UNIVERSITY OF GEORGIA ATHLETIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2017 and 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

UNIVERSITY OF GEORGIA ATHLETIC ASSOCIATION, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors of
University of Georgia Athletic Association, Inc.
Athens, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Georgia Athletic Association, Inc. (the "Association"), a component of the state of Georgia, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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. as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Cherry Bekaert LLP

Augusta, Georgia
October 19, 2017

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, 2017, 2016, and 2015. 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.

Description of the Financial Statements

The *Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position*, and the *Statement of Cash Flows* are designed to provide information which will assist in understanding the financial condition and performance of the Association. The Association's net position is one indicator of the Association's financial health. Over time, increases or decreases in net position are one indicator of the changes in the Association's financial condition when considered with other non-financial facts.

The *Statement of Net Position* presents information on the Association's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. 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. Non-operating revenues are revenues received for which goods and services are not provided.

The *Statement of Cash Flows* presents information in the form of cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Condensed financial statements are presented for the years ended June 30, 2017, 2016, and 2015. In the following discussion, Fiscal 2017, Fiscal 2016, and Fiscal 2015 refer to the years ended June 30, 2017, 2016, and 2015, respectively.

Condensed Statements of Net Position

	June 30, 2017	2016	2015
ASSETS			
Current	$ 49,034,195	$ 62,467,407	$ 64,777,526
Capital assets, net	274,453,063	240,022,781	232,944,559
Other noncurrent assets	51,407,416	46,108,214	47,397,406
	374,894,674	348,598,402	345,119,491
DEFERRED OUTLFOWS OF RESOURCES	15,520,702	11,951,735	10,140,970
LIABILITIES			
Current	46,552,415	45,904,739	36,979,904
Noncurrent	105,858,972	106,773,772	110,007,301
	152,411,387	152,678,511	146,987,205
NET POSITION			
Net investment in capital assets	181,744,090	140,797,428	128,903,849
Unrestricted	56,259,899	67,074,198	79,369,407
	$ 238,003,989	$ 207,871,626	$ 208,273,256

Total assets increased $26.3 million (7.5%) and $3.5 million (1.0%) during fiscal 2017 and 2016, respectively. These increases are due largely to the additions in capital assets net of accumulated depreciation.

While overall assets have increased, current assets decreased by $13.4 million (21.5%) and $2.3 million (3.6%) during fiscal 2017 and 2016, respectively. The decrease in current assets is primarily due to the use of $13.9 million in cash for the completion of the Indoor Athletic Facility.

Current liabilities increased by $648,000 (1.4%) and $8.9 million (24.1%) during 2017 and 2016, respectively. The 2017 increase was primarily due to payables related to major capital improvements.

Noncurrent liabilities consist of bond debt payments due greater than one year, the fair value of interest rate swap agreements, and deferred compensation payable. Noncurrent liabilities decreased by approximately $900,000 (0.9%) and $3.2 million (2.9%) in 2017 and 2016, respectively. The decrease in 2017 is due to the annual payments of principal on long-term debt, premium amortization, and the issuance of bonds, including refunding bonds and the related termination of the two of the interest rate swap agreements.

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

	Years Ended June 30,		
	2017	**2016**	**2015**
Operating Revenues:			
Athletic sports	$ 28,053,812	$ 27,311,689	$ 25,205,935
Ticket contributions	28,094,754	25,633,071	27,261,975
Other	74,170,319	71,714,221	63,827,698
	130,318,885	124,658,981	116,295,608
Operating Expenses:			
Athletic sports	51,078,053	52,500,784	40,219,027
General/admin and scholarships	31,584,683	31,007,243	26,703,146
Depreciation	8,991,206	8,139,097	7,983,228
Other	27,421,719	23,902,202	21,248,720
	119,075,661	115,549,326	96,154,121
Operating Income	11,243,224	9,109,655	20,141,487
Nonoperating Revenues (Expenses):			
Investment income (loss)	5,591,910	(1,067,866)	771,384
Other, net	13,297,229	(8,443,419)	(9,587,955)
Net nonoperating revenues (expenses)	18,889,139	(9,511,285)	(8,816,571)
Change in net position	$ 30,132,363	$ (401,630)	$ 11,324,916

For the year ended June 30, 2017, total operating revenues were $130 million. Football ($26.6 million), men's basketball ($900,000), and revenue categories that can be tied directly to those sports (sky suites $5.1 million, SEC/NCAA $40.2 million, multi-media $14.0 million, concessions/novelties $1.5 million, and ticket contributions $26.9 million) combined for a total of $115.2 million, or 89% of total operating revenues. Other sports and other revenue categories that cannot be tied directly to football or men's basketball, generated the balance of $15 million. Student fees ($3.3 million) and promotions/sponsorships and licensing ($3.9 million) accounted for the bulk of these other revenue categories.

