USF FINANCING CORPORATION
(A Component Unit of the University of South Florida)

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

USF FINANCING CORPORATION
(A Component Unit of the University of South Florida)

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KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report

The Board of Directors
USF Financing Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the USF Financing Corporation (the Corporation), a component unit of the University of South Florida, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

KPMG LLP

Tampa, Florida
October 17, 2024

Management’s discussion and analysis (the MD&A) provides an overview of the financial position and activities of the USF Financing Corporation (the Financing Corporation) for the fiscal years ended June 30, 2024, 2023 and 2022 and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for States and Local Governments*, as amended by GASB Statement No. 37. The MD&A, financial statements and notes thereto are the responsibility of the Financing Corporation’s management.

Introduction

The Financing Corporation is a Florida not-for-profit corporation organized and operated exclusively to receive, hold, invest, administer property and to make expenditures to or for the benefit of the University of South Florida (the University or USF). The Financing Corporation has been certified by the University Board of Trustees as a “University Direct-Support Organization” as defined in Section 1004.28, Florida Statutes. Pursuant to Florida statutory authority, the Financing Corporation is authorized to enter into agreements to finance, design and construct, lease, lease purchase, purchase, or operate facilities necessary or desirable to serve the needs and purposes of the University. The Financing Corporation was incorporated on February 8, 2005 and began operating on March 10, 2005. The Financing Corporation is managed, its properties controlled, and its affairs governed under the direction of its Board of Directors.

Based on the application of the criteria described in GASB Codification Sections 2100 and 2600, the Financing Corporation is a discretely presented component unit of the University, and its financial balances and activity are reported in the University’s Annual Comprehensive Financial Report. Additionally, the USF Property Corporation (the Property Corporation) is included within the Financing Corporation’s financial statements as a blended component unit.

Overview of Financial Statements

Pursuant to GASB Statement No. 34, the Financing Corporation’s financial report includes three basic financial statements: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. The MD&A, financial statements and notes thereto, encompass the Financing Corporation and its blended component unit, the USF Property Corporation.

The statements of net position reflect the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Financing Corporation, using the accrual basis of accounting, and present the financial position of the Financing Corporation at a specified time. The difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources is net position. The net position is an indicator of the Financing Corporation’s financial health.

The statements of revenues, expenses, and changes in net position present the Financing Corporation’s revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The statements of cash flows provide information in the form of cash inflows and outflows summarized by operating activities, capital and related financing activities, and investing activities. These statements will assist in evaluating the Financing Corporation's ability to generate net cash flows and its ability to meet its financial obligations as they come due.

Financial Highlights

The Financing Corporation's assets totaled approximately $555.3 million, $367.2 million, and $352.9 million at June 30, 2024, 2023 and 2022, respectively.

The approximately $188.2 million (51%) increase in total assets in fiscal year 2024 primarily reflects the increase in investments related to the direct purchase of fixed income securities from the $200 million Series 2023 Athletics Stadium loan proceeds, offset by the use of cash for capital expenditures. The approximately $14.3 million (4%) increase in total assets in fiscal year 2023 primarily reflects the increase in cash and cash equivalents related to the issuance of the $28.6 million Series 2022 Housing debt.

Total liabilities increased approximately $184.7 million (53%) to approximately $530.9 million at June 30, 2024 from approximately $346.2 million at June 30, 2023. The increase in total liabilities reflects the increase in notes payable from the issuance of the $200 million Series 2023 Athletics Stadium loan, offset by the change in the fair value of the interest rate swap and the payment of principal on outstanding debt. Total liabilities increased approximately $7.8 million (2%) to approximately $346.2 million at June 30, 2023 from approximately $338.4 million at June 30, 2022. The increase in total liabilities reflects the increase in certificates of participation payable from the issuance of the $28.6 million Series 2022 Housing debt, offset by the change in the fair value of the interest rate swap and the payment of principal on outstanding debt.

The Financing Corporation's net position equaled approximately $27.5 million, $25.2 million and $21.8 million at June 30, 2024, 2023 and 2022, respectively.

The Financing Corporation closed three financing transactions in fiscal years 2024 and 2023:

On December 5, 2023, the Financing Corporation closed on the $200 million Series 2023 Athletics Stadium direct placement Promissory Note. The 20-year, taxable, fixed interest rate bank loan bears interest at 6.48% and is on parity with the outstanding Athletics loans. The debt, along with an approximately $140 million equity contribution from the University, will finance the construction of the $340 million, 35,000-seat on-campus stadium to be located on the University's Tampa campus.

On March 22, 2023, the Financing Corporation closed a transaction to modify the variable rate index on the Series 2012B Certificates of Participation (the Series 2012B Certificates) from 80% of LIBOR to 80% of SOFR as a substitute rate. The transaction was completed well in advance of the discontinuance of LIBOR as a benchmark index rate on June 30, 2024. Management negotiated with the bank holding the Series 2012B Certificates to maintain the existing spread at 73 basis points. With SOFR's lower trading costs, the swap counterparty pays a small spread to the Financing Corporation, resulting in a slight benefit of 8.2 basis points.

On October 31, 2022, the Financing Corporation issued the $28.6 million Series 2022 Housing Certificates of Participation. The 30-year, fixed interest rate public bonds bear interest at rates ranging from 5.00-5.25% with an all-in true interest cost of 4.85%. The Certificates were issued on parity with the "A1/A+" rated USF Housing System. The debt, along with a $16.5 million cash contribution from the University, financed the construction of the $46.5 million mixed-use facility comprising a 200-bed student housing component and student center on the University's Sarasota-Manatee campus.

Condensed Statements of Net Position

The following summarizes the Financing Corporation's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30:

Assets		2024	2023	2022
Current assets	$	43,225,451	39,837,800	40,210,807
Restricted cash and cash equivalents, noncurrent		32,156,019	49,044,699	25,215,231
Restricted investments		198,851,701	—	—
Financing receivables, noncurrent		281,099,298	278,292,776	287,507,097
Total assets	$	555,332,469	367,175,275	352,933,135
Total deferred outflows of resources	$	3,045,788	4,214,332	7,271,962
Liabilities				
Current	$	25,978,994	21,821,751	23,611,301
Noncurrent		504,941,572	324,353,764	314,749,149
Total liabilities	$	530,920,566	346,175,515	338,360,450
Total deferred inflows of resources	$	—	—	18,358
Net Position				
Restricted	$	23,517,219	21,188,986	17,768,237
Unrestricted		3,940,472	4,025,106	4,058,052
Total net position	$	27,457,691	25,214,092	21,826,289

Current assets are comprised of resources available to meet current liabilities, such as cash and cash equivalents, accounts receivable, and financing receivables due within one year. Current assets were approximately $43.2 million at June 30, 2024, reflecting an increase of $3.4 million (9%) from the prior fiscal year. The increase in current assets is primarily due to the increase in accounts receivable from Stadium investment-related accrued interest earnings. Current assets were approximately $39.8 million at June 30, 2023, reflecting a decrease of $373,007 (1%) from the prior fiscal year.

Noncurrent restricted cash and cash equivalents decreased by approximately $16.9 million (34%) in fiscal year 2024 reflecting the use of proceeds to construct capital projects from issuances of debt in prior years. Noncurrent restricted cash and cash equivalents increased by approximately $23.8 million (95%) in fiscal year 2023 reflecting the issuance of the $28.6 million Series Housing 2022 debt, offset by the use of proceeds to construct capital projects from issuances of debt in prior years. Noncurrent restricted investments of

$198.9 million in fiscal year 2024 reflects the Financing Corporation's direct purchase of fixed income securities from the $200 million Series 2023 Athletics Stadium loan proceeds. Financing receivables, noncurrent, were approximately $281.1 million in fiscal year 2024 reflecting an increase of approximately $2.8 million (1%) from project-related increases in financing receivables, offset by the collection of payments on outstanding financing receivables. Financing receivables, noncurrent, was approximately $278.3 million at June 30, 2023 reflecting a decrease of approximately $9.2 million (3%) from $287.5 million at June 30, 2022. The decrease reflects the collection of payments on outstanding financing receivables.

Deferred outflows of resources were approximately $3.0 million, $4.2 million and $7.3 million at June 30, 2024, 2023 and 2022, respectively, reflecting a decrease of approximately $1.2 million (28%) and $3.1 million (42%), respectively. The decreases primarily reflect the improvement in the market value of the interest rate swap agreement over the past two years.

Total liabilities increased approximately $184.7 million (53%) to approximately $530.9 million at June 30, 2024 from approximately $346.2 million at June 30, 2023. The increase in liabilities primarily resulted from the issuance of the $200 million Series 2023 Athletics Stadium loan, offset by scheduled payments on debt obligations of approximately $17.0 million, and approximately $1.0 million decrease in interest rate swap payable. Total liabilities increased approximately $7.8 million (2%) to approximately $346.2 million at June 30, 2023 from approximately $338.4 million at June 30, 2022 primarily resulting from the issuance of the $28.6 million Series 2022 Housing debt, offset by scheduled payments on debt obligations of approximately $16.4 million, and approximately $2.9 million decrease in interest rate swap payable.

Deferred inflows, comprised solely of deferred gains on prior bond refundings, equaled $0 in fiscal year 2024 and fiscal year 2023, down from $18,358 in fiscal year 2022.

