Financial Statements

University of Georgia Athletic Association, Inc.
Years Ended June 30, 2015 and 2014
With Report of Independent Auditors and
Management's Discussion and Analysis

Ernst & Young LLP

Building a better
working world

University of Georgia Athletic Association, Inc.

Financial Statements

Years Ended June 30, 2015 and 2014

Contents

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Report of Independent Auditors

The Board of Directors
University of Georgia Athletic Association, Inc.

We have audited the accompanying financial statements of the University of Georgia Athletic Association, Inc. (the Association), a component of the State of Georgia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Georgia Athletic Association, Inc. at June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

November 11, 2015

Management's Discussion and Analysis

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of Georgia Athletic Association (the Association) for the years ended June 30, 2015, 2014, and 2013. This discussion was prepared by the Association's management and should be read in conjunction with the financial statements and notes thereto, which follow.

The Association is a not-for-profit corporation organized in Georgia in 1928 for the purpose of promoting intercollegiate athletic sports representing the University of Georgia (the University). The University, the state's flagship institution of higher education, is the state's oldest, most comprehensive, and most diversified institution of higher education.

The Association's mission is to offer nationally competitive intercollegiate athletic programs while remaining dedicated to the personal development of student athletes, to unfailing integrity and excellence in its programs, to teamwork, and to the determination to play a leadership role nationally in intercollegiate athletics. Since the Association does not receive any financial support from the state of Georgia, it must generate the ever-increasing operating and capital resources needed to accomplish its mission.

Using the Financial Statements

The financial statements of the Association report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statements of net position include all of the Association's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Association creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Association, and assessing the liquidity and financial flexibility of the Association. All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement measures the success of the Association's operations over the past year and can be used to determine whether the Association has successfully recovered all of its costs through its user fees and other charges and creditworthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Association's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash during the reporting period.

Financial Highlights

The following represents the Association's financial position and results of operations as of and for year ended June 30, 2015:

- Total assets, including deferred outflows of resources, were $355.3 million.
- Total liabilities were $147.0 million.
- Net position, after liabilities were deducted from total assets, was $208.3 million.
- Operating revenues of $116.3 million, less operating expenses of $96.2 million, resulted in an operating income of $20.1 million. Operating income, when combined with nonoperating expenses (net of revenues) of $8.8 million, resulted in an increase in net position of $11.3 million.

The following represents the Association's financial position and results of operations as of and for year ended June 30, 2014:

- Total assets, including deferred outflows of resources, were $344.9 million.
- Total liabilities were $148.0 million.
- Net position, after liabilities were deducted from total assets, was $196.9 million.
- Operating revenues of $97.9 million, less operating expenses of $85.4 million, resulted in an operating income of $12.5 million. Operating income, when combined with nonoperating expenses (net of revenues) of $3.3 million, resulted in an increase in net position of $9.2 million.

The following represents the Association's financial position and results of operations as of and for year ended June 30, 2013 (restated):

- Total assets, including deferred outflows of resources, were $342.4 million.
- Total liabilities were $154.7 million.
- Net position, after liabilities were deducted from total assets, was $187.7 million.
- Operating revenues of $96.8 million, less operating expenses of $86.4 million, resulted in an operating income of $10.4 million. Operating income, when combined with nonoperating expenses (net of revenues) of $8.2 million, resulted in an increase in net position of $2.2 million.

Operating Revenues

For the year ended June 30, 2015, total operating revenues were $116.3 million. Football ($23.8 million), men's basketball ($0.8 million), and revenue categories that can be tied directly to those sports (sky suites $5.3 million, SEC/NCAA revenue $30.8 million, multi-media $10.5 million, concessions/novelties $1.8 million, and ticket contributions $26.2 million) combined for a total of $99.2 million, or 85.3% of total operating revenue. Other sports, and other revenue categories that cannot be tied directly to football or men's basketball, generated the balance of $17.1 million. Student fees ($3.2 million) and promotions/sponsorships and licensing ($3.8 million) accounted for the bulk of these other revenue categories.

For the year ended June 30, 2014, total operating revenues were $97.9 million. Football ($20.9 million), men’s basketball ($0.5 million), and revenue categories that can be tied directly to those sports (sky suites $5.2 million, SEC/NCAA revenue $20.8 million, multi-media $10.3 million, concessions/novelties $1.7 million, and ticket contributions $25.1 million) combined for a total of $84.5 million, or 86.3% of total operating revenue. Other sports, and other revenue categories that cannot be tied directly to football or men’s basketball, generated the balance of $13.4 million. Student fees ($3.3 million) and promotions/sponsorships and licensing ($3.3 million) accounted for the bulk of these other revenue categories.

For the year ended June 30, 2013, total operating revenues were $96.8 million. Football ($22.5 million), men’s basketball ($0.8 million), and revenue categories that can be tied directly to those sports (sky suites $5.4 million, SEC/NCAA revenue $21.4 million, multi-media $10.4 million, concessions/novelties $1.7 million, and ticket contributions $24.4 million) combined for a total of $86.6 million, or 89.3% of total operating revenue. Other sports, and other revenue categories that cannot be tied directly to football or men’s basketball, generated the balance of $10.2 million. Student fees ($3.2 million) and promotions/sponsorships and licensing ($3.3 million) accounted for the bulk of these other revenue categories.