For the year ended June 30, 2016, total operating revenues were $124.7 million. Football ($25.9 million), men's basketball ($1 million), and revenue categories that can be tied directly to those sports (sky suites $5.2 million, SEC/NCAA revenue $39 million, multi-media $10.5 million, concessions/novelties $1.7 million, and ticket contributions $24.6 million) combined for a total of $107.9 million, or 87% 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 $16.8 million. Student fees ($3.2 million) and promotions/sponsorships and licensing ($3.9 million) accounted for the bulk of these other revenue categories.

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, 2017, of the total operating expenses of $119.1 million, $51.1 million, or 43%, were expenses related to operating the individual sports. Another $12.6 million, or 10.6%, 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 $31.6 million represented 26.5% of operating expenses, and the final 19.9% of total operating expenses was from depreciation, plant operations, facility maintenance, and other operating expenses of $23.8 million.

For the year ended June 30, 2016, of the total operating expenses of $116 million, $52.5 million, or 45.4%, were expenses related to operating the individual sports. Another $10.9 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 $31 million represented 26.8% of operating expenses, and the final 18.3% of total operating expenses was from depreciation, plant operations, facility maintenance, and other operating expenses of $21.1 million.

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.

Operating revenues increased by $5.7 million or 4.5% and $8.4 million or 7.2% during 2017 and 2016, respectively. The 2017 increase was primarily due to a $3.5 million increase in multi-media revenues, a $2.5 million increase in ticket contributions, and $1.2 million increase in the SEC distribution. The 2016 increase was due primarily to a $8.3 million increase in the SEC distribution, a $2.0 million increase in football revenue, and a $1.6 million increase in ticket contribution from men's and women's basketball and women's gymnastics.

Operating expenses increased by $3.53 million or 3.05% in 2017, while 2016 operating expenses increased by $19.4 million or 20.2%. The 2017 increase was due to increases related to cost of attendance, facility maintenance, increased depreciation, and increases in sports medicine costs. The impact of these increases was significantly reduced by a $3 million reduction in Football Expenses. This decrease was due to the normalization of costs after the 2016 spike caused by changes in coaching staff. The 2016 increase was due to changes in coaching staff, increases in recruiting efforts, and increases related to the cost of attendance.

Condensed Statements of Cash Flows

	Years Ended June 30,		
	2017	**2016**	**2015**
Cash and cash equivalents provided by (used in):			
Operating activities	$ 19,939,420	$ 30,249,840	$ 27,660,211
Noncapital financing activities	(4,500,000)	(4,000,000)	(5,000,000)
Capital and related financing activities	(30,076,061)	(25,128,394)	(25,039,377)
Investing activities	200,321	127,388	(1,733,192)
Net change in cash and cash equivalents	(14,436,320)	1,248,834	(4,112,358)
Cash and cash equivalents, beginning of year	60,241,958	58,993,124	63,105,482
Cash and cash equivalents, end of year	$ 45,805,638	$ 60,241,958	$ 58,993,124

Cash flows from operations decreased by $10.3 million and increased by $2.6 million in 2017 and 2016, respectively. The decrease in 2017 is primarily due to a decrease in receipts from student fees, multi-media distribution, and other athletic programs and an increase in payments to employees, suppliers, and for scholarships/fellowships. Cash flows from noncapital financing activities increased by $0.5 million in 2017 and decreased by $1 million in 2016 due to fluctuations in support funds the Association provided to the University. The cash flows from capital and related financing activities increased by $5.0 million in 2017 and increased by $89,000 in 2016. The 2017 increase was due to major capital expenditures ($40.3 million, an increase of $24.8 million) that was partially offset by $22 million in contributions for the purchase of capital assets that did not occur in 2016. The decrease in cash flows from capital and related financing activities in 2016 was primarily due to purchases of capital assets. Cash flows from investing activities increased by $73,000 and $1.9 million in 2017 and 2016, respectively. The 2017 increase was due to an increase in investment income. The 2016 increase was primarily due to a decrease in amounts transferred to the UGA Foundation for investing.