Condensed Statements of Revenues, Expenses and Changes in Net Position

The following summarizes the Financing Corporation's activities for the fiscal years ended June 30:

		2024	2023	2022
Operating revenue	$	22,284,433	15,071,597	15,916,092
Operating expenses		(2,108,059)	(1,457,425)	(1,404,516)
Operating income		20,176,374	13,614,172	14,511,576
Nonoperating expenses, net		(17,932,775)	(10,226,369)	(10,453,434)
Increase in net position		2,243,599	3,387,803	4,058,142
Net position, beginning of year		25,214,092	21,826,289	17,768,147
Net position, end of year	$	27,457,691	25,214,092	21,826,289

Operating Revenues

Operating revenues by source for the fiscal years ended June 30 were as follows:

	2024	2023	2022
University of South Florida financing revenue	$ 19,133,878	11,739,724	12,568,596
University Medical Service Association financing revenue	1,825,096	1,989,857	1,976,968
USF Health Professions Conferencing Corporation financing revenue	344,420	365,133	381,740
USF Research Foundation financing revenue	981,039	976,883	988,788
Total operating revenues	$ 22,284,433	15,071,597	15,916,092

The Financing Corporation's total operating revenues, consisting of revenue related to the outstanding financing receivables, were approximately $22.3 million in fiscal year 2024, which was an increase of approximately $7.2 million (48%) from 2023 due to the collection and accrual of revenue related to the new Athletics Stadium debt. The Financing Corporation's total operating revenues were approximately $15.1 million in fiscal year 2023, which was a decrease of approximately $0.8 million (5%) from 2022. Operating revenues generally reflect amounts received to pay interest and other amounts due on debt related to the financings, which typically decreases over time as debt is paid down.

Operating Expenses

The following summarizes operating expenses for the fiscal years ended June 30:

	2024	2023	2022
Management expense	$ 851,300	827,126	803,032
General and administrative expenses	1,256,759	630,299	601,484
Total operating expenses	$ 2,108,059	1,457,425	1,404,516

The Financing Corporation's total operating expenses increased $650,634 (45%) to approximately $2.1 million in fiscal year 2024 from fiscal year 2023 primarily due to increased insurance premiums, annual inflation adjustments to management fees, and service consulting expenses. The Financing Corporation's total operating expenses increased $52,909 (4%) to approximately $1.5 million in fiscal year 2023 from fiscal year 2022 primarily due to increased insurance premiums and annual inflation adjustments to management fees.

(Continued)

Nonoperating Revenues and Expenses

The following summarizes the Financing Corporation's nonoperating revenues and expenses for the fiscal years ended June 30:

		2024	2023	2022
Interest expense	$	(20,078,147)	(11,613,687)	(12,062,335)
Change in equity investment		—	—	1,544,379
Interest income, net		2,145,372	1,387,318	64,522
Total net nonoperating expenses	$	(17,932,775)	(10,226,369)	(10,453,434)

The Financing Corporation's total net nonoperating expenses are comprised of interest expense and interest income. Total net nonoperating expenses were approximately $17.9 million in fiscal year 2024, reflecting an increase of $7.7 million (75%) due to interest expense paid and accrued on the new Stadium loan, and offset by the increase in interest income from fiscal year 2023 of $758,054 due to investing the proceeds of the $200 million Stadium loan, together with improved market interest rates. Total net nonoperating expenses were approximately $10.2 million in fiscal year 2023, reflecting a decrease of $227,065 (2%) from 2022.

Debt Administration

At June 30, 2024, the Financing Corporation had approximately $519.5 million in outstanding debt representing an increase of approximately $182.6 million (54%) from the prior fiscal year. The increase represents the issuance of the $200.0 million Series 2023 Athletics Stadium loan that occurred in December 2023, offset by principal payments of approximately $16.0 million. At June 30, 2023, the Financing Corporation had approximately $336.9 million in outstanding debt representing an increase of approximately $12.2 million (4%) from the prior fiscal year.

		2024	2023	2022
Mortgage loan payable	$	2,397,264	2,659,005	2,909,916
Notes payable		256,714,508	61,107,567	65,264,883
Bonds payable		23,998,201	25,466,953	26,911,392
Certificates of participation payable		236,353,743	247,617,077	229,607,321
Total outstanding debt	$	519,463,716	336,850,602	324,693,512

Additional information on the Financing Corporation's long-term debt can be found in note 9 to the financial statements.

Economic Outlook

The Financing Corporation was formed exclusively to finance and develop facilities for the benefit of the University and its component units. The Financing Corporation will continue to respond to the needs of the University and its component units by structuring new debt programs or restructuring existing programs for its major capital projects.

On August 1, 2024, the Financing Corporation Board of Directors authorized the remarketing of the outstanding $43,725,000 Series 2012B Certificates, currently directly placed with Wells Fargo Bank (Wells Fargo). Wells Fargo exercised its option to cause Financing Corporation to repurchase the Series 2012B Certificates on October 1, 2024. Financing Corporation sought proposals from various financial institutions to purchase the Series 2012B Certificates. The Financing Corporation selected the proposal submitted by JPMorgan Chase Bank, N.A. to purchase the Series 2012B Certificates through its wholly owned subsidiary DNT Asset Trust. The amended Supplemental Trust Agreement, the Continuing Covenant Agreement and all related agreements, certificates and opinions were executed and the transaction closed on October 1, 2024.

The Financing Corporation's diversified revenues and conservative management practices produce consistently positive operations and cash flow. Appropriate agreements are in place and, with frequent monitoring of the financial performance of pledged revenues, Financing Corporation management believes it will continue to have sufficient funds to cover its obligations.

Request for Information

This financial report is designed to provide a general overview of the Financing Corporation's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, USF Financing Corporation, 4202 E. Fowler Avenue, CGS 301, Tampa, FL 33620.

USF FINANCING CORPORATION

(A Component Unit of the University of South Florida)

Statements of Net Position

June 30, 2024 and 2023

Assets		**2024**	**2023**
Current assets:			
Cash	$	3,940,472	4,025,106
Restricted:			
Cash and cash equivalents		18,954,198	18,685,580
Accounts receivable		2,211,083	289,013
Financing receivables, current portion		18,119,698	16,838,101
Total current assets		43,225,451	39,837,800
Noncurrent assets:			
Restricted:			
Cash and cash equivalents		32,156,019	49,044,699
Investments		198,851,701	—
Financing receivables, noncurrent portion		281,099,298	278,292,776
Total noncurrent assets		512,107,018	327,337,475
Total assets		555,332,469	367,175,275
Deferred Outflows of Resources			
Interest rate swap agreement		2,502,077	3,522,963
Deferred losses on refunding of debt		543,711	691,369
Total deferred outflows of resources		3,045,788	4,214,332
Total assets and deferred outflows of resources	$	558,378,257	371,389,607

(Continued)

USF FINANCING CORPORATION

(A Component Unit of the University of South Florida)

Statements of Net Position

June 30, 2024 and 2023

Liabilities		**2024**	**2023**
Current liabilities:			
Accounts payable	$	769,276	469,406
Interest payable		6,160,083	5,315,547
Due to University of South Florida		2,025,414	16,997
Mortgage loan payable, current portion		273,664	261,742
Notes payable, current portion		4,640,557	4,393,059
Bonds payable, current portion		1,305,000	1,240,000
Certificates of participation payable, current portion		10,805,000	10,125,000
Total current liabilities		25,978,994	21,821,751
Noncurrent liabilities:			
Interest rate swap payable		2,502,077	3,522,963
Mortgage loan payable, less current portion		2,123,600	2,397,263
Notes payable, less current portion		252,073,951	56,714,508
Bonds payable, less current portion		22,693,201	24,226,953
Certificates of participation payable, less current portion		225,548,743	237,492,077
Total noncurrent liabilities		504,941,572	324,353,764
Total liabilities		530,920,566	346,175,515
Net Position			
Restricted		23,517,219	21,188,986
Unrestricted		3,940,472	4,025,106
Total net position	$	27,457,691	25,214,092

See accompanying notes to financial statements.

USF FINANCING CORPORATION

(A Component Unit of the University of South Florida)

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2024 and 2023

		2024	2023
Operating revenues:			
University of South Florida financing revenue	$	19,133,878	11,739,724
University Medical Service Association financing revenue		1,825,096	1,989,857
USF Health Professions Conferencing Corporation financing revenue		344,420	365,133
USF Research Foundation financing revenue		981,039	976,883
Total operating revenues		22,284,433	15,071,597
Operating expenses:			
Management expense		851,300	827,126
General and administrative expenses		1,256,759	630,299
Total operating expenses		2,108,059	1,457,425
Operating income		20,176,374	13,614,172
Nonoperating revenues (expenses):			
Interest expense		(20,078,147)	(11,613,687)
Interest income, net		2,145,372	1,387,318
Total nonoperating expenses, net		(17,932,775)	(10,226,369)
Change in net position		2,243,599	3,387,803
Net position, beginning of year		25,214,092	21,826,289
Net position, end of year	$	27,457,691	25,214,092

See accompanying notes to financial statements.

USF FINANCING CORPORATION

(A Component Unit of the University of South Florida)

Statements of Cash Flows

Years ended June 30, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Payments received from University of South Florida	$	29,569,185	23,677,752
Payments received from University Medical Service Association		4,415,096	4,514,857
Payments received from USF Health Professions Conferencing Corporation		1,476,148	1,431,091
Payments received from USF Research Foundation		2,258,976	2,175,517
Payment to the University of South Florida for management services		(851,300)	(827,126)
General and administrative disbursements		(825,971)	(629,630)
Net cash provided by (used in) operating activities		36,042,134	30,342,461
Cash flows from capital and related financing activities:			
Capital expenditures		(22,725,052)	(7,561,627)
Proceeds from issuance of long-term debt		200,000,000	29,998,953
Debt issuance costs		—	(254,263)
Principal paid on notes, bonds, and certificates of participation payable		(16,019,800)	(16,358,227)
Interest paid on notes, bonds, and certificates of participation payable		(20,479,259)	(14,201,953)
Receipt of pledged revenues from University of South Florida		36,658,485	33,031,309
Return of excess pledged revenues to University of South Florida		(36,658,485)	(33,031,309)
Security returned to lessee for swap collateral		—	(182)
Net cash provided by (used in) capital and related financing activities		140,775,889	(8,377,299)
Cash flows from investing activities:			
Proceeds from maturity of certificate of deposit		—	3,774,075
Purchase of investments		(198,632,054)	—
Interest income, net		5,109,335	1,953,676
Net cash provided by (used in) investing activities		(193,522,719)	5,727,751
Net change in cash and cash equivalents		(16,704,696)	27,692,913
Cash and cash equivalents, beginning of year		71,755,385	44,062,472
Cash and cash equivalents, end of year	$	55,050,689	71,755,385

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USF FINANCING CORPORATION

(A Component Unit of the University of South Florida)

Statements of Cash Flows

Years ended June 30, 2024 and 2023

		2024	2023
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	20,176,374	13,614,172
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in operating assets, liabilities, and deferred outflow of resources:			
Due (to) from University of South Florida, net		(1,403,128)	(128,175)
Due (to) from USF Research Foundation, net		—	(28,683)
Accounts receivable		(211,243)	—
Financing receivables, net		16,838,100	16,884,478
Accounts payable		642,031	669
Net cash provided by operating activities	$	36,042,134	30,342,461
Supplemental disclosures of noncash capital, investing, and financing activities:			
Accrued capital expenditures included in accounts payable and net Due (to) from USF	$	—	468,057
Amortization of bond premiums included in interest expense		1,367,086	1,483,636
Amortization of deferred outflows of resources on debt refundings included in interest expense		(147,658)	(148,372)
Changes in fair value of the interest rate swap		1,020,886	2,890,900
Unrealized gain (loss) on investments		219,647	—

See accompanying notes to financial statements.