Operating Expenses

For the year ended June 30, 2015, of the total operating expenses of $96.1 million, $40.2 million, or 41.8%, were expenses related to operating the individual sports. Another $9.3 million, or 9.7%, was expended in the sports-related categories of sports medicine, sports information, academic counseling, and the postseason football bowl game. Scholarships and general and administrative expenses of $26.7 million represented 27.8% of operating expenses, and the final 20.7% of total operating expenses was from depreciation, plant operations, facility maintenance, and other operating expenses of $19.9 million.

For the year ended June 30, 2014, of the total operating expenses of $85.4 million, $34.6 million, or 40.5%, were expenses related to operating the individual sports. Another $7.9 million, or 9.2%, was expended in the sports-related categories of sports medicine, sports information, academic counseling, and the postseason football bowl game. Scholarships and general and administrative expenses of $24.8 million represented 29.1% of operating expenses, and the final 21.3% of total operating expenses was from depreciation, plant operations, facility maintenance, and other operating expenses of $18.1 million.

For the year ended June 30, 2013, of the total operating expenses of $86.4 million, $34.9 million, or 40.4%, were expenses related to operating the individual sports. Another $8.2 million, or 9.5%, was expended in the sports-related categories of sports medicine, sports information, academic counseling, and the postseason football bowl game. Scholarships and general and administrative expenses of $24.8 million represented 28.7% of operating expenses, and the final 21.4% of total operating expenses was from depreciation, plant operations, facility maintenance, and other operating expenses of $18.5 million.

Analysis of Financial Position and Results of Operations

Statements of Net Position

The Statements of Net Position provide a point of time for the financial statements of the assets, liabilities, and net position of the Association for fiscal years 2015 and 2014. The purpose of the statement is to present a fiscal snapshot of the University of Georgia Athletic Association.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Association. They are also able to determine how much the Association owes vendors and lending institutions.

Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the Association. Net position is divided into two major categories. The first category, invested in capital assets, provides the institution's equity in its capital assets (property, plant, and equipment). The second category is unrestricted net position. Unrestricted net position is available to the Association for any lawful purpose of the Association.

Condensed Statements of Net Position

	June 30		
	2015	**2014**	**Restated 2013**
Assets			
Current	**$ 64,777,526**	$ 65,349,698	$ 71,500,126
Noncurrent	**280,341,965**	269,346,034	260,177,850
	345,119,491	334,695,732	331,677,976
Deferred outflows of resources	**10,140,970**	10,228,633	10,699,499
Liabilities			
Current	**36,979,904**	33,010,741	34,447,775
Noncurrent	**110,007,301**	114,965,284	120,240,991
	146,987,205	147,976,025	154,688,766
Net position			
Invested in capital assets	**128,903,849**	115,662,174	112,167,930
Unrestricted	**79,369,407**	81,286,166	75,520,779
	$ 208,273,256	$ 196,948,340	$ 187,688,709

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by the Association, both operating and nonoperating, and the expenses paid by the Association, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the Association.

Generally, operating revenues are received for or related to providing goods and services to the various customers and constituencies of the Association. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Association. Nonoperating revenues are revenues received for which goods and services are not provided.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30		
	2015	**2014**	**Restated 2013**
Operating revenues:			
Athletic sports	**$ 25,205,935**	$ 21,982,823	$ 23,814,540
Ticket contributions	**27,261,975**	25,124,747	24,364,868
Other	**63,799,940**	50,859,180	48,645,969
	116,267,850	97,966,750	96,825,377
Operating expenses:			
Athletic sports	**40,219,027**	34,566,814	34,898,212
General/admin and scholarships	**26,703,146**	24,848,858	24,807,175
Depreciation	**7,983,228**	7,179,093	6,974,706
Other	**21,248,720**	18,843,734	19,671,167
	96,154,121	85,438,499	86,351,260
Operating income	**20,113,729**	12,528,251	10,474,117
Nonoperating revenues (expenses):			
Gifts	**27,758**	27,758	27,758
Investment income	**771,384**	5,528,121	1,292,431
Other, net	**(9,587,955)**	(8,824,499)	(9,546,815)
Net nonoperating expenses	**(8,788,813)**	(3,268,620)	(8,226,626)
Changes in net position	**$ 11,324,916**	$ 9,259,631	$ 2,247,491

Statements of Cash Flows

The final statement presented by the Association is the statement of cash flows. The statement of cash flows presents detailed information about the cash activity of the Association during the year. The statement is divided into three parts. The first part deals with operating cash flows and shows the net cash provided by the operating activities of the Association. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

Condensed Statements of Cash Flows

	Year Ended June 30		
	2015	**2014**	**Restated 2013**
Cash and cash equivalents provided by (used by):			
Operating activities	**$ 27,660,211**	$ 17,565,353	$ 15,569,868
Noncapital financing activities	**(5,000,000)**	(4,000,000)	(4,000,000)
Capital and related financing activities	**(25,039,377)**	(13,937,105)	(14,149,952)
Investing activities	**(1,733,192)**	(4,846,993)	(29,818,004)
Net change in cash and cash equivalents	**(4,112,358)**	(5,218,745)	(32,398,088)
Cash and cash equivalents, beginning of year	**63,105,482**	68,324,227	100,722,315
Cash and cash equivalents, end of year	**$ 58,993,124**	$ 63,105,482	$ 68,324,227