Capital Assets and Debt Administration

During fiscal year 2017, the Association increased debt by $2.6 million due to refunding of bonds that increased the unamortized bond premium by $9.0 million offset by principal reductions of $7.5 million and current year amortization of bond premiums. The Association invested $38.5 million in capital improvement and renovation projects. Some of the completed projects were the Indoor Athletic Facility, Woodruff Field conversion for use during the construction of the Indoor Athletic Facility, and improvements to Sanford Stadium's exterior lighting, video surveillance, south side restrooms, sky clubs, and Gate 9. Construction continues on several Sanford Stadium improvements, a Scoreboard at the Coliseum, and the Turner Women's Soccer Complex.

Economic Outlook

The Association continued to manage and invest its resources wisely in fiscal year 2017 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 2018 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 of Georgia Controller's office, 456 East Broad Street, Room 225, Athens, Georgia 30602.

UNIVERSITY OF GEORGIA ATHLETIC ASSOCIATION, INC.

STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 45,805,638	$ 60,241,958
Accounts receivable	2,485,558	1,891,358
Prepaid expenses and other current assets	742,999	334,091
Total Current Assets	49,034,195	62,467,407
Noncurrent Assets:		
Amounts held by the UGA Foundation	50,910,910	45,515,888
Other assets	496,506	592,326
Construction in progress	19,190,332	13,773,023
Depreciable capital assets, net of accumulated depreciation of $111,969,025 and $103,585,881 in 2017 and 2016, respectively	255,262,731	226,249,758
Total Noncurrent Assets	325,860,479	286,130,995
Total Assets	374,894,674	348,598,402
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	3,961,146	9,470,237
Deferred loss on bond refunding	11,559,556	2,481,498
Total Deferred Outflows of Resources	15,520,702	11,951,735
LIABILITIES		
Current Liabilities:		
Accounts payable and other accrued liabilities	8,592,098	4,664,775
Accrued interest	832,612	1,414,709
Accrued payroll	8,522,200	9,082,811
Unearned revenue	25,740,505	25,752,444
Current portion of long-term debt	2,865,000	4,990,000
Total Current Liabilities	46,552,415	45,904,739
Noncurrent Liabilities:		
Derivative instruments	3,961,146	9,470,237
Deferred compensation payable	494,297	586,684
Long-term debt	101,403,529	96,716,851
Total Noncurrent Liabilities	105,858,972	106,773,772
Total Liabilities	152,411,387	152,678,511
NET POSITION		
Net investment in capital assets	181,744,090	140,797,428
Unrestricted	56,259,899	67,074,198
Total Net Position	$ 238,003,989	$ 207,871,626

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

UNIVERSITY OF GEORGIA ATHLETIC ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Revenues:		
Football	$ 25,356,376	$ 24,930,363
Post season football bowl	1,261,850	928,449
Men's basketball	881,258	951,773
Other sports	554,328	501,104
Sky suites	5,135,708	5,230,713
SEC/NCAA revenue	40,227,161	39,070,032
Multi-media	13,980,513	10,500,000
Concessions/novelties	1,521,937	1,711,641
Promotions/sponsorships	1,244,038	1,143,494
Licensing	2,675,385	2,738,779
Product endorsements	1,000,000	1,000,000
Student fees	3,273,422	3,233,143
Ticket contributions - football	26,930,801	24,559,897
Ticket contributions - men's and women's basketball and women's gymnastics	1,163,953	1,073,174
Other operating revenues	5,112,155	7,086,419
Total Operating Revenues	130,318,885	124,658,981
Operating Expenses:		
Athletic Sports:		
Football	28,263,487	31,231,723
Basketball – Men	5,599,873	5,410,007
Basketball – Women	2,899,870	2,956,256
Baseball	1,923,967	1,856,287
Golf – Men	593,081	572,652
Golf – Women	493,543	437,086
Gymnastics – Women	1,729,440	1,178,434
Equestrian	1,208,496	1,198,718
Soccer	733,923	788,746
Softball	997,654	891,653
Swimming – Men	691,388	686,867
Swimming – Women	931,539	914,741
Tennis – Men	907,569	849,917
Tennis – Women	688,760	660,578
Track – Men	961,879	822,189
Track – Women	1,274,858	1,240,213
Volleyball	1,178,726	804,717
Postseason football bowl	1,842,962	1,440,310
Sports medicine	6,264,912	5,487,532
Sports information	1,378,483	1,269,532
Academic counseling	3,144,844	2,743,948
Scholarships	13,187,220	11,855,375
General and administrative expense	18,397,463	19,151,868
Plant operations and facility maintenance	10,861,556	9,594,335
Other operating expenses	3,928,962	3,366,545
Depreciation	8,991,206	8,139,097
Total Operating Expenses	119,075,661	115,549,326

