006, was \$84.2 million and \$84.9 million, respectively.

All bonds are secured by the gross revenues of the Association and backed by an irrevocable letter of credit as collateral for their payment. The bond covenants include minimum requirements for net revenues and liquidity. These requirements were met in 2007 and 2006.

For additional information on Capital Assets and Long Term Obligations, see Notes 5 and 6 in the Notes to the Financial Statements.

Economic Outlook

The Association continues to be in excellent financial condition as a result of a supportive fan base and successful Gator Booster organization. Operating revenues are expected to increase in fiscal 2007-2008 due to ticket price increases in football and men's basketball, an increase in the football Gator Booster club level and per seat contributions and the Association's ability to capitalize on the National Championship's in football and men's basketball. The revenue increases will allow the Association to continue to operate its programs at the highest level, focusing on student athletes, teams, coaches and staff and maintaining facilities of the highest quality.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007 AND 2006
(Continued)

New Women's Sport

The Association's Board of Directors approved the addition of women's lacrosse at their June 14, 2006 meeting. The head coach was hired in June of 2007. The lacrosse timeline includes the completion of facilities in the 2008-2009 fiscal year and competition in the 2009-2010 fiscal year.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the University Athletic Association, Inc.'s finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Business Office at Ben Hill Griffin Stadium, Gainesville, Florida:

The University Athletic Association, Inc.
Attn: Assistant Athletics Director/Controller
PO Box 14485
Gainesville, FL 32604-2485
(352) 375-4683

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

| <u>ASSETS</u> | <u>2007</u> | <u>2006</u> |
|---|---------------|---------------|
| Current assets | | |
| Cash and cash equivalents | \$ 5,304,240 | \$ 3,638,674 |
| Short-term investments | 41,821,109 | 37,901,470 |
| Accounts receivable, net | 11,619,311 | 6,767,880 |
| Inventories | 884,864 | 1,011,343 |
| Prepaid expenses and other current assets | 3,353,860 | 2,911,871 |
| Restricted cash and cash equivalents | 400,724 | 394,394 |
| Restricted short-term investments | - | 711,079 |
| Total current assets | 63,384,108 | 53,336,711 |
| Noncurrent assets | | |
| Assets held by the University of Florida Foundation, Inc. | 108 | 21,221 |
| Investments | 39,942,393 | 34,056,060 |
| Unamortized bond costs | 551,937 | 595,951 |
| Other assets | 35,000 | 90,000 |
| Capital assets, net of accumulated depreciation | 138,655,071 | 130,168,768 |
| Total noncurrent assets | 179,184,509 | 164,932,000 |
| Total assets | 242,568,617 | 218,268,711 |
| <u>LIABILITIES</u> | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 14,373,454 | 10,110,840 |
| Accrued compensated absences - current portion | 180,000 | 175,000 |
| Long-term debt – current portion | 735,000 | 765,000 |
| Deferred revenues – current portion | 46,373,971 | 41,865,680 |
| Agency funds payable | 154,090 | 119,168 |
| Total current liabilities | 61,816,515 | 53,035,688 |
| Noncurrent liabilities | | |
| Longevity incentive payable | 549,571 | 596,903 |
| Accrued compensated absences, less current portion | 2,082,146 | 1,772,089 |
| Deferred revenues, less current portion | 508,872 | 187,340 |
| Long-term debt, less current portion | 83,415,000 | 84,150,000 |
| Total noncurrent liabilities | 86,555,589 | 86,706,332 |
| Total liabilities | 148,372,104 | 139,742,020 |
| <u>NET ASSETS</u> | | |
| Net assets | | |
| Invested in capital assets, net of related debt | 55,131,272 | 46,627,945 |
| Restricted for: | | |
| Capital projects | 5,495,216 | 574,536 |
| Debt service | 400,724 | 394,394 |
| Other purposes | - | 14,727 |
| | 5,895,940 | 983,657 |
| Unrestricted | 33,169,301 | 30,915,089 |
| Total net assets | \$ 94,196,513 | \$ 78,526,691 |