(1) Organization

(a) Nature of Entity

USF Financing Corporation (the Financing Corporation) is a Florida not-for-profit corporation organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University of South Florida (the University or USF). The Financing Corporation has been certified by the University Board of Trustees as a "University Direct-Support Organization" as defined in Section 1004.28, *Florida Statutes*. Pursuant to Florida statutes, the Financing Corporation is authorized to enter into agreements to finance, design and construct, lease, lease purchase, purchase, or operate facilities necessary or desirable to serve the needs and purposes of the University. The Financing Corporation was incorporated on February 8, 2005 and began operating on March 10, 2005. The Financing Corporation is managed, its properties controlled, and its affairs governed under the direction of its Board of Directors.

(b) Reporting Entity

Criteria for defining the reporting entity are identified and described in Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of the criteria described in GASB Codification Sections 2100 and 2600, the Financing Corporation is a discretely presented component unit of the University, and its financial balances and activity are reported in the University's Annual Comprehensive Financial Report.

Based on the application of the criteria for determining component units discussed above, the USF Property Corporation (the Property Corporation) is included within the Financing Corporation's financial statements as a blended component unit. The Property Corporation is a Florida not-for-profit corporation formed for the primary purpose of acting as lessor in connection with "lease purchase" financings in support of the activities and educational purposes of the University and of the Financing Corporation by assisting in acquiring and constructing facilities on the University campus and, in general, furthering the University's educational mission. The Property Corporation was incorporated on February 8, 2005 and began operating on March 10, 2005. The Property Corporation is managed, its properties controlled, and its affairs governed under the direction of its Board of Directors. The sole member of the Property Corporation is the Financing Corporation. Separate financial statements of the Property Corporation are not prepared. The Property Corporation has limited activity and held no assets, liabilities, or net position at June 30, 2024 and 2023. During fiscal years 2024 and 2023, the Property Corporation's revenues of $21,283 and $20,678, respectively, covered its operating expenses in the same amount.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Financing Corporation conform to accounting principles generally accepted in the United States of America as prescribed by GASB. The Financing Corporation's financial statements are presented as a business type activity.

(b) Basis of Accounting

The financial statements of the Financing Corporation have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Accordingly, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(c) Cash and Restricted Cash and Cash Equivalents

The Financing Corporation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents for purposes of the statements of cash flows. The Financing Corporation considers all cash and highly liquid funds invested in money market funds that are restricted for certain purposes to be restricted cash and cash equivalents.

(d) Investments

Investments in equity and debt securities, if any, are stated at fair value in the accompanying statements of financial position. Fair value is based on published quotations from national exchanges or over-the-counter markets. All moneys held in trusts and escrow are invested in permitted investments pursuant to the trust and escrow agreements. The Financing Corporation has adopted the University Board of Trustees Investment Policy (the Investment Policy) and selects financial instruments to maintain a conservative portfolio and minimize risk.

(e) Fair Value Measurement

The Financing Corporation categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

(f) Financing Receivables

The financing receivables represent amounts due from the Financing Corporation's related parties (note 7) in accordance with various financing and other agreements relating to the use of capital assets financed and constructed with debt proceeds. Payments are required for debt service and related costs, as provided by the respective agreements. Financing receivables are recorded pursuant to GASB Statement No. 87 (note 6).

(g) Security Pledged to Counterparty

The Financing Corporation's interest rate swap agreement contains collateral provisions that require the Financing Corporation to post collateral in the form of cash or securities (note 11). Pursuant to the

Financing Corporation's agreements with the University of South Florida, the University transfers any required collateral to the Financing Corporation, and the Financing Corporation immediately transfers the collateral to the counterparty's custodian.

(h) Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources include losses in fair value of effective interest rate swaps as well as losses on bond refundings.

In addition to liabilities, the statements of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources include the gains in fair value of effective interest rate swaps and gains on bond refundings.

(i) Interest Rate Swap Agreements

The Financing Corporation makes limited use of derivative instruments for the purpose of managing interest rate risk (note 11). Interest rate swap agreements are used to convert the Financing Corporation's variable-rate long-term debt to a fixed rate. The fair value of the interest rate swap agreements is recognized in the statements of net position based on the criteria set forth in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended by GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The change in the fair value of effective interest rate swap agreements is recognized in the statements of net position as deferred effective interest rate inflows or outflows. If the interest rate swap were found ineffective, gains and losses resulting from changes in the fair value would be recognized as a component of nonoperating items in the accompanying statements of revenues, expenses and changes in net position.

(j) Debt Issuance Costs, Premiums and Discounts, and Deferred Gains or Losses

Debt issuance costs are generally recognized as an expense in the period incurred as required by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and reported as interest expense and included in the accompanying statements of revenues, expenses and changes in net position. Debt issuance costs associated with transactions classified as financed sales of capital assets are recognized as additions to financing receivables pursuant to GASB Statement No. 87, *Leases*, and are included in the accompanying statements of net position. Premiums on debt are amortized as a reduction to interest expense over the life of the related debt using the effective interest method. The unamortized balance of premiums on debt was $6,681,945 and $8,049,030 as of June 30, 2024 and 2023, respectively. Discounts on debt, if any, are amortized as an increase to interest expense over the life of the related debt using the effective interest method. There were no unamortized discounts on debt as of June 30, 2024 and 2023.

Gains and losses on refunded debt are recorded as deferred inflows and outflows of resources, respectively, and amortized pursuant to GASB Statement No. 65. Gains on refunded debt are

(Continued)

amortized as a reduction to interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Deferred losses on refunded debt are amortized as an increase to interest expense over the life of the related refunding debt using the effective interest method. There was no balance of deferred gains on debt refundings as of June 30, 2024 and 2023, respectively. The unamortized balance of the deferred losses on debt refundings was $543,711 and $691,369 as of June 30, 2024 and 2023, respectively.

(k) Net Position

Net position of the Financing Corporation is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any borrowings and deferred outflows of resources used to finance the purchase or construction of those assets. Restricted net position represents net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Financing Corporation, including amounts deposited with trustees and banks as required by debt agreements. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

When both restricted and unrestricted resources are available for use, it is the Financing Corporation’s policy to use unrestricted resources first and then restricted resources as they are needed for purposes other than those defined in legal agreements.

(l) Revenue Recognition

The Financing Corporation recognizes revenue as it is earned. Operating revenues are based upon the terms of the Financing Corporation’s trust, financing, and operating and reporting agreements with USF, University Medical Service Association, USF Health Professions Conferencing Corporation, and USF Research Foundation (note 7). Other revenues include investment income (note 2(m)).

(m) Classification of Revenues and Expenses

The Financing Corporation’s statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with the furtherance of the Financing Corporation’s purpose. Operating expenses are all costs incurred to provide services under the terms of related party agreements other than financing costs.

Revenues and expenses from exchange transactions, including investment income, interest expense on borrowed funds, the difference between interest rate swap payments received and paid, unrealized gains and losses on investments, and other nonoperating income and expenses, are reported as nonoperating items in the financial statements.

(n) Investment Income

Investment income (including interest and dividends and realized and unrealized gains and losses) is reflected as a component of nonoperating revenues (expenses) in the accompanying statements of revenues, expenses and changes in net position. Purchases and sales of investments are reflected on a settlement-date basis, which does not differ materially from the trade-date basis. The cost of investments sold is determined using the specific-identification method.

Investment earnings are recorded on an accrual basis, net of related expenses. Net earnings (including realized gains and losses) are recognized as investment income.

(o) Income Taxes

The Financing Corporation and Property Corporation have been granted tax-exempt status under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. At June 30, 2024, management has evaluated the relevant technical merits of its tax positions in accordance with U.S. generally accepted accounting principles for accounting for uncertainty in income taxes, and determined that there are no positions that would have a material impact on the financial statements of the Financing Corporation.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time estimates are made, actual results could differ from those estimates.

(3) New Accounting Standards

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*, followed by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020 delaying the effective date to the Financing Corporation's fiscal year beginning July 1, 2021. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for leases based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 Paragraph 19 addresses contracts that transfer ownership of the underlying asset to the lessee by the end of the contract and requires that the lessor account for these contracts as a sale of the asset by the lessor. The Financing Corporation adopted GASB 87 effective as of its fiscal year beginning July 1, 2021 (note 6).

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period*, followed by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020 delaying the effective date to the Financing Corporation's fiscal year beginning July 1, 2021. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Financing Corporation adopted GASB 89 effective as of its fiscal year beginning July 1, 2021.