Capital Assets and Debt Administration

During fiscal year 2015, the Association reduced debt by $4,735,000 and approved $10,796,000 in capital improvement and renovation projects. Some of those new capital projects, such as the Sky Club refurbishment and Concession and Restroom Upgrades at Sanford Stadium, a VideoBoard and Weight Room Flooring in Stegeman Coliseum, and a new Indoor Athletic Facility, are in progress and, with exception of the Indoor Athletic Facility, should be completed by the sports' first respective home games.

Economic Outlook

The University of Georgia Athletic Association continued to manage and invest its resources wisely in fiscal year 2015 as it continues to promote intercollegiate athletic sports representing the University of Georgia by offering nationally competitive intercollegiate athletic programs while remaining dedicated to the personal development of student athletes.

As fiscal year 2016 progresses, the Association's revenues generated by the football program through ticket sales and contributions and other related revenue categories should remain strong. Southeastern Conference distributions have been increasing as the conference continues to grow. The continued success of many of the other sports programs adds to the expectation of a successful year. With continued careful management of expenses, the Association should have another strong financial year.

Requests for Information

This financial report is designed to provide a general overview of the Association's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to University Business and Accounting Services, 456 East Broad Street, Room 225, Athens, Georgia 30602.

University of Georgia Athletic Association, Inc.

Statements of Net Position

	June 30 2015	June 30 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 58,993,124**	$ 63,105,482
Accounts receivable	**5,606,368**	2,025,310
Prepaid expenses and other assets	**178,034**	218,906
Total current assets	**64,777,526**	65,349,698
Noncurrent assets:		
Amounts held by the UGA Foundation	**46,708,954**	44,212,208
Other assets	**688,452**	735,585
Capital assets (net of accumulated depreciation of $ 95,901,586 and $87,982,624 in 2015 and 2014, respectively)	**232,944,559**	224,398,241
Total noncurrent assets	**280,341,965**	269,346,034
Total assets	**345,119,491**	334,695,732
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	**7,494,039**	7,416,268
Deferred loss on bond refunding	**2,646,931**	2,812,365
Total deferred outflows of resources	**10,140,970**	10,228,633
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	**6,527,901**	6,126,631
Unearned revenue	**25,597,003**	22,149,110
Current portion of long-term debt	**4,855,000**	4,735,000
Total current liabilities	**36,979,904**	33,010,741
Noncurrent liabilities:		
Derivative instruments	**7,494,039**	7,416,268
Deferred compensation payable	**680,622**	735,585
Long-term debt	**101,832,640**	106,813,431
Total noncurrent liabilities	**110,007,301**	114,965,284
Total liabilities	**146,987,205**	147,976,025
Net position		
Net investment in capital assets	**128,903,849**	115,662,174
Unrestricted	**79,369,407**	81,286,166
Total net position	**$ 208,273,256**	$ 196,948,340

See accompanying notes.

University of Georgia Athletic Association, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2015	**2014**
Revenues		
Operating revenues:		
Football	**$ 22,891,326**	$ 19,850,473
Post season football bowl	**948,948**	1,091,376
Men's Basketball	**818,899**	473,145
Other sports	**546,762**	567,829
Sky suites	**5,343,443**	5,252,034
SEC/NCAA revenue	**30,774,203**	20,813,440
Multi-media	**10,447,500**	10,307,964
Concessions/novelties	**1,814,768**	1,673,004
Promotions/sponsorships	**883,563**	574,139
Licensing	**2,873,710**	2,747,545
Product endorsements	**3,000,000**	600,000
Student fees	**3,212,769**	3,274,712
Ticket contributions – Football	**26,176,229**	24,343,965
Ticket contributions – Men's and Women's basketball and Women's gymnastics	**1,085,746**	780,782
Other operating revenues	**5,449,984**	5,616,342
Total operating revenues	**116,267,850**	97,966,750
Expenses		
Operating expenses:		
Athletic sports:		
Football	**20,680,572**	16,443,064
Basketball – Men	**4,520,828**	4,428,140
Basketball – Women	**2,918,775**	2,550,215
Baseball	**1,631,803**	1,628,170
Golf – Men	**588,959**	592,298
Golf – Women	**427,855**	414,138
Gymnastics – Women	**1,107,321**	999,309
Equestrian	**1,058,955**	1,031,328
Soccer	**811,926**	632,754
Softball	**894,794**	807,492
Swimming – Men	**594,120**	632,479
Swimming – Women	**747,241**	913,710
Tennis – Men	**754,699**	707,820
Tennis – Women	**598,994**	547,484
Track – Men	**756,892**	686,980
Track – Women	**1,319,371**	847,763
Volleyball	**805,922**	703,670
Postseason football bowl	**1,403,958**	1,123,618
Sports medicine	**4,277,371**	3,505,806
Sports information	**1,121,890**	1,133,538
Academic counseling	**2,489,435**	2,088,873
Scholarships	**11,327,323**	11,046,804
General and administrative expense	**15,375,823**	13,802,054
Plant operations and facility maintenance	**8,989,538**	7,634,436
Other operating expenses	**2,966,528**	3,357,463
Depreciation	**7,983,228**	7,179,093
Total operating expenses	**96,154,121**	85,438,499

University of Georgia Athletic Association, Inc.