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

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

| | 2007 | 2006 |
|--|---------------|---------------|
| Operating revenues | | |
| Football | \$ 49,625,829 | \$ 44,414,059 |
| Men's basketball | 7,963,107 | 5,963,584 |
| Other sports | 695,637 | 655,146 |
| Auxiliaries | 15,703,451 | 11,609,096 |
| Camps | 2,898,878 | 2,176,014 |
| Sponsorships and other | 10,535,415 | 7,328,726 |
| Total operating revenues | 87,422,317 | 72,146,625 |
| Operating expenses | | |
| Football team expenses | 15,455,680 | 12,037,217 |
| Men's basketball team expenses | 6,526,327 | 4,787,528 |
| Other sports team expenses | 12,218,548 | 10,144,190 |
| Scholarships | 7,298,944 | 6,913,881 |
| Support services | 10,952,810 | 8,259,190 |
| General and administrative | 18,635,714 | 17,629,280 |
| Auxiliaries | 4,806,805 | 4,413,983 |
| Camps | 2,901,608 | 2,144,743 |
| Depreciation and amortization | 6,302,416 | 5,858,002 |
| Total operating expenses | 85,098,852 | 72,188,014 |
| Operating income (loss) | 2,323,465 | (41,389) |
| Nonoperating revenues (expenses) | | |
| Student fees | 2,570,113 | 2,501,292 |
| Investment income, net | 7,471,259 | 2,641,710 |
| Sales taxes retained | 1,234,152 | 1,002,261 |
| Interest on capital asset related debt | (2,961,858) | (2,583,111) |
| Other nonoperating revenues | 451,805 | 451,805 |
| Total nonoperating revenues (expenses) | 8,765,471 | 4,013,957 |
| Income before contributions | 11,088,936 | 3,972,568 |
| Capital contributions from Gator Boosters, Inc. and others | 8,631,358 | 3,646,120 |
| Contributions to the University of Florida | (3,336,018) | (3,406,649) |
| Contributions to the University of Florida Foundation, Inc. | (714,454) | - |
| Increase in net assets | 15,669,822 | 4,212,039 |
| Net assets, beginning of year | 78,526,691 | 74,314,652 |
| Net assets, end of year | \$ 94,196,513 | \$ 78,526,691 |

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

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Contributions from Gator Boosters, Inc. | \$ 25,695,945 | \$ 25,638,282 |
| Receipts from ticket holders and others | 30,828,215 | 25,851,315 |
| Receipts from the Southeastern Conference and NCAA | 13,461,493 | 11,429,574 |
| Receipts from rights, royalties, and sponsors | 15,100,252 | 11,071,974 |
| Other receipts | 295,697 | 174,617 |
| Payments to suppliers and others | (31,925,439) | (31,579,432) |
| Payments to employees | (33,071,881) | (24,653,175) |
| Payments for scholarships | (7,534,651) | (6,837,714) |
| Net cash provided by operating activities | <u>12,849,631</u> | <u>11,095,441</u> |
| Cash flows from noncapital financing activities | | |
| Statutory distributions from the University of Florida and the State of Florida | 4,256,070 | 3,955,358 |
| Contributions to the University of Florida | (3,238,307) | (2,006,345) |
| Contributions to the University of Florida Foundation, Inc. | (714,454) | - |
| Net cash provided by noncapital financing activities | <u>303,309</u> | <u>1,949,013</u> |
| Cash flows from capital and related financing activities | | |
| Purchase of capital assets | (14,854,374) | (11,254,428) |
| Proceeds from capital debt | - | 10,000,000 |
| Capital contributions from Gator Boosters, Inc. | 8,545,458 | 3,646,120 |
| Capital contributions from others | 140,900 | 60,000 |
| Principal paid on bonds | (765,000) | (1,495,000) |
| Interest paid on bonds | (2,974,500) | (2,604,236) |
| Prepaid bond remarketing fee | (35,588) | (73,500) |
| Bond cost of issuance | - | (137,045) |
| Proceeds from sale of capital assets | 6,800 | 18,764 |
| Net cash used in capital and related financing activities | <u>(9,936,304)</u> | <u>(1,839,325)</u> |
| Cash flows from investing activities | | |
| Purchases of investment securities | (70,174,302) | (60,416,158) |
| Proceeds from sale and maturities of investment securities | 65,172,777 | 46,896,638 |
| Interest and dividends received | 3,456,785 | 1,967,560 |
| Net cash used in investing activities | <u>(1,544,740)</u> | <u>(11,551,960)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>1,671,896</u> | <u>(346,831)</u> |
| Cash and cash equivalents, beginning of year | 4,033,068 | 4,379,899 |
| Cash and cash equivalents, end of year | <u>\$ 5,704,964</u> | <u>\$ 4,033,068</u> |

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

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Continued)

| | 2007 | 2006 |
|---|---------------|---------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities | | |
| Operating income (loss) | \$ 2,323,465 | \$ (41,389) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,302,416 | 5,858,002 |
| Loss on disposal of capital assets | 144,807 | 704,927 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (4,856,630) | 2,015,319 |
| Inventories | 126,479 | (335,339) |
| Prepaid expenses and other current assets | (434,871) | (308,375) |
| Assets held by the University of Florida Foundation, Inc. | 21,113 | - |
| Accounts payable and accrued expenses | 4,135,391 | 781,852 |
| Accrued compensated absences | 315,057 | 261,406 |
| Deferred revenues | 4,829,823 | 1,707,870 |
| Agency funds payable | 34,922 | 119,168 |
| Longevity incentive payable | (92,341) | 332,000 |
| Net cash provided by operating activities | \$ 12,849,631 | \$ 11,095,441 |
| Supplemental disclosure of noncash activity | | |
| Decrease in investments and longevity incentive payable to reflect earnings on employee directed incentive balances | \$ 70,009 | \$ 16,209 |
| Cash and cash equivalents are presented on the Statements of Net Assets as: | | |
| Cash and cash equivalents | \$ 5,304,240 | \$ 3,638,674 |
| Restricted cash and cash equivalents | 400,724 | 394,394 |
| | \$ 5,704,964 | \$ 4,033,068 |

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

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(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**—The financial statements of the Association have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Association follows all pronouncements of the Governmental Accounting Standards Board (GASB), and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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. As required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, capital contributions from Gator Boosters and others and contributions to the University of Florida and University of Florida Foundation are not considered operating revenues or expenses and are reported after nonoperating revenues and expenses in the accompanying statements of revenues, expenses, and changes in net assets.