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*, to amend Statement 53 in removing LIBOR as an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt and identifies SOFR as an appropriate benchmark. In April 2022, the GASB issued Statement No. 99 (GASB 99) *Omnibus 2022*, extending the period where LIBOR is considered an appropriate benchmark interest rate for reporting of derivative instruments within the scope of Statement 53, delaying the effective date for fiscal years beginning after June 15, 2023. As earlier application was encouraged, the Financing Corporation closed a transaction to modify the variable rate index on the Series 2012B Certificates of Participation from LIBOR to SOFR as a substitute rate on March 22, 2023.

(4) Cash, Restricted Cash and Cash Equivalents, Certificate of Deposit and Investments

All cash and cash equivalents and investments of the Financing Corporation are held with The Bank of New York Mellon Trust Company, N.A. as Trustee (Trustee), Truist Bank, and Valley National Bank (Valley Bank), and have been restricted in terms of permitted investments and uses in accordance with the master and supplemental trust agreements between the Trustee and the Financing Corporation, the loan and escrow agreements between Truist Bank and the Financing Corporation, and the loan agreements with Valley National Bank and the Financing Corporation (note 9). Restricted cash and cash equivalents totaled $51,110,217 which includes restricted cash equivalents of $46,452,635 and restricted cash of $4,657,582 as of June 30, 2024. Restricted cash and cash equivalents totaled $67,730,279 which includes restricted cash equivalents of $63,381,462 and restricted cash of $4,348,817 as of June 30, 2023.

On December 8, 2023, pursuant to the Stadium Escrow Agreement, the Series 2023 Athletics Stadium loan proceeds were invested through the direct purchase of fixed income (U.S. Treasury and U.S. Agency securities). Investments totaled $198,851,701 as of June 30, 2024.

(a) Cash Deposits

Custodial credit risk. In the case of deposits, this is the risk that, in the event of a bank failure, the Financing Corporation’s deposits may not be returned. The Investment Policy provides for custodial credit risk. At June 30, 2024 and 2023, the Financing Corporation’s bank balances are held in accounts protected under Chapter 280, Florida Statutes in institutions classified as qualified public depositories.

(b) Cash Equivalents, Certificate of Deposit and Investments

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Investment Policy requires investments, certificates of deposits to be highly rated and money market funds to be registered with the Securities and Exchange Commission and highly rated, or First Tier consistent with SEC Rule 2a-7 if not rated and being no-load funds. The Investment Policy provides for credit risk. The risk varies depending on the type of investment.

At June 30, 2024, the Financing Corporation had the following investments with weighted average maturities and quality ratings as follows:

	Weighted average maturity	Credit quality rating: Moody's	Credit quality rating: Standard & Poor's	Fair value
Cash Equivalents				
Money Market Funds	40 days	Aaa-mf	AAAm	$ 46,452,635
				$ 46,452,635
Investments				
U.S. Government and Agency Securities	1.98 years	Aaa	AA+	$ 198,851,701
				$ 198,851,701

At June 30, 2023, the Financing Corporation had the following investments with weighted average maturities and quality ratings as follows:

.	Weighted average maturity	Credit quality rating: Moody's	Credit quality rating: Standard & Poor's	Fair value
Money market funds	11 days	Aaa-mf	AAAm	$ 63,381,462

Custodial credit risk. The custodial risk for cash equivalents, investments, and certificates of deposit is the risk that, in the event of failure of the counterparty to a transaction, the Financing Corporation will not be able to recover the value of the cash equivalents, investments or certificate of deposit that are in the possession of an outside party. Direct investments for the Financing Corporation are held in counterparty accounts with a custodian, in the name of the Financing Corporation.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Financing Corporation's investment in a single institution or issuer. The Financing Corporation maintains its cash, restricted cash and cash equivalents, investments, and certificates of deposit with institutions that management believes to be of high-credit quality and limits the amount of credit exposure to any one particular investment, financial institution, or counterparty. The Investment Policy provides that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States government shall not exceed 5% of the market value of its investment portfolio. Direct investments in securities of the United States government, government agencies, State of Florida Investment Pools, and Pooled Funds comprised solely of United States government securities are not subject to these restrictions.

Revenue generated from net interest income was $2,145,372 and $1,387,318 for the years ended June 30, 2024 and 2023, respectively.

(5) Capital Assets

During fiscal year 2024, construction on the USF Sarasota-Manatee Housing and Student Center was substantially completed and subsequently placed in service in August 2024; the final construction payments are expected to be made during fiscal year 2025. During fiscal year 2023, construction on the USF Research Foundation Laboratory and Office Building was completed and placed in service; the final construction payments were made during fiscal year 2023. As ownership of the USF Sarasota-Manatee Housing and Student Center and USF Research Foundation Laboratory and Office Building will be transferred to the lessees by the end of the contract, the capital assets are recorded on the books of the lessees and are reflected in the financing receivables recorded by the Financing Corporation (note 6).

(6) Financing Receivables

Financing receivables represent amounts due from related parties (note 7) in accordance with various financing and other agreements relating to the use of capital assets financed and constructed with debt proceeds (note 9). Payments due from related parties are required for debt service and related costs, as defined by the respective agreements. Financing receivables are recorded pursuant to GASB Statement No. 87 Paragraph 19 as a financed sale reflecting the nature of the Financing Corporation's contracts which transfer ownership of the underlying asset to the lessee by the end of the contract. The current portion of the financing receivables approximates the principal amount due on the respective debt issues in the following year.

Financing receivables for the years ended June 30, 2024 and 2023 were as follows:

		2024	2023
Financing receivables due from University of South Florida	$	226,279,788	217,192,003
Financing receivables due from University Medical Service Association		38,160,000	40,750,000
Financing receivables due from USF Health Professions Conferencing Corporation		9,251,897	10,383,626
Financing receivables due from USF Research Foundation		25,527,311	26,805,248
		299,218,996	295,130,877
Less current portion		(18,119,698)	(16,838,101)
	$	281,099,298	278,292,776

The following is a schedule of future minimum payments due under the financing agreements, as of June 30, 2024:

2025	$	31,094,581
2026		31,177,533
2027		31,313,536
2028		31,363,077
2029		31,470,022
2030–2034		142,274,546
2035–2039		69,607,386
2040–2044		22,407,729
2045–2049		17,405,375
2050–2051		5,877,000
Total minimum payments		413,990,785
Less amounts representing interest		(114,771,789)
Financing receivables, net	$	299,218,996

Pursuant to GASB 87, debt issuance costs, capitalized interest, and project costs associated with transactions classified as financed sales of capital assets are recognized as additions to financing receivables through the construction period up to the amount of the related debt issuance, with any excess associated costs exceeding the issuance amount expensed as incurred. When construction is complete and the building is placed in service, the capital asset will be available for use by the lessee. The related financing receivables recorded by the Financing Corporation will be amortized according to the debt service schedule over the term of the related debt.

(7) Related-Party Transactions

(a) University of South Florida

Pursuant to the financing agreements relating to the Series 2015A (refunded Series 2005A) Housing Certificates, Series 2012A (refunded/remarketed Series 2012A) Housing Certificates, Series 2012B Housing Certificates, Series 2019 Housing Certificates, Series 2018 Housing Certificates, and Series 2022 Housing Certificates (Housing Certificates) (note 9), the University remits all revenue from the University housing operations at the Tampa, St. Petersburg and Sarasota-Manatee campuses, all parking revenue from the St. Petersburg campus, and payments equal to 100% of basic rent and supplemental rent related to the St. Petersburg student center and the Sarasota-Manatee student center to the Trustee for payment of principal and interest on the Housing Certificates and other expenses of the Financing Corporation. Pursuant to GASB 87, financing receivables represent amounts due from the University required for debt service and related costs, as defined by the respective agreements, relating to the use of capital assets financed and constructed with the proceeds from the debt issuances described herein. The financing receivables balance approximates the principal amount remaining on the respective debt and equaled $181,660,000 and $168,948,780, respectively, at June 30, 2024 and 2023 (note 6). Pursuant to the management agreement between the

University and the Financing Corporation, dated May 1, 2005, amended as of September 1, 2007, December 1, 2010, and October 1, 2022, the Financing Corporation pays to the University a management fee (increased annually by Consumer Price Index (CPI)), equal to $386,700 and $375,698, respectively, for the years ended June 30, 2024 and 2023, for services, such as managing the housing, parking and multipurpose student center projects, and collecting revenues.

In accordance with the management agreement, the University is required to manage, operate, and maintain the properties in a prudent and efficient manner. Also, under the terms of that agreement, the University is not authorized to establish, change, or revise rents that have been established by the Financing Corporation. In accordance with the master trust agreement, the Trustee first applies gross rental revenue receipts to the payment of principal and interest and the maintenance of debt service reserves and then, to the extent that revenues exceed debt service and related reserves, the Trustee would pay its Trustee fees, provide payment to the University for its operating expenses, provide for facility renewal and replacement reserves, and provide payment to the University for its management fee.

Pursuant to the operating agreement dated May 1, 2015, relating to the Series 2015 Marshall Center Bonds (refunded Series 2005C Certificates) (note 9), the University makes payments in an amount equal to 100% of the principal and interest due on the 2015 Bonds. The financing receivables balance due from the University equaled $21,740,000 and $23,045,000 at June 30, 2024 and 2023, respectively (note 6).

Pursuant to the financing and management agreements dated January 15, 2010, relating to the Series 2018A&B Athletics Notes (refunded Series 2010A&B Athletics Notes) (note 9); the operating and reporting agreement dated September 1, 2013, relating to the Series 2013 Arena Note (note 9); the operating and reporting agreement dated December 4, 2023, relating to the Series 2023 Stadium Note (note 9), the University makes payments in an amount equal to 100% of the principal and interest due. The financing receivables balance due from the University equaled $22,879,788 and $25,198,223, respectively, at June 30, 2024 and 2023 (note 6).