Statements of Revenues, Expenses, and Changes in Net Position (continued)

	Year Ended June 30	
	2015	**2014**
Operating income	**$ 20,113,729**	$ 12,528,251
Nonoperating revenues (expenses):		
Gifts	**27,758**	27,758
Investment income	**771,384**	5,528,121
Gain/(Loss) on disposal of property	**33,235**	(27,042)
Amounts paid to the UGA Foundation	**(5,000,000)**	(4,000,000)
Investment expense	**(429,431)**	(451,489)
Interest on indebtedness	**(4,191,759)**	(4,345,968)
Net nonoperating revenues (expenses)	**(8,788,813)**	(3,268,620)
Increase in net position	**11,324,916**	9,259,631
Net position:		
Beginning of year	**196,948,340**	187,688,709
End of year	**$ 208,273,256**	$ 196,948,340

See accompanying notes.

University of Georgia Athletic Association, Inc.

Statements of Cash Flows

	Year Ended June 30 2015	2014
Operating activities		
Ticket sales	**$ 27,668,301**	$ 21,609,676
Ticket contributions	**27,268,380**	25,133,012
Amounts received from the SEC/NCAA	**32,043,814**	22,033,864
Amounts received for sky suites	**5,397,157**	5,551,659
Amounts received from student fees	**–**	3,274,712
Amounts received for promotions/sponsorships and licensing	**6,845,444**	3,829,717
Amounts received for multi-media distribution	**10,447,500**	10,307,964
Other athletic program receipts	**6,172,081**	8,041,517
Payments to employees	**(36,169,792)**	(35,451,849)
Payments for suppliers for goods and service	**(40,685,351)**	(35,718,115)
Payments for scholarships and fellowships	**(11,327,323)**	(11,046,804)
Net cash provided by operating activities	**27,660,211**	17,565,353
Noncapital financing activities		
Amounts paid to UGA Foundation	**(5,000,000)**	(4,000,000)
Net cash used in noncapital financing activities	**(5,000,000)**	(4,000,000)
Capital and related financing activities		
Purchases of capital assets	**(15,706,000)**	(5,001,148)
Principal paid on long-term debt	**(4,735,000)**	(4,605,000)
Proceeds from sale of capital assets	**18,003**	–
Investment expense	**(343,114)**	(453,839)
Interest paid on long-term liabilities	**(4,273,266)**	(3,877,118)
Net cash used in capital and related financing activities	**(25,039,377)**	(13,937,105)
Investing activities		
Investment income	**266,808**	153,007
Amounts transferred to the UGA Foundation	**(2,000,000)**	(5,000,000)
Net cash provided by (used in) investing activities	**(1,733,192)**	(4,846,993)
Net change in cash and cash equivalents	**(4,112,358)**	(5,218,745)
Cash and cash equivalents:		
Beginning of period	**63,105,482**	68,324,227
End of period	**$ 58,993,124**	$ 63,105,482

University of Georgia Athletic Association, Inc.

Statements of Cash Flows (continued)

	Year Ended June 30 2015	2014
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 20,113,729**	$ 12,528,251
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**7,983,228**	7,179,093
Changes in assets and liabilities, net:		
Accounts receivable	**(3,581,058)**	827,613
Prepaid expenses and other assets	**40,872**	104,070
Accounts payable and accrued liabilities	**(344,454)**	(4,531,089)
Unearned revenue	**3,447,894**	1,457,415
Net cash provided by operating activities	**$ 27,660,211**	$ 17,565,353

See accompanying notes.

1. Significant Accounting Policies

Reporting Entity and Basis of Presentation

The accompanying financial statements present the financial position and activity of the University of Georgia Athletic Association, Inc. (the Association). The accounting principles of the Association conform to accounting principles generally accepted in the United States applicable to governmental entities.

The Association is a component unit of the state of Georgia and is included in the basic financial statements of the state of Georgia.

The financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows.

Financial Statement Presentation

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. Unrestricted net position may be designated for specific purposes or locations by action of the Board of Directors.

The Association does not currently have a restricted net position.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the Association is considered a special purpose government agency engaged only in business-type activities. Accordingly, the Association's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

1. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash and demand deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. The Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncurrent Assets – Other

Noncurrent assets – other includes, among other items, the value of annuities purchased and owned by the Association to provide retirement benefits to a former football coach/athletic director in accordance with a contractual agreement. As of June 30, 2015 and 2014, the total value of the annuities was $680,622 and $735,585, respectively.

Capital Assets

Capital assets are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings and infrastructure, 10 to 20 years for fixed equipment, 8 to 20 years for land improvements, and 3 to 15 years for other equipment.

Unearned Revenues

Amounts received as deposits on football tickets and sky suite amenities for the forthcoming season are deferred and recognized as revenue during the season.