(c) **Cash and cash equivalents**—Cash and cash equivalents include cash in banks and money market funds available for immediate use.

(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 Gator Sportshop, golf course pro shop and snack bar. Inventory items at the Gator Sportshop and 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.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

(f) **Capital assets**—Capital assets purchased with an original cost of \$500 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally 5 years for permanent equipment and 10 to 15 years for capital improvements, except for improvements to buildings which range from 50 to 60 years). Costs to maintain or repair these assets are expensed as incurred.

(g) **Assets held by the University of Florida Foundation, Inc.**—Assets held by the University of Florida Foundation, Inc. (the Foundation) consist of pooled investments and real estate. Substantially all investments are stated at fair value.

(h) **Agency funds**—The Association acts as an agent for the control and distribution of cash from the sale of Gator Growl tickets for the University of Florida. Such amounts are not included in the statements of revenues, expenses and changes in net assets.

(i) **Unamortized bond costs**—Unamortized bond costs consist of prepaid bond issuance and remarketing costs. These costs are being amortized utilizing the straight-line method over the term of the bonds or the length of the remarketing period.

(j) **Accrued compensated absences**—Eligible employees are entitled to vacation and sick leave with pay. Employees are not limited in the amount of annual and sick leave accrued during the fiscal year. For annual leave, however, only a maximum of 352 hours can be carried forward from one fiscal year to the next or paid upon termination provided the employee has completed six months of continuous service. Any amounts accrued over the maximums convert to sick leave at the end of the year on an hour for hour basis. Additionally, sick leave amounts paid upon termination are limited to the lesser of 480 hours or 1/4 of the employee's sick leave balances for those employees who have completed ten years of continuous service. Vacation pay and sick leave payments are expensed as earned by the employee.

(k) **Deferred revenues**—Current deferred revenues consist of advance sales of football tickets, related scholarship contributions, and miscellaneous other unearned fees received. The deferred items are recognized as revenue when the related football games are played, when the related scholarship expenses are incurred, and when the service is performed or event occurs for which miscellaneous fees were received.

Additionally, deferred revenues included in other liabilities consist of booster prepayments and advance sponsorship payments. The sponsorship amounts are recognized over the life of the agreements, while the booster prepayments will be recognized in the applicable sports season.

(l) **Longevity incentive payable**—These balances represent amounts due to various coaches and employees as specified in their employment contracts. Such amounts are accrued based upon schedules included in the respective employment contracts. In some circumstances, the coach or employee's employment contract may require the Association to make specified deposits into an employee directed investment account until such time as the coach or employee has reached the stay period specified in their contract. These investment balances would transfer to the coach or employee at the end of the stay period and are included in investments in the accompanying statements of net assets. In other circumstances, the Association is obligated to pay certain amounts to the coach or employee which are not paid until the end of the stay period. The Association accrues for these amounts ratably over the contract period. No payments are made to the coach or employee until they have reached the stay period specified in their contract.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

(m) **Net assets**—Net assets are classified and displayed in three components:

- Invested in capital assets, net of related debt – 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.
- Unrestricted – consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

(n) **Restricted net assets**—Restricted net assets consist of capital contributions received for specific future capital projects, funds held by the bond trustee for payments on the bonds, and other funds which have been restricted as to their use by donors.

(o) **Functional allocation of expenses**—The costs of providing various programs and other activities have been summarized by program in the accompanying statements of revenues, expenses, and changes in net assets. However, certain costs categorized as Support Services and General and Administrative are not specifically identifiable with men’s and women’s programs and are not allocated. As a result, no distinction between men’s and women’s programs has been made within these expense classifications.

(p) **Sales taxes retained**—In accordance with Chapter 1006, Section 71 of the Florida Statutes, the Association retains an amount equal to sales taxes collected from ticket sales to athletic events for use in the support of women’s athletic programs.

(q) **Income taxes**—The Association is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

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

(s) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2006 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net assets.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(2) **Cash and Investments:**

A. 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, 2007 and 2006, were as follows:

| | 2007 | 2006 |
|---|--------------|--------------|
| Money market funds | \$ 5,507,212 | \$ 3,469,048 |
| Cash in bank demand accounts | (2,261,886) | (2,751,643) |
| Cash held at the University of Florida | 1,988,514 | 2,870,869 |
| Cash on hand | 70,400 | 50,400 |
| Restricted cash in bank demand accounts | 400,724 | 394,394 |
| Cash and cash equivalents | \$ 5,704,964 | \$ 4,033,068 |

Cash in bank demand accounts is held in a regional and a national bank. Bank account balances for these bank demand accounts as of June 30, 2007 and 2006, were \$1,363,902 and \$679,029, respectively. Deposits are uncollateralized and are insured up to \$100,000 by the Federal Deposit Insurance Corporation. 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.