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Income	$ 11,243,224	$ 9,109,655
Nonoperating Revenues (Expenses):		
Contributions for the purchase of capital assets	22,000,000	-
Investment income (loss)	5,591,910	(1,067,866)
Gain (loss) on disposal of capital assets	(58,320)	(75,003)
Amounts paid to the UGA Foundation	(4,500,000)	(4,000,000)
Interest, financing and related costs	(4,144,451)	(4,368,416)
Net Nonoperating Revenues (Expenses)	18,889,139	(9,511,285)
Change in net position	30,132,363	(401,630)
Net position, beginning of year	207,871,626	208,273,256
Net position, end of year	$ 238,003,989	$ 207,871,626

UNIVERSITY OF GEORGIA ATHLETIC ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Receipts from ticket sales	$ 26,944,138	$ 26,783,385
Receipts from ticket contributions	28,094,754	25,638,027
Receipts from the SEC/NCAA	41,334,250	39,583,531
Receipts for sky suites	5,097,597	5,119,499
Receipts from student fees	3,270,719	6,448,615
Receipts for promotions/sponsorships and licensing	4,692,605	4,972,940
Receipts for multi-media distribution	13,980,513	10,500,000
Other athletic program receipts	6,509,896	9,864,115
Payments to employees	(45,402,713)	(41,944,900)
Payments for suppliers for goods and service	(51,401,697)	(44,859,997)
Payments for scholarships and fellowships	(13,180,642)	(11,855,375)
Net cash from operating activities	19,939,420	30,249,840
Cash flows from noncapital financing activities:		
Amounts paid to UGA Foundation - nonoperating	(4,500,000)	(4,000,000)
Net cash from noncapital financing activities	(4,500,000)	(4,000,000)
Cash flows from capital and related financing activities:		
Contributions for the purchase and construction of capital assets	22,000,000	-
Purchases and construction costs of capital assets	(40,365,643)	(15,567,451)
Principal paid on long-term debt	(7,475,000)	(4,855,000)
Proceeds from sale of capital assets	23,499	1,828
Financing and related costs	(247,273)	(421,377)
Interest paid on long-term liabilities	(4,011,644)	(4,286,394)
Net cash from capital and related financing activities	(30,076,061)	(25,128,394)
Cash flows from investing activities:		
Investment income	200,321	127,388
Net cash from investing activities	200,321	127,388
Net change in cash and cash equivalents	(14,436,320)	1,248,834
Cash and cash equivalents, beginning of year	60,241,958	58,993,124
Cash and cash equivalents, end of year	$ 45,805,638	$ 60,241,958

UNIVERSITY OF GEORGIA ATHLETIC ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Reconciliation of operating income to net cash from operating activities:		
Operating Income	$ 11,243,224	$ 9,109,655
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	8,991,206	8,139,097
Changes in assets and liabilities, net:		
Accounts receivable	(595,829)	3,716,636
Prepaid expenses and other assets	(408,908)	(156,056)
Accounts payable and accrued liabilities	721,666	9,285,068
Unearned revenue	(11,939)	155,440
Net cash from operating activities	$ 19,939,420	$ 30,249,840
Schedule of Noncash Investing, Capital and Related Financing Activity		
Capital asset additions included in accounts payable	$ 2,660,473	$ -
Bonds payable refunded through new bond issue and related cost of issuance	$ 70,639,473	$ -
Termination of interest rate swaps through bond refunding	$ 3,639,963	$ -

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

Note 1—Organization

The University of Georgia Athletic Association, Inc. (the "Association") is a not-for-profit corporation organized in the state of Georgia in 1928 for the purpose of promoting intercollegiate athletic sports representing the University of Georgia (the "University").

Note 2—Significant accounting policies

Basis of Presentation – The Association's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The Statements of Governmental Accounting Standards ("SGAS") are issued by GASB.

The financial statement presentation provides a comprehensive, entity-wide perspective of the Association's assets, liabilities, deferred inflows/outflows of resources, net position, revenues, expenses, changes in net position, and cash flows. In addition, these statements require the Association to present a Management's Discussion and Analysis ("MD&A"). The MD&A is considered to be required supplemental information and precedes the financial statements.