The payments associated with the Series 2015 Marshall Center Bonds (refunded Series 2005C Certificates), and the Series 2018A&B Athletics Notes are absolute net returns to the Financing Corporation to yield the amount necessary to pay all amounts due under the agreements and all costs, expenses, and obligations that may be necessary in connection with the use, occupancy, or operation of the facilities, including management fees (increased annually by CPI), equal to $164,400 and $159,742, respectively, for the years ended June 30, 2024 and 2023, for services, such as managing the facilities and collecting revenues.

At June 30, 2024 the net amount due to the University was $2,025,414 and at June 30, 2023 the net amount due to the University was $16,997, respectively, detailed as follows:

		2024	2023
Due from USF for other fees and revenues	$	2,229,611	806,041
Less due to USF for accrued construction payments or interest earned on project related funds		(4,255,025)	(823,038)
Net amount due (to) from USF	$	(2,025,414)	(16,997)

(b) USF Health Professions Conferencing Corporation

Pursuant to the financing agreements dated December 15, 2010 and amended August 31, 2020, relating to the Series 2018 Note (refunded Series 2010 Note) (note 9) for the USF Center for Advanced Medical Learning and Simulation (CAMLS) project, the USF Health Professions Conferencing Corporation (HPCC) makes payments to Truist Bank in an amount equal to 100% of principal and interest due on the 2018 Note. Pursuant to GASB 87, financing receivables represent amounts due from HPCC required for debt service and related costs, as defined by the respective agreements, relating to the use of capital assets financed and constructed with the proceeds from the debt issuances described herein. The financing receivables balance approximates the principal amount remaining on the respective debt and equaled $9,251,897 and $10,383,626, respectively, at June 30, 2024 and 2023 (note 6).The payments provided for in the agreement are absolute net returns to the Financing Corporation to yield the amount necessary to pay all amounts due under the agreements and all costs, expenses, and obligations that may be necessary in connection with the use, occupancy, or operation of the facility, including a management fee (increased annually by CPI), equal to $62,100 and $60,385, respectively, for the year ended June 30, 2024 and 2023, for services, such as managing the facility and collecting revenues.

At June 30, 2024 and 2023, there were no amounts due to or from HPCC.

(c) University Medical Service Association, Inc.

Pursuant to the financing agreements relating to the Series 2013A and Series 2013B Health Certificates (note 9), University Medical Service Association, Inc. (UMSA) makes payments to the Trustee in an amount equal to 120% of the basic rent payable, 100% of the supplemental rent due, and 100% of additional rent due. Pursuant to GASB 87, financing receivables represent amounts due from UMSA required for debt service and related costs, as defined by the respective agreements, relating to the use of capital assets financed and constructed with the proceeds from the debt issuances described herein. The financing receivables balance approximates the principal amount remaining on the respective debt and equaled $38,160,000 and $40,750,000, respectively, at June 30, 2024 and 2023 (note 6). The payments provided for in the agreements are absolute net returns to the Financing Corporation to yield the amount necessary to pay all amounts due under the agreements and all costs, expenses, and obligations that may be necessary in connection with the use, occupancy, or operation of the facilities.

Pursuant to these agreements, the Financing Corporation pays to the University a management fee (increased annually by CPI), equal to $206,300 and $200,401, respectively, for the year ended June 30, 2024 and 2023 for services such as managing the health projects and collecting revenues.

At June 30, 2024 and 2023, there were no amounts due to or from UMSA.

(d) USF Research Foundation

Pursuant to financing agreements relating to the Series 2019 mortgage loan agreement and the Series 2019 promissory note (note 9), USF Research Foundation (Research Foundation) makes payments to the Financing Corporation in an amount equal to 100% of debt service due and 100% of any additional costs due. Pursuant to GASB 87, financing receivables represent amounts due from the USF Research Foundation required for debt service and related costs, as defined by the respective agreements, relating to the use of capital assets financed and constructed with the proceeds from the debt issuances described herein. The financing receivables balance approximates the principal amount remaining on the respective debt and equaled $25,527,311 and $26,805,248, respectively, at June 30, 2024 and 2023 (note 6). The payments provided for in the agreements are absolute net returns to the Financing Corporation to yield the amount necessary to pay all amounts due under the agreements and all costs, expenses, and obligations that may be necessary in connection with the use, occupancy, or operation of the facilities, including a management fee (increased annually by CPI), equal to $31,800 and $30,900, respectively, for the years ended June 30, 2024 and 2023, for services, such as managing the facility and collecting revenues.

At June 30, 2024 and 2023, there were no net amounts due to or from the USF Research Foundation.

(8) Fair Value Measurement

Fair value accounting guidance defines fair value as the exit price that would be required to sell an asset or transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three-level fair value hierarchy is used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs reflect the reporting entity’s own assumptions about factors that market participants would consider in pricing the asset or liability based on the best information available in the circumstances.

The valuation methodologies used for instruments measured at fair value are as follows:

(a) Investments

Investments are valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly and are classified within Level 2 of the valuation hierarchy.

The Financing Corporation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. No transfers have been made between Level 1, Level 2, or Level 3 during the fiscal years ended June 30, 2024 and 2023.

While the Financing Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents the Financing Corporation's financial instruments carried at fair value as of June 30, 2024, in accordance with the valuation hierarchy (as described above):

		Level 1	Level 2	Level 3	Total
Investments:					
Recurring:					
U.S. Government and Agency Securities	$	—	198,851,701	—	198,851,701
Total investments	$	—	198,851,701	—	198,851,701

(b) Interest Rate Swap Agreements

Interest rate swap agreements are valued using third-party pricing models, consistent with the market approach and income approach that use prices and other relevant information generated by market transactions involving identical or comparable assets. The present value technique is used to discount future amounts to the present values. The fair values of the interest rate swap agreements reflect current interest rates and the current creditworthiness of the counterparties. Interest rate swap agreements are classified within Level 2 of the valuation hierarchy (note 11).

(Continued)

The following table presents the Financing Corporation's financial instruments carried at fair value as of June 30, 2024, in accordance with the valuation hierarchy (as described above):

		Level 1	Level 2	Level 3	Total
Liabilities:					
Recurring:					
Interest rate swaps	$	—	2,502,077	—	2,502,077
Total liabilities	$	—	2,502,077	—	2,502,077

The following table presents the Financing Corporation's financial instruments carried at fair value as of June 30, 2023, in accordance with the valuation hierarchy (as described above):

		Level 1	Level 2	Level 3	Total
Liabilities:					
Recurring:					
Interest rate swaps	$	—	3,522,963	—	3,522,963
Total liabilities	$	—	3,522,963	—	3,522,963

(9) Long-Term Liabilities

Long-term liabilities of the Financing Corporation at June 30, 2024 include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2024 was as follows:

		Beginning balance	Additions	Deletions	Ending balance	Amounts due within one year
Bonds payable	$	24,285,000		1,240,000	23,045,000	1,305,000
Certificates of participation payable		148,725,000		5,125,000	143,600,000	5,665,000
Direct borrowings and direct placements:						
Mortgage loan payable		2,659,005		261,741	2,397,264	273,664
Notes payable		61,107,567	200,000,000	4,393,059	256,714,508	4,640,557
Certificates of participation payable		92,025,000		5,000,000	87,025,000	5,140,000
		328,801,572	200,000,000	16,019,800	512,781,772	17,024,221
Plus unamortized premium		8,049,030		1,367,086	6,681,944	
Total long-term liabilities	$	336,850,602	200,000,000	17,386,886	519,463,716	

Long-term liabilities of the Financing Corporation at June 30, 2023 include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2023 was as follows:

	Beginning balance	Additions	Deletions	Ending balance	Amounts due within one year
Bonds payable	$ 25,470,000	—	1,185,000	24,285,000	1,240,000
Certificates of participation payable	125,060,000	28,550,000	4,885,000	148,725,000	5,125,000
Direct borrowings and direct placements:					
Mortgage loan payable	2,909,916	—	250,911	2,659,005	261,742
Notes payable	65,264,883	—	4,157,316	61,107,567	4,393,059
Certificates of participation payable	97,905,000	—	5,880,000	92,025,000	5,000,000
	316,609,799	28,550,000	16,358,227	328,801,572	$ 16,019,801
Plus unamortized premium	8,083,713	1,448,953	1,483,636	8,049,030	
Total long-term liabilities	$ 324,693,512	29,998,953	17,841,863	336,850,602	

(a) Mortgage Loan Payable

The Financing Corporation had a mortgage loan payable outstanding at June 30, 2024 and 2023 as follows:

Mortgage loan	Amount of original issue	2024 Amount outstanding	2023 Amount outstanding	Interest rate (percent)	Issue date
Series 2019 UDI	$ 3,600,000	2,397,264	2,659,005	4.33	2019
Total	$ 3,600,000	2,397,264	2,659,005		

Series 2019 Conventional Mortgage Loan (UDI building)

On May 1, 2019, the Financing Corporation entered into a conventional mortgage loan agreement, Series 2019, with Valley Bank. The Series 2019 Conventional Mortgage Loan was issued at a taxable fixed interest rate of 4.33% and matures in 2031. The proceeds of the loan were used to finance the acquisition of the University Diagnostic Institute (UDI) building located in the USF Research Park.

The cost of the UDI building was $3,576,430 and is pledged as collateral for the Series 2019 mortgage loan, a direct borrowing from the bank. The Series 2019 mortgage loan contains provisions that in an event of default the bank may cancel the agreement, accelerate payment for all amounts due under the mortgage, take immediate possession and management of the property, and foreclose on the property.