B. Investments:

The Association follows the provisions of GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that government entities report investments at fair value, except that money market investments that have a remaining maturity at the time of purchase of one year or less, may be 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. For purposes of GASB Statement No. 31, 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 mutual funds and investment accounts with the State of Florida Division of Treasury and State Board of Administration and are reported at fair value. Other investments include mutual funds and commingled funds 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 organization may require the sale or retention of investment balances which differ from the classifications reflected in the accompanying statements of net assets.

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 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 and Fixed Income.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

As of June 30, 2007 and 2006, the Association had the following investments:

| | 2007 | 2006 |
|---|---------------|---------------|
| Short term investments: | | |
| External Investment Pools: | | |
| Florida State Treasury Special Purpose Investment Account | \$ 40,089,723 | \$ 37,901,470 |
| Investment Pool Florida State Board of Administration | 1,731,386 | - |
| Subtotal | 41,821,109 | 37,901,470 |
| Restricted short term investments: | | |
| Florida State Treasury Special Purpose Investment Account | - | 711,079 |
| Investments: | | |
| Domestic equity mutual funds and commingled funds | 21,255,293 | 18,073,000 |
| International equity mutual funds | 9,569,375 | 7,221,762 |
| Debt securities mutual fund | 8,761,154 | 8,326,395 |
| Employee directed investments | 356,571 | 434,903 |
| Subtotal | 39,942,393 | 34,056,060 |
| Total investments | \$ 81,763,502 | \$ 72,668,609 |

The Association's short term investments include pooled investments with the State of Florida Treasury Investment Pool and the Florida State Board of Administration Investment Pool.

The Association's investment in the State Treasury Special Purpose Investment Account (SPIA) represents ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years and 2.72 years at June 30, 2007 and 2006, respectively. The Association relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

The Local Government Investment Pool is administered by State Board of Administration (SBA) pursuant to Section 218.405, of the Florida Statutes and is a Securities and Exchange Commission Rule 2a-7 like external investment pool, similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk and foreign currency risk. The investment pool was not rated nationally by a recognized statistical rating agency as of June 30, 2007. The June 30, 2007 weighted average days to maturity were 26.

Disclosures for the SPIA and SBA investment pools are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The Association's long term investments include an investment in a bond mutual fund, the PIMCO Total Return Fund Institutional Class. As of June 30, 2007 and 2006, this fund was unrated, however, the underlying investments in this fund had an average credit quality rating of AA+ and AAA, respectively, and a weighted average duration to maturity of 5.07 and 5.3 years, respectively. Long term investments also include employee directed investments. Several coaches have a longevity plan built into their employment contract, whereby a specified amount is deposited into an investment account of their choice.

The Association does not have a policy for credit risk or interest rate risk associated with its investments.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

C. Restricted Assets:

The Association's restricted assets include cash and cash equivalents held for the payment of accrued interest on the 1990, 2001 and 2005 series bonds, which is due in October. Additionally, in 2006, restricted assets included the 2005 bond construction trust fund. Those funds were held in a short term investment account with the State of Florida Division of Treasury. Restricted assets were included in both the cash and cash equivalents and short term investments schedules, as applicable.

(3) **Accounts Receivable:**

Accounts receivable at June 30, 2007 and 2006, consist of the following:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|----------------------|---------------------|
| Ticket accounts receivable | \$ 2,060,750 | \$ 220,482 |
| Gator Boosters, Inc. | 6,634,267 | 5,096,832 |
| SEC and NCAA | 77,485 | 57,592 |
| Royalties and sponsorships | 371,641 | 1,258,460 |
| Other receivables | <u>2,542,955</u> | <u>200,226</u> |
| Total accounts receivable | 11,687,098 | 6,833,592 |
| Less allowance for doubtful accounts | <u>(67,787)</u> | <u>(65,712)</u> |
| Total accounts receivable, net | <u>\$ 11,619,311</u> | <u>\$ 6,767,880</u> |

(4) **Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses consist of the following at June 30, 2007 and 2006:

| | <u>2007</u> | <u>2006</u> |
|---|----------------------|----------------------|
| Vendors | \$ 9,008,992 | \$ 5,610,313 |
| Salaries and benefits | 4,475,054 | 3,527,417 |
| Accrued interest | 687,462 | 683,157 |
| Gator Boosters, Inc. | 172,565 | 256,913 |
| Other | <u>29,381</u> | <u>33,040</u> |
| Total accounts payable and accrued expenses | <u>\$ 14,373,454</u> | <u>\$ 10,110,840</u> |