Notes Payable

The Association has entered into interest rate swap agreements to effectively convert interest rates on certain outstanding debt from variable to fixed. The net interest expenses resulting from these agreements are reflected in the financial statements.

1. Significant Accounting Policies (continued)

Classification of Revenues

The Association has classified its revenues as either operating or nonoperating.

Operating revenues include activities that have the characteristics of exchange transactions, such as ticket sales, amounts received for contributions, sky suites, student fees, promotions, and amounts received from the Southeastern Conference.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions and other revenue sources that are defined as nonoperating revenues, such as investment income.

Gifts and Pledges

Pledges of financial support from organizations and individuals representing an unconditional promise to pay are recognized in the financial statements once all conditions have been met. In the absence of such promise, revenue is recognized when the gift is received.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

1. Significant Accounting Policies (continued)

Recently Issued Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Recognizing Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The Association adopted this Statement effective July 1, 2013. It resulted in a restatement of the July 1, 2012 net position to reflect the accounting treatment for debt issuance costs which are no longer capitalized. As a result, the net position was restated and reduced by $1,349,509. In addition, the deferred outflows of resources were restated as of July 1, 2012 by $3,143,230 to reflect the deferred loss on bond refunding.

The provisions GASB No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* were adopted during fiscal year 2015. These statements require governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The adoption of these statements had no impact on the accompanying financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the effect that the adoption of GASB 72 will have on the financial statements.

2. Income Taxes

The Association is classified as an organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, as amended, and is considered a public charity under Code section 509(a)(1) and 170(b)(1)(A)(iv). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

3. Cash and Cash Equivalents

State of Georgia Collateralization Statutes and Policies

Funds belonging to the state of Georgia cannot be placed in a depository paying interest longer than 10 days without the depository providing a surety bond to the state. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the state of Georgia.
2. Bonds, bills, notes, certificates of indebtedness, or other obligations of the counties or municipalities of the state of Georgia.
3. Bonds of any public authority created by the laws of the state of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the state of Georgia.
5. Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary authority of the United States government, which are fully guaranteed by the United States government, both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.
6. Insurance of accounts provided by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.

As authorized in the Official Code of Georgia Annotated Section 50-17-53, the State Depository Board has adopted policies which allow agencies of the state of Georgia the option of exempting demand deposits from the collateral requirements.

3. Cash and Cash Equivalents (continued)

Deposits and Cash Management Pools

Deposits

At year-end, the book-carrying amount of the Association's deposits was $10,657,798 and $25,036,226 in 2015 and 2014, respectively. The bank balance was $14,915,625 and $26,073,086 in 2015 and 2014, respectively. The Association's bank balance is classified as follows at June 30:

	2015	2014
Amount insured by the FDIC and FSLIC or collateralized with securities held in the Association's name	**$ 14,915,625**	$ 26,073,086
Uncollateralized	**–**	–
	$ 14,915,625	$ 26,073,086

Cash Management Pools

The Athletic Association follows its investment policy which establishes objectives, specifies allowable investments, sets target investment mixes, and provides investment guidelines. As of June 30, 2015 and 2014, the Association had $48,335,327 and 38,069,256, respectively, in the Board of Regents Short-term Fund which is included in cash and cash equivalents in the Statements of Net Position.

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on its web site at http://www.audits.ga.gov.

3. Cash and Cash Equivalents (continued)

Deposits and Cash Management Pools (continued)

The Association's amounts on deposit at the UGA Foundation are stated at fair value. The UGA Foundation is not registered with the Securities and Exchange Commission as an investment company. These amounts are managed and maintained by the UGA Foundation on a pooled "mutual fund" accounting basis with the total earnings, investment expenses, appreciation and depreciation, whether realized or unrealized, being allocated to the Association on a pro rata basis. The fair value of investments is determined quarterly. Participation in the UGA Foundation is voluntary. The UGA Foundation is governed by its Board of Trustees. As of June 30, 2015 and 2014, the fair value of the funds held by the Foundation was $46,708,954 and $44,212,208, respectively. These amounts are not restricted and are classified as non-current as the Association does not intend to utilize these funds in the next 12 months.

4. Disaggregation of Payables

As of June 30, 2015, accounts payable and accrued liability balances were 30% for capital outlay, 23% for accrued interest payable, 35% for payroll, and 12% for other payables.

As of June 30, 2014, accounts payable and accrued liability balances were 16% for capital outlay, 25% for accrued interest payable, 35% for payroll, and 24% for other payables.

5. Capital Assets

Expenditures for additions and improvements to the buildings, stadium, and athletic fields used by the Association become the property of the state of Georgia upon installation or acquisition; the Association leases the athletic facilities from the Board of Regents of the University System of Georgia for $1 million per year under the current lease agreement.