Reporting Entity – In accordance with the criteria in SGAS No. 61, *The Financial Reporting Entity*, the Association is a legally separate, tax exempt organization whose activities primarily support the University, a unit of the University System of Georgia (an organization unit of the state of Georgia). The Association is considered an affiliated organization of the University and due to its financial significance, the Association's financial activities are included in the University and the University System of Georgia's reports. The State Accounting Office determined Component Units of the state of Georgia, as required by SGAS No. 61, should not be assessed in relation to their significance to the University. Accordingly, the Association qualifies for treatment as a component unit of the state of Georgia.

Basis of Accounting – The Association's financial statements have been presented using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents – The Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of petty cash and demand deposits in authorized financial institutions, investment in the Board of Regents Short-Term Fund, and non-participating repurchase agreements. Investments in the Board of Regents Short-Term Fund are carried at fair value. Deposits and non-participating repurchase agreements, are carried at cost.

Amounts Held by UGA Foundation – Amounts held by UGA Foundation are commingled with the investments of UGA Foundation for investment management purposes. The fair value of the investments held by UGA Foundation is measured at net asset value. The UGA Foundation is not registered with the Securities and Exchange Commission as an investment company and, therefore, there is no readily determinable market value for investments held by the pool. 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. Participation in the UGA Foundation is voluntary. The UGA Foundation is governed by its Board of Trustees. These amounts are not restricted and are classified as noncurrent as the Association does not intend to utilize these funds in the next 12 months.

Note 2—Significant accounting policies (continued)

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, 2017 and 2016, the total value of the annuities was $494,298 and $586,684, respectively.

Capital Assets – Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized. Expenditures for additions and improvements to the buildings, stadium, and athletic fields owned by the state of Georgia and used by the Association are stated at cost, less accumulated depreciation where applicable, and are classified according to the nature of the asset. 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.

Construction in progress is stated at cost and includes planning, development, and construction costs, as well as capitalized interest. When construction is complete and the asset is placed in use, assets are transferred at cost to real property.

Capitalized Interest – Interest incurred during construction is capitalized until the underlying assets are ready for their intended use. Interest related to projects financed by tax-exempt borrowings, including periodic amortization of any related discount or premium, is capitalized after reduction for interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. Interest related to projects financed by taxable borrowings, including periodic amortization of any related discount or premium, does not include a reduction for interest earned on the temporary investment of the proceeds of those borrowings. At the time the qualifying assets are placed in service, amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets.

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.

Deferred Outflows/Inflows of Resources – In accordance with SGAS No. 65, *Items Previously Reported as Assets and Liabilities*, the statements of net position report a separate financial statement element, deferred outflows of resources, which represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until that time. The Association's deferred loss on refunding qualifies for reporting in this category. The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the straight-line method. The Association's accumulated decrease in fair value of hedging derivatives also qualifies for reporting in this category. The accumulated decrease in fair value of hedging derivatives results from changes in the fair value of interest rate swaps used to hedge interest rates associated with the Association's bonds payable. In addition to liabilities, the statements of net position will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. The Association does not have any item that qualifies for reporting in this category.

Bonds Payable – The Association records the net proceeds of tax-exempt and taxable bond financing as a liability upon issuance. Bond proceeds consist of the par value of the bonds issued plus premiums or minus discounts. Bond premiums and discounts are amortized to interest expense using the effective interest method.

Note 2—Significant accounting policies (continued)

Derivative Instruments – 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.

Net Position – Net position of the Association is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Unrestricted net position is not subject to donor or other stipulations imposed by outside sources. 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.

Revenue Recognition – Revenues are recognized based on accrual accounting in accordance with GAAP. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Deposits and advance payments for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues and are recognized as revenue only when the revenue producing event has occurred.

Operating and Non-Operating Revenues and Expenses – The financial statements distinguish between operating and non-operating revenues and expenses. Operating activities generally result from providing services in connection with the Association's principal ongoing operations, such as ticket sales, amounts received for contributions, sky suites, student fees, promotions, and amounts received from the Southeastern Conference. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including contributions for the purchase of capital assets, investment income and net unrealized and realized gains and losses on investments.

During the year ended June 30, 2017, the Association changed its accounting policy for classifying contributions for the purchase of capital assets as non-operating revenues vs. operating revenues. The Association believes the classification as non-operating revenues results in operating income which more closely aligns to the Association's operations of promoting intercollegiate athletic sports representing the University. Accordingly, contributions for the purchases of capital assets of $22 million is classified as non-operating revenue in 2017 and $3.2 million is classified as operating revenue for 2016. The change in accounting policy had no effect on previously reported net position.