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(5) **Capital Assets:**

Capital asset activity for the year ended June 30, 2007, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 567,039 | \$ - | \$ - | \$ 567,039 |
| Construction in progress | <u>10,542,875</u> | <u>9,544,771</u> | <u>(12,688,313)</u> | <u>7,399,333</u> |
| Total capital assets not being depreciated | <u>11,109,914</u> | <u>9,544,771</u> | <u>(12,688,313)</u> | <u>7,966,372</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 5,843,381 | - | - | 5,843,381 |
| Furniture and equipment | 19,022,612 | 1,001,276 | (124,585) | 19,899,303 |
| Leasehold improvements | <u>136,966,606</u> | <u>17,083,204</u> | <u>(772,667)</u> | <u>153,277,143</u> |
| Total capital assets being depreciated | <u>161,832,599</u> | <u>18,084,480</u> | <u>(897,252)</u> | <u>179,019,827</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,856,667 | 233,616 | - | 2,090,283 |
| Furniture and equipment | 10,117,968 | 1,554,852 | (117,906) | 11,554,914 |
| Leasehold improvements | <u>30,799,110</u> | <u>4,513,948</u> | <u>(627,127)</u> | <u>34,685,931</u> |
| Total accumulated depreciation | <u>42,773,745</u> | <u>6,302,416</u> | <u>(745,033)</u> | <u>48,331,128</u> |
| Total capital assets being depreciated, net | 119,058,854 | 11,782,064 | (152,219) | 130,688,699 |
| Capital assets, net | <u>\$130,168,768</u> | <u>\$ 21,326,835</u> | <u>\$ (12,840,532)</u> | <u>\$138,655,071</u> |

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(5) **Capital Assets:** (Continued)

Capital asset activity for the year ended June 30, 2006, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|-----------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 567,039 | \$ - | \$ - | \$ 567,039 |
| Construction in progress | 1,536,640 | 10,228,670 | (1,222,435) | 10,542,875 |
| Total capital assets not being depreciated | <u>2,103,679</u> | <u>10,228,670</u> | <u>(1,222,435)</u> | <u>11,109,914</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 5,843,381 | - | - | 5,843,381 |
| Furniture and equipment | 21,075,394 | 1,066,312 | (3,119,094) | 19,022,612 |
| Leasehold improvements | 137,224,703 | 1,340,073 | (1,598,170) | 136,966,606 |
| Total capital assets being depreciated | <u>164,143,478</u> | <u>2,406,385</u> | <u>(4,717,264)</u> | <u>161,832,599</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,623,051 | 233,616 | - | 1,856,667 |
| Furniture and equipment | 11,631,766 | 1,580,394 | (3,094,192) | 10,117,968 |
| Leasehold improvements | 27,634,265 | 4,043,992 | (879,147) | 30,799,110 |
| Total accumulated depreciation | <u>40,889,082</u> | <u>5,858,002</u> | <u>(3,973,339)</u> | <u>42,773,745</u> |
| Total capital assets being depreciated, net | 123,254,396 | (3,451,617) | (743,925) | 119,058,854 |
| Capital assets, net | <u>\$125,358,075</u> | <u>\$ 6,777,053</u> | <u>\$ (1,966,360)</u> | <u>\$130,168,768</u> |

At June 30, 2007, the Association has commitments to provide for additional capital improvement projects approximating \$24,866,000.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) Long-Term Obligations:

The change in long-term obligations for the year ended June 30, 2007, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------|------------------------------|---------------------|------------------------|---------------------------|--|
| Accrued compensated absences | \$ 1,947,089 | \$ 807,343 | \$ (492,286) | \$ 2,262,146 | \$ 180,000 |
| Longevity incentive payable | 721,903 | 401,009 | (423,341) | 699,571 | 150,000 |
| Deferred revenues | 42,053,020 | 46,878,572 | (42,048,749) | 46,882,843 | 46,373,971 |
| Long-term debt | 84,915,000 | - | (765,000) | 84,150,000 | 735,000 |
| Total long-term liabilities | <u>\$129,637,012</u> | <u>\$48,086,924</u> | <u>\$ (43,729,376)</u> | <u>\$133,994,560</u> | <u>\$ 47,438,971</u> |

The change in long-term obligations for the year ended June 30, 2006, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------|------------------------------|---------------------|------------------------|---------------------------|--|
| Accrued compensated absences | \$ 1,685,683 | \$ 608,731 | \$ (347,325) | \$ 1,947,089 | \$ 175,000 |
| Longevity incentive payable | 373,694 | 521,209 | (173,000) | 721,903 | 125,000 |
| Deferred revenues | 40,345,150 | 41,865,680 | (40,157,810) | 42,053,020 | 41,865,680 |
| Long-term debt | 76,410,000 | 10,000,000 | (1,495,000) | 84,915,000 | 765,000 |
| Total long-term liabilities | <u>\$118,814,527</u> | <u>\$52,995,620</u> | <u>\$ (42,173,135)</u> | <u>\$129,637,012</u> | <u>\$ 42,930,680</u> |

A. Long-term Debt

In February 1990, the Association issued \$10,715,000 in tax-exempt revenue bonds. Proceeds of \$10,559,000 were used to retire the outstanding 1982 and 1985 Stadium Revenue Bonds and pay accrued interest and costs associated with issuance. In December 1990, the Association issued an additional \$17,300,000 in tax-exempt revenue bonds. Proceeds of the December 1990 issue were used to finance the construction cost of the North End Zone, and pay accrued interest and costs associated with issuance. Initially, the 1990 Bonds bore an interest at the Daily Rate.