5. Capital Assets (continued)

Changes in capital assets for the year ended June 30, 2015, are as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated:					
Construction in progress	**$ 9,800,053**	**$ 3,481,786**	**$ (9,800,053)**	**$ –**	**$ 3,481,786**
Capital assets being depreciated:					
Land improvements	**25,513,315**	**287,930**	**2,617,700**	**–**	**28,418,945**
Buildings, fixed equipment, and infrastructure	**269,768,595**	**11,955,424**	**6,517,096**	**–**	**288,241,115**
Other equipment	**7,298,902**	**832,175**	**665,257**	**(92,035)**	**8,704,299**
	302,580,812	**13,075,529**	**9,800,053**	**(92,035)**	**325,364,359**
Less accumulated depreciation for:					
Land improvements	**(13,140,875)**	**(1,236,300)**	**–**	**–**	**(14,377,175)**
Buildings, fixed equipment, and infrastructure	**(68,714,199)**	**(6,126,815)**	**–**	**–**	**(74,841,014)**
Other equipment	**(6,127,550)**	**(620,113)**	**–**	**64,266**	**(6,683,397)**
	(87,982,624)	**(7,983,228)**	**–**	**64,266**	**(95,901,586)**
Other capital assets (net)	**214,598,188**	**5,092,301**	**9,800,053**	**(27,769)**	**229,462,773**
Capital assets, net	**$ 224,398,241**	**$ 8,574,087**	**$ –**	**$ (27,769)**	**$ 232,944,559**

Changes in capital assets for the year ended June 30, 2014, are as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 7,104,452	$ 5,304,693	$ (2,609,092)	$ –	$ 9,800,053
Capital assets being depreciated:					
Land improvements	24,517,365	–	995,950	–	25,513,315
Buildings, fixed equipment, and infrastructure	267,547,073	608,380	1,613,142	–	269,768,595
Other equipment	7,491,865	243,434	–	(436,397)	7,298,902
	299,556,303	851,814	2,609,092	(436,397)	302,580,812
Less accumulated depreciation for:					
Land improvements	(12,024,432)	(1,116,443)	–	–	(13,140,875)
Buildings, fixed equipment, and infrastructure	(63,129,356)	(5,584,843)	–	–	(68,714,199)
Other equipment	(6,033,698)	(477,807)	–	383,955	(6,127,550)
	(81,187,486)	(7,179,093)	–	383,955	(87,982,624)
Other capital assets (net)	218,368,817	(6,327,279)	2,609,092	(52,442)	214,598,188
Capital assets, net	$ 225,473,269	$ (1,022,586)	$ –	$ (52,442)	$ 224,398,241

6. Long-Term Debt

	2015	2014
Total long-term debt consisted of the following at June 30:		
Development Authority of Athens-Clarke County Series 2003 revenue bonds. Interest is payable monthly based on a formula rate adjusted daily (0.03% and 0.02% on June 30, 2015 and 2014, respectively). The loan matures in 2033, based on certain repayment provisions.	**$ 13,965,000**	$ 14,600,000
Development Authority of Athens-Clarke County Series 2005A revenue bonds. Interest is payable monthly based on a formula rate adjusted daily (0.15% and 0.12% on June 30, 2015 and 2014, respectively). The loan matures in 2021, based on certain repayment provisions.	**8,250,000**	9,325,000
Development Authority of Athens-Clarke County Series 2005B revenue bonds. Interest is payable monthly based on a formula rate adjusted daily (0.03% and 0.02% on June 30, 2015 and 2014, respectively). The loan matures in 2035, based on certain repayment provisions.	**24,030,000**	24,800,000
Development Authority of Athens-Clarke County Series 2011 revenue and refunding bonds. Interest is payable semi-annually on each January 1 and July 1 based on varying rates over the life of the bonds, which compute to a true interest cost of 4.86%. The loan matures in 2031, based on certain repayment provisions.	**58,430,000**	60,685,000
Total debt	**104,675,000**	109,410,000
Unamortized bond premium	**2,012,640**	2,138,431
Total debt, net	**106,687,640**	111,548,431
Less current portion of debt	**(4,855,000)**	(4,735,000)
Total long-term debt	**$ 101,832,640**	$ 106,813,431

6. Long-Term Debt (continued)

The annual debt service requirements at June 30, 2015, excluding premium, are as follows:

Year	Principal	Interest	Total
2016	$ 4,855,000	$ 4,423,157	$ 9,278,157
2017	4,990,000	4,225,288	9,215,288
2018	5,145,000	3,991,075	9,136,075
2019	5,345,000	3,747,465	9,092,465
2020	5,540,000	3,494,711	9,034,711
2021–2025	27,035,000	13,735,281	40,770,281
2026–2030	30,110,000	7,418,983	37,528,983
2031–2035	20,075,000	1,206,058	21,281,058
2036	1,580,000	–	1,580,000
	$ 104,675,000	$ 42,242,018	$ 146,917,018

The interest used above for the revenue bonds was based on the interest rate swaps in effect as of June 30, 2015.

Total interest costs incurred were $4,191,759 and $4,345,968 during 2015 and 2014, respectively.

Revenue Bonds Payable

On August 28, 2003, the Development Authority of Athens-Clarke County, Georgia (the Authority) issued $36 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2003 (the Bonds) and entered into an agreement (the Loan Agreement) to loan $36 million to the Association. The Bonds are secured by a letter of credit issued by Wells Fargo Bank, N.A. in favor of the Authority that will expire in July 2016. Under the Loan Agreement, the Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (0.03% and 0.02% on June 30, 2015 and 2014, respectively). The loan matures in 2033, subject to certain early repayment provisions. On March 7, 2005, the Association redeemed $16 million of these bonds.