The Financing Corporation entered into agreements to lease the UDI building to the Research Foundation until 2069, unless sooner terminated, and the Research Foundation makes payments to the Financing Corporation in an amount equal to 100% of debt service and any additional costs due (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(b) Mortgage Loan Payable – Schedule of Payments

The following is a schedule of future payments payable under the mortgage loan agreement as of June 30, 2024:

		Direct borrowing	
		Principal	**Interest**
Year ending June 30:			
2025	$	273,664	102,306
2026		285,810	90,160
2027		298,495	77,474
2028		311,576	64,393
2029		325,571	50,398
2030–2033		902,148	61,386
Total minimum payments	$	2,397,264	446,117

(c) Notes Payable

The Financing Corporation had notes payable outstanding at June 30, 2024 and 2023 as follows:

Notes		Amount of original issue	2024 Amount outstanding	2023 Amount outstanding	Interest rate (percent)	Issue date
Series 2013 Arena	$	20,000,000	12,350,000	13,295,000	4.78	2013
Series 2018A Athletics		6,843,759	4,716,368	5,311,248	2.25	2020
Series 2018B Athletics		9,354,110	6,638,420	7,379,475	2.25	2020
Series 2018 CAMLS		13,857,941	9,834,696	10,932,556	2.25	2020
Series 2019 Research Lab		27,000,000	23,175,024	24,189,288	3.22	2019
Series 2023 Stadium		200,000,000	200,000,000	—	6.48	2023
Total	$	277,055,810	256,714,508	61,107,567		

(i) Series 2013 Arena Note

On September 1, 2013, the Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2013 Arena Taxable Promissory Note. The proceeds of the loan were used to reimburse the University of South Florida for a portion of the costs undertaken by the University to renovate the USF Arena and Convocation Center. The Series 2013 Arena Note was issued at a taxable fixed rate and is callable at the option of the Financing Corporation on any scheduled payment date at a rate calculated pursuant to the requirements of the loan agreement.

The Series 2013 Arena Note (Note) is a direct borrowing from the bank. The Note is secured by a lien on pledged revenues. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Note.

Pursuant to an operating and reporting agreement, the University operates the Arena facility and makes payments to the Financing Corporation in an amount equal to at least 100% of principal and interest due on the Note, together with all other amounts due on the Note (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(ii) Series 2018A&B Athletics Notes

On March 9, 2018, the Financing Corporation entered into a loan agreement with Truist Bank to refund the Series 2010A&B Athletics Notes, which were originally issued to finance the acquisition, construction, and equipping of the athletics district facilities. The loan is evidenced by the Series 2018A&B Athletics Notes which were issued at tax-exempt, fixed interest rates. The Series 2018A&B Athletics Notes are callable at the option of the Financing Corporation on any scheduled payment date at: 101% of principal outstanding if prepaid during the first five years of the loan; 100.5% if prepaid between the 5th and 10th years of the loan; and 100% if prepaid after the 10th anniversary of the loan.

On August 31, 2020, the Financing Corporation refinanced the Series 2018A&B Athletics Notes reducing the net interest rates from 3.46% and 3.51%, respectively, to 2.25% as evidenced by the Amended and Restated Promissory Notes. The Amended and Restated Series 2018A Athletics Note was issued in the amount of $6,843,759. The proceeds were used to prepay the outstanding principal of the Series 2018A Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $68,438. This amount represents the 1% prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2030 using the effective interest method. At June 30, 2024 and 2023, the unamortized balance of the deferred outflow was $27,819 and $36,991, respectively. The Amended and Restated Series 2018B Athletics Note was issued in the amount of $9,354,110. The proceeds were used to prepay the outstanding principal of the Series 2018B Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $93,541. This amount represents the 1% prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2031 using the effective interest method. At June 30, 2024 and 2023, the unamortized balance of the deferred outflow was $41,851 and $53,669, respectively. The Financing Corporation completed these current refundings to reduce its total debt service payments over the next 11 years by approximately $1.0 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.9 million.

The Series 2018A&B Athletics Notes are direct borrowings from the bank. The Notes are secured by a lien on pledged revenues. The Notes are not secured by any assets pledged as collateral. The

Notes contain provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Notes.

The Financing Corporation entered into a ground lease agreement, dated as of January 15, 2010 and amended as of March 9, 2018, with the University Board of Trustees whereby the University has leased to the Financing Corporation the land on which the athletics district facilities are located. The Financing Corporation subleased the athletics district facilities to the University until 2031, unless sooner terminated. The University makes payments to the Financing Corporation in an amount equal to 100% of principal and interest due on the Notes, together with all other amounts due on the Notes (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(iii) *Series 2018 CAMLS Note*

On March 9, 2018, the Financing Corporation entered into a loan agreement with Truist Bank to refund the Series 2010 CAMLS Note, which was originally issued to finance the acquisition, construction, and equipping of the CAMLS facility. The loan is evidenced by the Series 2018 CAMLS Note which was issued at a tax-exempt, fixed interest rate. The Series 2018 CAMLS Note is callable at the option of the Financing Corporation on any scheduled payment date at: 101% of principal outstanding if prepaid during the first five years of the loan; 100.5% if prepaid between the 5th and 10th years of the loan; and 100% if prepaid after the 10th anniversary of the loan. On August 31, 2020, the Financing Corporation refinanced the Series 2018 CAMLS Notes reducing the net interest rates from 3.51% to 2.25% as evidenced by the Amended and Restated Promissory Note. The Amended and Restated Series 2018 CAMLS Note was issued in the amount of $13,857,941. The proceeds were used to prepay the outstanding principal of the Series 2018 CAMLS Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $138,579. This amount represents the 1% prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2031 using the effective interest method. At June 30, 2024 and 2023, the unamortized balance of the deferred outflow was $62,001 and $79,510, respectively. The Financing Corporation completed these current refundings to reduce its total debt service payments over the next 11 years by approximately $0.9 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.8 million.

The Series 2018 CAMLS Note is a direct borrowing from the bank. The Note is secured by a lien on pledged revenues. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Note.

The Financing Corporation entered into a ground lease agreement, dated as of December 15, 2010 and amended as of June 12, 2015 and March 9, 2018, with the University Board of Trustees whereby the University has leased to the Financing Corporation the land on which the CAMLS facility is located. The University acquired land in the central business district of downtown Tampa, Florida. The Financing Corporation provided HPCC with a right to use the CAMLS facility pursuant to a financing agreement, until 2051, unless sooner terminated. HPCC makes payments to the Financing Corporation in an amount equal to 100% of principal and interest due on the Note, together with all other amounts due on the Note (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(iv) Series 2019 Research Laboratory and Office Building Note

On December 16, 2019, the Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2019 Taxable Promissory Note (Series 2019 Research Note). The proceeds of the loan were used to finance a portion of the costs of the development of a mixed-use laboratory and office building to be located in the USF Research Park (Research Laboratory and Office Building). The Series 2019 Research Note was issued at a taxable fixed rate and is callable at the option of the Financing Corporation on any scheduled payment date at: 105% of principal outstanding if prepaid in the first year of the loan, 104% in the second year, 103% in the third year, 102% in the fourth year, 101% in the fifth year, and 100% if prepaid after the fifth year of the loan.

The Series 2019 Research Note is a direct borrowing from the bank. The Note is secured by a lien on pledged revenues. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Note.

The Financing Corporation entered into a sublease agreement, dated March 11, 2020, with the USF Research Foundation whereby the USF Research Foundation has leased to the Financing Corporation the land on which the Research Laboratory and Office Building will be developed. Pursuant to the financing agreements, dated December 16, 2019, the Financing Corporation provided the Research Foundation with a right to use the land and improvements until the earlier of the date all amounts due on the loan are paid in full or July 1, 2052, unless sooner terminated. The USF Research Foundation makes payments to the Financing Corporation in an amount equal to 100% of principal and interest due on the Note, together with all other amounts due on the Note (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(v) Series 2023 Stadium Note

On December 5, 2023, the Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2023 Taxable Promissory Note (Series 2023 Stadium Note). The proceeds of the loan will finance the construction of the on-campus stadium (the Stadium) to be located on the University’s Tampa campus. The Series 2023 Note was issued at a taxable, fixed interest rate.

The Series 2023 Stadium Note is direct borrowing from the bank. The Note is secured by a lien on pledged revenues, on parity with the existing Series 2018A&B Athletics Notes. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Note.

The Financing Corporation entered into an operating and reporting agreement, dated as of December 4, 2023, with the University Board of Trustees and Truist Bank whereby the University shall construct (pursuant to the Construction Disbursement Agreement between the University and Truist Bank), own, and operate the Stadium. The University makes payments to the Financing Corporation in an amount equal to 100% of principal and interest due on the Note, together with all other amounts due on the Note (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(d) Notes Payable – Schedule of Payments

The following is a schedule of future payments payable under the loan agreements as of June 30, 2024:

	Direct borrowings	
	Principal	**Interest**
Year ending June 30:		
2025	$ 4,640,557	14,757,608
2026	4,900,562	14,613,099
2027	8,490,288	14,463,026
2028	12,424,551	13,980,488
2029	13,194,686	13,356,686
2030–2034	65,289,657	56,297,452
2035–2039	70,461,825	37,160,552
2040–2041	77,312,382	12,794,544
Total minimum payments	$ 256,714,508	177,423,455

(e) Bonds Payable

The Financing Corporation had bonds outstanding at June 30, 2024 and 2023 as follows:

Bonds	Amount of original issue	2024 Amount outstanding	2023 Amount outstanding	Interest rates (percent)	Issue/ acceptance date
Series 2015 Marshall Center	$ 31,595,000	23,045,000	24,285,000	2.00–5.00	2015
Total	$ 31,595,000	23,045,000	24,285,000		

Series 2015 Marshall Center Revenue Bonds

The Series 2015 tax-exempt, fixed rate Marshall Center Revenue Bonds were issued on May 6, 2015 to refund the Series 2005C Certificates of Participation, in advance of the first optional prepayment date of the Series 2005C Certificates on July 1, 2015. The Series 2005C Certificates were originally issued to finance the cost to develop a new student center. The Bonds were issued at tax-exempt fixed interest rates ranging from 2.00% to 5.00%. The Bonds mature in 2036 and, beginning on July 1, 2025, are callable at the option of the Financing Corporation at 100% of the principal amount outstanding. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $418,352. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2036 using the effective interest method. At June 30, 2024 and 2023, the unamortized balance of the deferred outflow was $95,521 and $118,445, respectively. The Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by approximately $4.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $3.3 million.