In August 1994, an additional \$5,000,000 in tax-exempt revenue bonds was issued by the Association. Proceeds of the 1994 issuance were used to finance the construction of a volleyball practice gymnasium and to renovate the athletic field house. Both the 1990 and 1994 Series bonds were scheduled to mature in the year 2020 and were secured by the gross revenues of the Association.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) **Long-Term Obligations:** (Continued)

In October 2001, the Association issued \$57,400,000 in tax-exempt revenue bonds. Proceeds of \$4,688,193 were used to retire the outstanding 1994 Capital Improvement Revenue Bonds and pay costs associated with issuance. The remaining proceeds are being used to finance the construction cost of the Basketball Practice Facility and the expansion of Ben Hill Griffin, Jr. Stadium. Construction of the Basketball Practice Facility was completed in 2002 and construction on the stadium was completed in 2004. The 2001 Series Athletic Program Revenue Bonds mature in the year 2031 and initially bore an interest at the Multiannual Rate.

In September 2005, the Association issued \$10,000,000 in tax-exempt revenue bonds. Proceeds were used to finance the construction of improvements and the expansion of McKethan Stadium at Perry Field, the construction of a new football equipment storage facility/restroom/training room and the renovation and improvements to the Lemerand Athletic Center (collectively, the "2005 Project"). Construction on the 2005 Project was completed in October, 2006. Initially, the 2005 Bonds bear interest at the Multiannual Rate.

Also in September 2005, the Association redeemed \$800,000 of the Series 1990 Capital Improvement Revenue Bonds and converted all the remaining, outstanding 1990 Bonds (\$19,600,000) to bear interest at the Multiannual Rate.

In October 2005, the Association converted a portion (\$11,705,000) of the 2001 Bonds to the Daily Rate (as specified by the remarketing agent).

At June 30, 2007 and 2006, the 1990 Bonds bear interest based upon the following schedule:

| June 30, 2007 | | | June 30, 2006 | | |
|-------------------------------|------------------|--------------------------|-------------------------------|------------------|--------------------------|
| Outstanding Amount | Term | Interest Rate | Outstanding Amount | Term | Interest Rate |
| \$ 9,600,000 | 9/1/05 – 10/1/09 | 3.40% | \$ 9,600,000 | 9/1/05 – 10/1/09 | 3.40% |
| <u>10,000,000</u> | 9/1/05 – 10/1/10 | 3.50% | <u>10,000,000</u> | 9/1/05 – 10/1/10 | 3.50% |
| <u>\$ 19,600,000</u> | | | <u>\$ 19,600,000</u> | | |

At June 30, 2007 and 2006, the 2001 Bonds bear interest based upon the following schedule:

| June 30, 2007 | | | June 30, 2006 | | |
|-------------------------------|--------------------|--------------------------|-------------------------------|-------------------|--------------------------|
| Outstanding Amount | Term | Interest Rate | Outstanding Amount | Term | Interest Rate |
| \$ 11,705,000 | Daily Rate | Variable | \$ 11,705,000 | Daily Rate | Variable |
| 14,335,000 | 10/1/03 – 10/1/08 | 2.80% | 14,335,000 | 10/1/03 – 10/1/08 | 2.80% |
| 14,275,000 | 10/1/04 – 10/1/09 | 3.00% | 14,275,000 | 10/1/04 – 10/1/09 | 3.00% |
| <u>14,235,000</u> | 10/1/06 – 10/1/011 | 3.80% | <u>15,000,000</u> | 10/1/01 – 10/1/06 | 3.50% |
| <u>\$ 54,550,000</u> | | | <u>\$ 55,315,000</u> | | |

The Daily Rate at June 30, 2007 and 2006 was 3.9% and 4.05%, respectively.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) **Long-Term Obligations:** (Continued)

At June 30, 2007 and 2006, the 2005 Bonds bear interest based upon the following schedule:

| June 30, 2007 | | | June 30, 2006 | | |
|-------------------------------|------------------|--------------------------|-------------------------------|------------------|--------------------------|
| Outstanding Amount | Term | Interest Rate | Outstanding Amount | Term | Interest Rate |
| <u>\$ 10,000,000</u> | 9/1/05 – 10/1/08 | 3.30% | <u>\$ 10,000,000</u> | 9/1/05 – 10/1/08 | 3.30% |

Debt service requirements at June 30, 2007, were as follows:

| Year Ended June 30, | 2005 Bonds | | 2001 Bonds | | 1990 Bonds | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2008 | \$ - | \$ 330,000 | \$ 735,000 | \$1,808,418 | \$ - | \$ 676,200 |
| 2009 | 2,400,000 | 270,600 | 710,000 | 1,784,431 | - | 676,200 |
| 2010 | 600,000 | 235,950 | 790,000 | 1,758,644 | 4,000,000 | 572,700 |
| 2011 | 600,000 | 216,150 | 770,000 | 1,732,689 | 1,200,000 | 507,150 |
| 2012 | 600,000 | 196,350 | 755,000 | 1,707,278 | 1,200,000 | 465,750 |
| 2013 – 2017 | 3,000,000 | 684,750 | 3,875,000 | 8,137,023 | 7,500,000 | 1,599,939 |
| 2018 – 2022 | 2,800,000 | 181,500 | 6,250,000 | 7,446,920 | 5,700,000 | 252,713 |
| 2023 – 2027 | - | - | 18,230,000 | 5,181,154 | - | - |
| 2028 – 2032 | - | - | 22,435,000 | 1,753,327 | - | - |
| | <u>\$10,000,000</u> | <u>\$ 2,115,300</u> | <u>\$54,550,000</u> | <u>\$31,309,884</u> | <u>\$19,600,000</u> | <u>\$ 4,750,652</u> |