6. Long-Term Debt (continued)

Revenue Bonds Payable (continued)

On January 27, 2005, the Authority issued $17.47 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2005A (the Bonds) and entered into an agreement (the Loan Agreement) to loan $17.47 million to the Association. The Bonds are secured by a letter of credit issued by Wells Fargo Bank, N.A. in favor of the Authority that will expire in July 2016. Under the Loan Agreement, the Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (0.15% and 0.12% on June 30, 2015 and 2014, respectively). The loan matures in 2021 and requires yearly principal reductions.

On August 25, 2005, the Authority issued $30 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2005B (the Bonds) and entered into an agreement (the Loan Agreement) to loan $30 million to the Association. The Bonds are secured by a letter of credit issued by Wells Fargo Bank, N.A. in favor of the Authority that will expire in July 2016. Under the Loan Agreement, the Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (0.03% and 0.02% on June 30, 2015 and 2014, respectively). The loan matures in 2035, subject to certain early repayment provisions.

On April 7, 2011, the Authority issued $65 million in Revenue and Refunding Bonds (UGA Athletic Association, Inc. Project), Series 2011 (the Bonds) and entered into an agreement (the Loan Agreement) to loan $65 million to the Association. The Bonds are payable solely from, and secured by, payments to be received by the Authority pursuant to the Loan Agreement, dated as of April 1, 2011, between the Authority and the Association and a promissory note issued by the Association. The promissory note is a general, unsecured obligation of the Athletic Association. The proceeds were used to redeem the Series 2001 Bonds and reimburse allowable improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable semiannually on July 1 and January 1 based on varying rates over the life of the Bonds, which compute to a true interest cost of 4.86%. The loan matures in 2031, subject to certain early repayment provisions.

6. Long-Term Debt (continued)

Derivative Instruments – Interest Rate Swap Agreements

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2015, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2015		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Government activities					
Hedging derivatives:					
2003-Interest Rate Swap	Deferred outflow of resources	**$ (70,117)**	Debt	**$ (2,163,648)**	**$ 13,966,667**
2005A-Interest Rate Swap	Deferred outflow of resources	**254,548**	Debt	**(953,428)**	**8,250,000**
2005B-Interest Rate Swap	Deferred outflow of resources	**(262,202)**	Debt	**(4,376,963)**	**24,030,000**
				$ (7,494,039)	

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2014, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Government activities					
Hedging derivatives:					
2003-Interest Rate Swap	Deferred outflow of resources	$ 35,905	Debt	$ (2,093,531)	$ 14,597,222
2005A-Interest Rate Swap	Deferred outflow of resources	276,461	Debt	(1,207,976)	9,325,000
2005B-Interest Rate Swap	Deferred outflow of resources	(6,933)	Debt	(4,114,761)	24,800,000
				$ (7,416,268)	

For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch (BOAML) furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based

6. Long-Term Debt (continued)

Derivative Instruments – Interest Rate Swap Agreements (continued)

on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of its experience. For example, in valuing OTC equity options where there is no listed option with a corresponding expiration date, BOAML must estimate the future share price volatility based on realized volatility of the underlying shares over periods deemed relevant, implied volatilities of the longest dated listed options available on the underlying shares or major indices and other relevant factors. Valuations of securities with embedded derivatives may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors. While BOAML believes that the methodology and data it uses to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

Objective and Terms **–** As a means of interest rate management, the Association entered into three separate interest rate swap transactions with Bank of America, N.A. (the Counterparty) relating to its variable rate tax-exempt Series 2003 Bonds, taxable Series 2005 Bonds, and tax-exempt Series 2005B Bonds. Pursuant to an ISDA Master Agreement and Schedule to ISDA Master Agreement, each dated as of January 27, 2005, between the Association and the Counterparty and three Confirmations, the Association has agreed to pay to the Counterparty a fixed rate of interest in an amount equal to: (1) 3.38% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (2) 5.05% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (3) 3.48% per annum multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until August 2033. In return, the Counterparty has agreed to pay to the Association a floating rate of interest in an amount equal to: (1) 67% of LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (2) LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (3) 67% of LIBOR multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until July 2035.

6. Long-Term Debt (continued)

Derivative Instruments – Interest Rate Swap Agreements (continued)

Fair Value – The Association will be exposed to variable rates if the Counterparty to a swap defaults or if a swap is terminated. A termination of the swap agreement may also result in the Association's making or receiving a termination payment.