The Series 2015 Bonds were issued pursuant to the terms of a trust indenture, dated as of May 1, 2015, by and between the Trustee and the Financing Corporation. The Bonds are secured by a lien on pledged revenues. The Bonds are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, acceleration of the Bonds would not be a remedy of the trustee. Any financial consequences would be determined via court proceedings.

Pursuant to an operating agreement, the University operates the Marshall Student Center and makes payments to the Financing Corporation in an amount equal to 100% of principal and interest due on the Bonds, together with all other amounts due related to the Bonds (note 7). Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(f) Bonds Payable – Schedule of Payments

The following is a schedule of future payments payable under the bond agreements as of June 30, 2024:

	Principal	Interest
Year ending June 30:		
2025	$ 1,305,000	1,060,770
2026	1,365,000	994,020
2027	1,435,000	924,020
2028	1,510,000	850,395
2029	1,585,000	773,020
2030–2034	9,195,000	2,562,600
2035–2037	6,650,000	390,718
Total minimum payments	23,045,000	$ 7,555,543
Plus unamortized premium	953,201	
Bonds payable	$ 23,998,201	

(g) Certificates of Participation Payable

The Financing Corporation had certificates of participation (Certificates) outstanding at June 30, 2024 and 2023 as follows:

Certificates	Amount of original issue	2024 Amount outstanding	2023 Amount outstanding	Interest rates (percent)	Issue/ acceptance date
Series 2015A Housing	$ 23,640,000	—	2,065,000	2.63–5.00	2015
Series 2012A Housing	77,015,000	72,745,000	74,680,000	2.00–5.00	2015
Series 2018 Housing	30,140,000	28,485,000	29,065,000	4.00–5.00	2019
Series 2019 Housing	15,510,000	13,820,000	14,365,000	3.25–5.00	2019
Series 2022 Housing	28,550,000	28,550,000	28,550,000	5.00-5.25	2022
Direct placements:					
Series 2012B Housing	68,975,000	46,275,000	48,750,000	4.67	2012
Series 2013A Health	29,945,000	26,500,000	28,240,000	3.43	2021
Series 2013B Health	15,795,000	14,250,000	15,035,000	4.29	2021
Total	$ 289,570,000	230,625,000	240,750,000		

The Financing Corporation issued the above Certificates pursuant to master trust agreements and supplemented by supplemental trust agreements, by and among the Trustee, the Property Corporation, as lessor, and the Financing Corporation, as lessee. The Certificates represent an undivided proportionate interest of the owners thereof in the right to receive basic rent payments payable under the financing agreements by and between the Property Corporation and the Financing Corporation, each supplemented by payment schedules.

Additionally, for each of the above Certificates, the Financing Corporation entered into ground lease agreements with the University, whereby the University leased to the Financing Corporation the land on which all of the facilities are located. All of the rights, title, and interest of the Financing Corporation in the agreements, including the right of the Financing Corporation to receive payments, to use, sell, and relet properties, and to exercise remedies thereunder, and the ground leases have been irrevocably assigned by the Financing Corporation to the Trustee, pursuant to assignment agreements.

All of the land on the University's campuses has been leased to the University by the State Board of Trustees of the Internal Improvement Trust Fund for 99 years from January 22, 1974.

With respect to the South Clinic Facility site, the University possesses a leasehold interest in the site, pursuant to a sublease dated March 15, 2006, between the University and Florida Health Science Center, Inc., d/b/a Tampa General Hospital, whereby Tampa General Hospital has subleased to the University, the land on which the South Clinic Facility was constructed.

The Financing Corporation has subleased the North Clinic Facility, the South Clinic Facility, and the Medical Office Building to UMSA, pursuant to individual office building lease agreements. UMSA makes payments to the Financing Corporation in an amount equal to 120% of principal and interest due on the Series 2013A Certificates, together with all other amounts due on the notes (note 7).

(Continued)

Pursuant to GASB 87, the payments for principal reduce the related financing receivables (note 6) and the payments for interest are recorded as operating income.

(i) Series 2015A Housing Certificates

The Series 2015A tax-exempt, fixed rate Certificates were issued on May 6, 2015 to refund the Series 2005A Certificates, in advance of the first optional prepayment date of the Series 2005A Certificates on July 1, 2015. The Series 2005A Certificates were originally issued to retire or defease the University's prior housing financings. The Certificates matured on July 1, 2023.

The Series 2015A Certificates were secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The Certificates were not secured by any assets pledged as collateral. The trust indenture contained provisions that in an event of default, the outstanding principal may be accelerated.

(ii) Series 2012A Housing Certificates

The Series 2012A tax-exempt, fixed rate Certificates were reissued on May 6, 2015 to convert the Series 2012A Certificates from variable rate to fixed rate mode. The Certificates mature in 2035 and are not subject to optional prepayment prior to July 1, 2025. On or after July 1, 2025, the Certificates are callable at the option of the Financing Corporation at 100% of the principal amount outstanding.

The Series 2012A Certificates were originally issued on October 1, 2012 as variable rate Certificates, directly placed with Wells Fargo Bank, N.A., to refund the Series 2005B Certificates. The Series 2005B Certificates were originally issued to finance the cost to develop certain student housing facilities existing on the University's Tampa campus, to acquire, construct, and equip a housing facility and a related parking facility on the University's St. Petersburg campus.

The Series 2012A Certificates are secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

(iii) Series 2018 Housing Certificates

The Series 2018 Housing Certificates were issued on January 16, 2019 to finance the cost to acquire, construct, and equip a student housing facility and dining facility shell on the University's St. Petersburg Campus. The Series 2018 Certificates were issued at a tax-exempt fixed interest rate ranging from 4.00–5.00%. The Certificates, which mature on July 1, 2043 and July 1, 2048, are callable at the option of the Financing Corporation on scheduled dates and in scheduled installments beginning on July 1, 2039.

The Series 2018 Certificates are secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

(iv) Series 2019 Housing Refunding Certificates (refunded Series 2010B Housing Certificates)

The Series 2019 Housing Refunding Certificates were issued on January 16, 2019 to refund the outstanding Series 2010B Housing Certificates, in advance of the first optional prepayment date of the Series 2010B Certificates on July 1, 2020. The Series 2010B Certificates were issued at taxable fixed interest rates ranging from 8.35–8.55% under the Build America Bonds program. The Series 2019 Certificates were issued at a tax-exempt fixed interest rate ranging from 3.25–5.00%. The Certificates, which mature on July 1, 2039 and July 1, 2040, are callable at the option of the Financing Corporation beginning on January 1, 2029.

The Series 2019 Housing Refunding Certificates proceeds were used to fund an escrow account in an amount necessary to pay the outstanding principal of the Series 2010B Housing Certificates in the amount of $15,140,000, plus accrued interest until the July 1, 2020 prepayment date. Pursuant to an escrow agreement, dated January 16, 2019, the Financing Corporation was discharged from its obligation to the holders of the Series 2010B Certificates. The escrow agent accepted the deposit of net proceeds to be held in an irrevocable escrow fund during the term of the agreement, for the benefit of the Certificate holders, and invested the funds in United States Treasury securities with terms necessary to pay the amounts of principal and interest due. The outstanding principal of the Series 2010B Housing Certificates in the amount of $15,140,000, plus accrued interest, was paid in full on July 1, 2020. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $918,741. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2040 using the effective interest method. At June 30, 2024 and 2023, the unamortized balance of the deferred outflow was $316,519 and $402,754, respectively. The Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by approximately $2.7 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $1.8 million.

The Series 2019 Housing Refunding Certificates are secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

(v) Series 2012B Housing Certificates

The Series 2012B tax-exempt, variable rate Refunding Certificates were issued on October 1, 2012 to refund the Series 2007 Housing Certificates. The Series 2007 Housing Certificates were originally issued to finance the acquisition, construction and equipping of a housing facility on the University's Tampa campus. The Refunding Certificates were issued at an amount equal to the par amount of the outstanding Series 2007 Housing Certificates. The Certificates, which mature in 2037, are subject to a mandatory purchase on October 1, 2024.

The Series 2012B Certificates are hedged to limit the effect of changes in interest rates (note 11). The Series 2012B Housing Certificates are directly placed with the bank. The Certificates are secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture and continuing covenants agreement contain provisions that in an event of default, the outstanding principal may be accelerated.

(vi) Series 2013A Health Certificates

The Series 2013A tax-exempt, variable rate Certificates were issued on September 3, 2013 to refund the Series 2006A Health Certificates. The Series 2006A Health Certificates were originally issued to finance the acquisition and construction of two fully equipped medical office buildings (the North Clinic Facility and the South Clinic Facility). The Certificates were issued at an amount equal to the par amount of the outstanding Series 2006A Certificates. On July 1, 2016, the Certificates were converted from variable rate to fixed rate mode. The associated interest rate swap, with an equal notional amount, expired on July 1, 2016. On October 1, 2021, the Certificates were converted from tax-exempt interest rates to taxable interest rates following a Determination of Taxability, as described in the Series 2013A supplemental trust agreement. The Certificates held a taxable interest rate equal to 3.20% per annum through July 1, 2022, on which date the interest rate adjusted to 3.43% through July 1, 2026, the last day of the current long term rate period. The Certificates mature in 2036.

The Series 2013A Health Certificates are directly placed with the bank. The Certificates are secured by a lien on pledged revenues, on parity with the Series 2013B Health Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture and continuing covenants agreement contain provisions that in an event of default, the outstanding principal may be accelerated.