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 Debt Service ratio, as defined in the Agreements, of greater than 1.1:1, tested annually at the end of each fiscal year. The Association's ratio of net revenues to required principal and interest was 4.69 and 2.19 in 2007 and 2006, respectively. 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, 2007, the required amount of liquidity was \$21,037,500 and the actual amount was in excess of \$87,000,000. At June 30, 2006, the required amount of liquidity was \$21,228,750 and the actual amount was in excess of \$75,500,000.

In conjunction with the Agreements, the Association entered into an irrevocable letter of credit agreement with the insurer of the bonds as collateral for their payment. The irrevocable letter of credit has been amended and restated with each bond issue. The current letter of credit agreement was dated September 1, 2005 and was issued in an initial amount not to exceed \$86,722,930 ("Stated Amount"), of which an amount not to exceed \$85,610,000 ("Principal Component") may be drawn upon with respect to the payment of the unpaid principal and an amount not to exceed \$1,112,930 ("Interest Component") may be drawn upon with respect to the payment of interest. The Interest Component is an amount equal to 39

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) **Long-Term Obligations:** (Continued)

days of interest on the bonds' outstanding principal at a rate of 12%, computed on the basis of a 360-day year. The balance on the letter of credit at June 30, 2007, was \$85,243,950. The current letter of credit expires on October 15, 2011. The Association pays a fee in order to retain the letter of credit which currently equal to 0.18% of the outstanding letter of credit balance and is valid through September 30, 2007. The fee is scheduled to increase on October 1, 2007. The fee is paid in arrears on the first day of each quarterly period.

B. Deferred Revenues

Changes in current deferred revenues for June 30, 2007 and 2006, are as follows:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 41,865,680 | \$ 39,072,457 |
| Additions: | | |
| Advance football ticket sales | 18,733,255 | 14,865,005 |
| Unearned booster contributions | 26,477,772 | 24,497,083 |
| Unearned amenities | 1,025,982 | 957,053 |
| Unearned other income | 132,691 | 1,546,539 |
| Total additions | <u>46,369,700</u> | <u>41,865,680</u> |
| Deductions: | | |
| Earned football revenue | (14,865,005) | (14,313,673) |
| Earned booster contributions | (24,497,083) | (22,986,046) |
| Earned amenities | (952,782) | (720,155) |
| Earned other income | (1,546,539) | (1,052,583) |
| Total deductions | <u>(41,861,409)</u> | <u>(39,072,457)</u> |
| Balance, end of year | <u>\$ 46,373,971</u> | <u>\$ 41,865,680</u> |

Changes in long term deferred revenues for June 30, 2007 and 2006, are as follows:

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|--------------------|
| Balance, beginning of year | \$ 187,340 | \$ 1,272,693 |
| Additions: | | |
| Unearned booster contributions | 418,872 | - |
| Unearned sponsorships | 90,000 | - |
| Total additions | <u>508,872</u> | <u>-</u> |
| Deductions: | | |
| Booster contributions reclassified to current | (187,340) | (154,353) |
| Sponsorships recognized | - | (160,000) |
| Royalties recognized | - | (771,000) |
| Total deductions | <u>(187,340)</u> | <u>(1,085,353)</u> |
| Balance, end of year | <u>\$ 508,872</u> | <u>\$ 187,340</u> |

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(7) **Pension Plan:**

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 \$1,704,742 and \$2,310,083 (net of forfeitures of \$258,942 and \$200,175, respectively) for the years ended June 30, 2007 and 2006, respectively. Contributions are made by the Association to the pension plan based on 12% of an eligible employee's earnings. During the years ended June 30, 2007 and 2006, total pension applicable payroll for employees covered under the plan was \$17,329,183 and \$15,078,930, which represented approximately 62% and 72% of total payroll for the years ended June 30, 2007 and 2006, respectively.

(8) **Related-Party Transactions:**

Gator Boosters, Inc. receives contributions from the general public and remits the majority of these funds (less their operating expenses) to the Association. Contributions of \$33,610,966 and \$27,116,732 were recognized from Gator Boosters, Inc., for the years ended June 30, 2007 and 2006, respectively, and have been included in the accompanying statements of revenues, expenses, and changes in net assets. Additionally, beginning in 2004, the Association contracted to provide accounting and other support services to Gator Boosters. The Association recognized contract revenue in the amount of \$65,000 and \$53,000 for the year ended June 30, 2007 and 2006, respectively.