As of June 30, 2015, the fair value of the interest rate swap agreement on the 2003 Series Bonds was $(2,163,648), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2015, the fair value of the interest rate swap agreement on the 2005A Series Bonds was $(953,428), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2015, the fair value of the interest rate swap agreement on the 2005B Series Bonds was $(4,376,963), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

Swap Payments and Associated Debt – As of June 30, 2015, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		**Interest Rate**	
	Principal	**Interest**	**Swaps, Net**	**Total**
Year ending:				
2016	$ 2,535,000	$ 21,693	$ 1,598,345	$ 4,155,038
2017	2,595,000	19,565	1,493,155	4,107,720
2018	2,660,000	17,387	1,385,370	4,062,757
2019	2,730,000	15,152	1,274,745	4,019,897
2020	2,795,000	12,867	1,161,525	3,969,392
2021–2025	11,105,000	39,929	4,393,403	15,538,331
2026–2030	9,840,000	24,038	2,740,158	12,604,195
2031–2035	10,405,000	8,286	950,272	11,363,558
2036	1,580,000	–	–	1,580,000
Total	$ 46,245,000	$ 158,917	$ 14,996,973	$ 61,400,888

6. Long-Term Debt (continued)

Derivative Instruments – Interest Rate Swap Agreements (continued)

Credit Risk – As of June 30, 2015, the fair value of the swaps represents the Association's exposure to the Counterparty. Should the Counterparty fail to perform in accordance with the terms of the swap agreements and variable interest rates remain at the current level, the Association could see a possible gain equivalent to $16.8 million less the cumulative fair value of $7.5 million. As of June 30, 2015, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	A1	A

Basis Risk – The swaps expose the Association to basis risk. The interest rate on the Series 2003 Bonds and the Series 2005B Bonds is a tax-exempt interest rate, while the LIBOR basis on the variable rate receipt on the interest rate swap agreements is taxable. Tax-exempt interest rates can change without a corresponding change in the 30-day LIBOR rate due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market. The Association will be exposed to basis risk under the swaps to the extent that the interest rates on the tax-exempt bonds trade at greater than 67% of LIBOR for extended periods of time. The Association would also be exposed to tax risk stemming from changes in the marginal income tax rates or those caused by a reduction or elimination in the benefits of tax exemption for municipal bonds.

Termination Risk – The interest rate swap agreement uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Association or the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetically fixed interest rate. Also, if at the time of termination, the swap has a negative fair value, then the Association would be liable to the Counterparty for a payment equal to the swap's fair value.

7. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Derivative instrument payable	**$ 7,416,268**	**$ 77,771**	**$ –**	**$ 7,494,039**	**$ –**
Deferred compensation payable	**735,585**	**–**	**54,963**	**680,622**	**–**
Long-term debt	**111,548,431**	**–**	**4,860,791**	**106,687,640**	**4,855,000**
Total long-term liabilities	**$ 119,700,284**	**$ 77,771**	**$ 4,915,754**	**$ 114,862,301**	**$ 4,855,000**

Changes in long-term liabilities for the year ended June 30, 2014, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Derivative instrument payable	$ 7,721,701	$ –	$ 305,433	$ 7,416,268	$ –
Deferred compensation payable	847,166	–	111,581	735,585	–
Long-term debt	116,277,124	–	4,728,693	111,548,431	4,735,000
Total long-term liabilities	$ 124,845,991	$ –	$ 5,145,707	$ 119,700,284	$ 4,735,000

8. Employee Benefits

Personnel of the Association are employees of the University of Georgia. As such, the Association reimburses the University of Georgia for compensation and benefit expenses of University of Georgia employees who spend a significant amount of time providing services to the Association. Amounts reimbursed for the years ended June 30, 2015 and 2014 amounted to $25,853,628 and $24,775,304, respectively.

9. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All insurance coverage, other than liability for players, directors, and officers' liability and vehicle insurance, is held and issued by the Department of Administrative Services – Risk Management Services of the University of Georgia. Insurance coverage for liability for players, directors, and officers' liability and vehicle insurance is held and issued by a commercial carrier. No settlement in excess of coverage has been incurred during the past three fiscal years.

10. Related-Party Transactions

The Association makes payments to the University of Georgia for services such as food services, parking services, health services, tuition, gas, electricity, security, and golf course maintenance. These payments totaled $42,287,636 and $42,009,032 during 2015 and 2014, respectively, and were recognized as expenses of the Association. Additionally, the University of Georgia collects student fees and remits those amounts to the Association. At June 30, 2015, the Association recorded a receivable of $3,212,769 from the University of Georgia for student fees collected and not remitted to the Association. There was no receivable at June 30, 2014.

During fiscal years 2015 and 2014, the University of Georgia Foundation reimbursed $4,833,671 and $4,553,596, respectively, to the Association for facility renovation and program support. As of June 30, 2015 and 2014, there was $1,069,997 and $0 reflected in accounts receivable for amounts spent by the Association that had not been reimbursed.

11. Commitments and Contingencies

Authorized commitments for construction aggregated approximately $6,479,963 and $13,840,011 at June 30, 2015 and 2014, respectively.

Litigation

In the normal course of business, legal claims are pending against the Association. The Association's management does not expect any material liability to result from such claims in excess of recorded reserves.

12. Related Organizations

The University of Georgia Foundation, Inc., a related organization, has received contributions that are restricted for athletic purposes. As of June 30, 2015, endowment funds of $35,170,568 have been established for athletic scholarships, $8,970,432 has been established for athletic capital projects, and $32,709,966 has been established for general support of athletic programs and awards. As of June 30, 2014, endowment funds of $34,938,169 have been established for athletic scholarships, $7,873,796 has been established for athletic capital projects, and $32,402,194 has been established for general support of athletic programs and awards. Such funds are accounted for and reflected as net assets of the University of Georgia Foundation and are not reflected within the accompanying financial statements.

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