(vii) Series 2013B Health Certificates

The Series 2013B tax-exempt, variable rate Certificates were issued on September 3, 2013 to refund the Series 2007 Health Certificates. The Series 2007 Health Certificates were originally issued to finance the acquisition, construction, installation, and equipping of a medical office building (Medical Office Building). The Certificates were issued at an amount equal to the par amount of the outstanding Series 2007 Health Certificates. On July 2, 2018, the $17,925,000 outstanding par amount of the Series 2013B tax-exempt Certificates were converted from a variable rate mode to a fixed rate mode. The associated interest rate swap, with an equal notional amount, expired on July 1, 2018. On October 1, 2021, the Certificates were converted from tax-exempt interest rates to taxable interest rates following a Determination of Taxability, as described in the Series 2013B supplemental trust agreement. The Certificates will hold a taxable interest rate equal to 4.29% per annum through July 1, 2037, the final scheduled maturity date.

The Series 2013B Health Certificates are directly placed with the bank. The Certificates are secured by a lien on pledged revenues, on parity with the Series 2013A Health Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture and credit agreement contain provisions that in an event of default, the outstanding principal may be accelerated.

(viii) Series 2022 Housing Certificates

The $28.6 million Series 2022 Certificates of Participation were issued on October 31, 2022. The 30-year, fixed interest rate public bonds bear interest at rates ranging from 5.00-5.25% with an all-in true interest cost of 4.85%. The Certificates were issued on parity with the $176 million "A1/A+" rated USF Housing System. The debt, along with a $16.5 million cash contribution from the University, financed the construction of the $46.5 million mixed-use facility comprising a 200-bed student housing component and student center on the University's Sarasota-Manatee campus. The Certificates, which have a final maturity date of July 1, 2052, are callable at the option of the Financing Corporation on scheduled dates and in scheduled installments beginning on July 1, 2032.

The Series 2022 Certificates are secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

(h) Certificates of Participation Payable – Schedule of Payments

The following is a schedule of future payments payable under the certificate of participation agreements as of June 30, 2024:

	Certificates of participation		Direct placements	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2025	$ 5,665,000	6,776,763	5,140,000	3,573,424
2026	6,455,000	6,473,763	5,310,000	3,354,897
2027	6,790,000	6,142,638	5,480,000	3,129,043
2028	7,165,000	5,793,763	5,675,000	2,895,276
2029	7,495,000	5,427,263	5,850,000	2,653,513
2030–2034	43,690,000	20,987,525	32,190,000	9,355,584
2035–2039	29,725,000	11,066,725	27,380,000	2,282,072
2040–2044	14,375,000	6,897,875	—	—
2045–2049	15,330,000	3,624,881	—	—
2050–2054	6,910,000	748,388	—	—
Total minimum payments	143,600,000	$ 73,939,584	87,025,000	27,243,809
Plus unamortized premium	5,728,743		—	
Certificates of participation payable	$ 149,328,743		87,025,000	

(i) Covenants

All of the Notes, Bonds, Certificates, and the Mortgage Loan are subject to certain covenants and other commitments. To the best of its knowledge, the Financing Corporation is in compliance with all covenants and commitments of June 30, 2024 and 2023. The Board of Directors has adopted a written Board of Trustees Debt Management Policy.

(j) Reserve Funds

The terms of the various bond agreements require the Financing Corporation to set aside certain funds for debt service payments, debt service reserves, and for facility renewal and replacement reserves. Such funds amounted to $46,685,562 and $45,011,451, respectively at June 30, 2024 and 2023 and are included in restricted cash and cash equivalents on the statements of net position.

(10) General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2024 and 2023 were as follows:

		2024	**2023**
Insurance costs	$	689,943	580,210
Trustee fees		18,110	14,850
Consulting fees		548,706	35,239
General and administrative expenses	$	1,256,759	630,299

(11) Interest Rate Swap Agreements

The Financing Corporation has exclusively entered into “pay-fixed” interest rate swap agreements to limit its exposure to interest rate risk over the agreed term of the swap. The Financing Corporation has effectively fixed the interest rate on its variable rate debt with interest rate swaps. At June 30, 2024 and 2023, the Financing Corporation had one outstanding interest rate swap agreement, the Series 2012B swap agreement.

The notional amount of the swap matched the principal amount on the associated Series 2012B Housing Certificates (note 9) through the scheduled termination date of the swap on July 1, 2037. Under the terms of the swap agreement, the Financing Corporation pays the swap counterparty a semi-annual fixed interest rate of 3.939% and receives monthly variable interest rate payments from the swap counterparty equal to a defined variable rate index. On March 22, 2023, the Financing Corporation closed a transaction to modify the variable rate index on the Series 2012B Certificates of Participation from 80% of LIBOR to 80% of SOFR as a substitute rate. The transaction was completed well in advance of the discontinuance of LIBOR as a benchmark index rate on June 30, 2023. Management negotiated with the bank holding the Series 2012B COPs to maintain the existing spread at 73 basis points. With SOFR’s lower trading costs, the swap counterparty will pay a small spread to the Financing Corporation, resulting in a slight benefit of 8.2 basis points.

The following table summarizes the Financing Corporation's outstanding interest rate swap and the related fair value as of June 30, 2024:

Underlying bond issue	Counter-party	Initial notional amount of swap	Outstanding amount of swap	Effective date	Initial term (yrs.)	Fixed rate	Fair value June 30, 2024	Cash flow
Series 2012B	Royal Bank of Canada	$ 73,700,000	46,275,000	Sep 25, 2007	30	3.939	$ (2,502,077)	212,963

The following table summarizes the Financing Corporation's outstanding interest rate swap and the related fair value as of June 30, 2023:

Underlying bond issue	Counter-party	Initial notional amount of swap	Outstanding amount of swap	Effective date	Initial term (yrs.)	Fixed rate	Fair value June 30, 2023	Cash flow
Series 2012B	Royal Bank of Canada	$ 73,700,000	48,750,000	Sep 25, 2007	30	3.939	$ (3,522,963)	(1,365,331)

The fair value of the swap agreement is the estimated amount the Financing Corporation would receive or pay to terminate the swap agreement as of the reporting date. Fluctuations in swap values are determined primarily by rises and falls in the level of market interest rates compared to the pay-fixed rates on the swaps over the remaining term of the swap.

The unadjusted fair value of the Financing Corporation's swap agreement at June 30, 2024 and 2023 was $(2,513,959) and $(3,614,064), respectively. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, these values are adjusted using third-party models to take into account current interest rates and the current creditworthiness of the counterparties. The credit value adjusted fair value of the Financing Corporation's swap agreement at June 30, 2024 and 2023 of $(2,502,077) and $(3,522,963), respectively, is included on the accompanying statements of net position. As the outstanding swap agreement met the criteria set forth under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as an effective hedging derivative instrument, hedge accounting was applied and, thus, the accumulated change in the interest rate swap agreement was reported as deferred outflow of resources on the statements of net position. The change in fair value for the years ended June 30, 2024 and 2023, was $1,020,886 and $2,890,900, respectively, which is recorded as a decrease in deferred outflows of resources. The following is a schedule of expected future interest payments required under the swap agreement, as of June 30, 2024:

Year ending June 30:		
2025	$	1,722,328
2026		1,617,944
2027		1,509,622
2028		1,396,376
2029		1,279,190
2030–2034		4,474,704
2035–2038		963,086
Total interest payments	$	12,963,250

The interest rate swap agreement contains collateral provisions to mitigate counterparty credit risk. The provisions of the interest rate swap agreement relating to the Series 2012B Housing Certificates require the Financing Corporation to maintain a rating of at least Baa1 by Moody's Investors Service or BBB+ by Standard & Poor's on its Housing Certificates. The provisions require the Financing Corporation to post collateral, in the form of cash or securities, for the negative valuation exposure in excess of the $10 million minimum threshold level.

As of June 30, 2024 and 2023, there was no posted collateral.

Risks associated with interest rate swaps include counterparty risk, termination risk, rollover risk, basis risk, and tax event risk. The Financing Corporation mitigates these risks through the use of monitoring systems, expert advisors, partnerships with experienced institutions, the requirement for strong counterparty credit ratings, contract provisions, and by actively monitoring market conditions. Pursuant to the terms of the swap agreement, in the absence of a default, only the Financing Corporation has the right to terminate the swap contract.

The Board of Directors has adopted a written Board of Trustees Derivatives Policy that prohibits the use of speculative types of swaps or derivatives. The Board of Directors has also adopted a written Debt Management Policy that requires the Financing Corporation to only engage counterparties with ratings of "AA-" or better at the time the Financing Corporation enters into the agreement.

(12) Risk Management

The Financing Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to users of facilities; and natural disasters. The Financing Corporation manages these risks of loss by maintaining, or causing to be maintained by the user of the facilities, commercial insurance, and coverage provided by the University's participation in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Financing Corporation's facilities. There were no significant reductions in insurance coverage or settlements in excess of the insurance coverage in any of the three prior fiscal years.

(13) Subsequent Events

In connection with the preparation of the financial statements, management has evaluated and reviewed the affairs of the Financing Corporation for subsequent events that would impact the financial statements for the year ended June 30, 2024 through October 17, 2024, the date the financial statements were issued.

On August 1, 2024, the Financing Corporation Board of Directors authorized the remarketing of the outstanding $43,725,000 Housing Series 2012B direct placement certificates of participation. The Series 2012B Certificates are currently held by Wells Fargo and Wells Fargo exercised its option to cause Financing Corporation to repurchase the Series 2012B Certificates on October 1, 2024. The Financing Corporation sought proposals from various financial institutions to purchase the Series 2012B Certificates. The Financing Corporation selected the proposal submitted by JPMorgan Chase Bank, N.A. to purchase the Series 2012B Certificates through its wholly owned subsidiary DNT Asset Trust. The amended Supplemental Trust Agreement and the Continuing Covenant Agreement and all related agreements, certificates and opinions were executed and the transaction closed on October 1, 2024.

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' 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 Board of Directors
USF Financing Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of USF Financing Corporation (the Corporation), a component unit of the University of South Florida, which comprise the Corporation's statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

KPMG

Purpose of This Report

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

KPMG LLP

Tampa, Florida
October 17, 2024