Gator Boosters, Inc. recognizes contribution expense for amounts remitted to the Association in the year in which such amounts are remitted. The Association, however, does not recognize these amounts as revenue until the year in which the related athletic event is held or the year when the related scholarship expenses are incurred. A reconciliation of contribution revenues from Gator Boosters, Inc. as recognized in the accompanying statements of revenues, expenses, and changes in net assets to contributions expense as reflected in the financial statements of Gator Boosters, Inc. for the years ended June 30, 2007 and 2006, is as follows:

| | 2007 | 2006 |
|--|----------------------|----------------------|
| Contributions to the Association, as reported in the financial statements of Gator Boosters, Inc. | \$ 35,863,187 | \$ 28,473,414 |
| Recognition of prior year amounts received from Gator Boosters, Inc. that were previously deferred | 24,684,422 | 23,327,742 |
| Deferral of amounts received from Gator Boosters, Inc. in the current year | (26,936,643) | (24,684,424) |
| Contributions from Gator Boosters, Inc., as recognized in the accompanying statements of revenues, expenses, and changes in net assets | \$ 33,610,966 | \$ 27,116,732 |

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(9) **Contributions to the University of Florida:**

Contributions to the University of Florida for the years ended June 30, 2007 and 2006, consisted of gifts for the following purposes:

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| Opportunity scholarship program | \$ - | \$ 1,100,000 |
| Logo profits | 2,524,376 | 1,326,665 |
| Parking facilities | 265,000 | 200,000 |
| Broward teaching center (strategic plan support) | 200,000 | 200,000 |
| Registrar and financial aid positions | 107,153 | 158,856 |
| Salaries | 154,155 | 134,628 |
| AIM scholarship program grant | - | 200,000 |
| Library | 50,000 | 50,000 |
| General scholarships | 2,000 | 3,166 |
| Council for Economic Outreach | 33,334 | 33,334 |
| | <u>\$ 3,336,018</u> | <u>\$ 3,406,649</u> |
| Total contributions to University of the Florida | | |

The Association has committed to contribute \$265,000 for 2007 and 2008, for parking facilities usage for athletic events. In 2001, the Association agreed to contribute \$33,334 per year for five years for the Council for Economic Outreach. In 2006, the Association agreed to continue to contribute \$33,334 per year for an additional five years for the Council for Economic Outreach. The final contribution will be made during fiscal year 2010.

(10) **Contributions to the University of Florida Foundation, Inc.:**

The Association conducted several fund raising initiatives during the 2006-2007 fiscal year to celebrate the 100 Years of Gator Football, including the sale of Gator Walk bricks. The profits of \$528,653 from the sale of these bricks were contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment. Additionally, contributions in the amount of \$102,529, received for the 100 Years of Gator Football were also contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment. The Association sold pieces of the 2007 Men's Basketball National Championship Final Four floor. The profits of \$83,272 from the sale of the floor pieces were contributed to the University of Florida Foundation, Inc. and included in the athletic scholarship endowment.

(11) **Operating Leases:**

The Association leases various equipment and facilities under operating leases. Total rent expense for the years ended June 30, 2007 and 2006, was \$687,467 and \$605,649, respectively. Included in rent expense for the years ended June 30, 2007 and 2006, was \$626,755 and \$546,884, respectively, in rent paid to the University of Florida for 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.

THE UNIVERSITY ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(11) **Operating Leases:** (Continued)

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

| Year Ending June 30, | Amount |
|-------------------------|------------|
| 2008 | \$ 231,861 |
| 2009 | 8,164 |
| 2010 | 8,164 |
| 2011 | 8,164 |
| 2012 | 8,164 |
| | \$ 264,517 |

(12) **Commitments Under Employment Contracts:**

The Association has entered into employment contracts with certain employees expiring in years through 2014 that provide for a minimum annual salary. At June 30, 2007, the total commitment for all contracts for each of the next five years and in the aggregate is as follows:

| Year Ending June 30, | Amount |
|-------------------------|---------------|
| 2008 | \$ 9,555,089 |
| 2009 | 9,712,030 |
| 2010 | 8,922,623 |
| 2011 | 8,153,962 |
| 2012 | 8,032,202 |
| 2013 – 2018 | 13,244,419 |
| | \$ 57,620,325 |

(13) **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 insurance to cover injuries to student athletes received 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. Total athlete medical expenses were \$678,915 and \$462,600 for the years ended June 30, 2007 and 2006, respectively. Estimated liabilities relating to unpaid and incurred but not reported claims were considered immaterial, and therefore have not been reported in the accompanying financial statements.

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

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

The Audit Committee,
The University Athletic Association, Inc.:

We have audited the financial statements of The University Athletic Association, Inc. (the Association) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 7, 2007. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

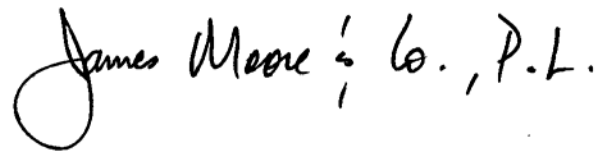
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Association in a separate letter dated September 7, 2007.

This report is intended solely for the information and use of the Audit Committee and management of the Association, and the Board of Trustees and management of the University of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida
September 7, 2007