Contributions and Pledges – Pledges of financial support from organizations and individuals representing an unconditional promise to give 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. There were no unconditional promises to give outstanding as of June 30, 2017 and 2016.

Estimates – The preparation of financial statements in conformity with GAAP 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.

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 (the "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.

Note 3—Deposits and short-term investments

A. Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Association's deposits may not be recovered. The Association does not have a deposit policy for custodial credit risk. The Association places its cash and cash equivalents on deposit with financial institutions in the United States.

The Federal Deposit Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. The Association from time to time may have amounts on deposit in excess of these insured limits. The Association has an agreement with certain financial institutions to provide collateralization of deposits in excess of FDIC coverage.

As of June 30, 2017 and 2016, the bank balance of the Association's deposits is presented below by category of risk.

June 30, 2017 Deposits	FDIC Insured	Collateralized by U.S. Securities	Uninsured or Uncollateralized	Total
Checking Accounts	$ 250,000	$ 96,726	$ -	$ 346,726

June 30, 2016 Deposits	FDIC Insured	Collateralized by U.S. Securities	Uninsured or Uncollateralized	Total
Checking Accounts	$ 250,000	$ 199,392	$ -	$ 449,392

B. Short-Term Investments

The Association follows its investment policy which establishes objectives, specifies allowable investments, sets target investment mixes, and provides investment guidelines. As of June 30, 2017 and 2016, the Association had investments in the Board of Regents Short-term Fund and repurchase agreements totaling $49,986,149 and $62,820,452, respectively, which are included in cash and cash equivalents in the statements of net position.

As of June 30, 2017 and 2016, the Association's investments are presented below. All investments are presented by investment type and debt securities are presented by maturity.

June 30, 2017 Investment Type	Total	Investment Maturity: Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Debt Securities					
Repurchase Agreements	$ 13,402,678	$ 13,402,678	$ -	$ -	$ -
		$ 13,402,678	$ -	$ -	$ -
Board of Regents Short-term Fund	36,583,471				
Total Investments	$ 49,986,149				

Note 3—Deposits and short-term investments (continued)

June 30, 2016 Investment Type	Total	Investment Maturity Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Debt Securities					
Repurchase Agreements	$ 12,370,462	$ 12,370,462	$ -	$ -	$ -
		$ 12,370,462	$ -	$ -	$ -
Board of Regents Short-term Fund	50,449,990				
Total Investments	$ 62,820,452				

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Association's policy for managing interest rate risk is to invest primarily in short-term or intermediate-term investments.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Association will not be able to recover the value of the investment. The Association does not have a formal policy for managing custodial credit risk for investments.

Credit Quality Risk
Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy for managing credit quality risk is to invest primarily in a diversified portfolio of investment grade debt securities and fixed-income mutual funds.

The Board of Regents Short-term Fund is included in the Board of Regents Investments Pool. 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.

Note 4—Capital assets

Changes in capital assets for the year ended June 30, 2017 are as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 13,773,023	$ 18,094,017	$ (12,663,015)	$ (13,693)	$ 19,190,332
Capital assets being depreciated:					
Land improvements	28,418,945	1,268,301	1,256,059		30,943,305
Buildings, fixed equipment, and infrastructure	292,604,257	23,367,490	11,406,956	-	327,378,703
Other equipment	8,812,437	787,192	-	(689,881)	8,909,748
	329,835,639	25,422,983	12,663,015	(689,881)	367,231,756
Less accumulated depreciation for:					
Land improvements	(15,624,371)	(1,289,017)			(16,913,388)
Buildings, fixed equipment, and infrastructure	(81,395,298)	(7,130,040)	-	-	(88,525,338)
Other equipment	(6,566,212)	(572,149)	-	608,062	(6,530,299)
	(103,585,881)	(8,991,206)	-	608,062	(111,969,025)
Other capital assets (net)	226,249,758	16,431,777	12,663,015	(81,819)	255,262,731
Capital assets, net	$ 240,022,781	$ 34,525,794	$ -	$ (95,512)	$ 274,453,063

Changes in capital assets for the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 3,481,786	$ 11,946,974	$ (1,634,856)	$ (20,881)	$ 13,773,023
Capital assets being depreciated:					
Land improvements	28,418,945				28,418,945
Buildings, fixed equipment, and infrastructure	288,241,115	2,728,286	1,634,856	-	292,604,257
Other equipment	8,704,299	639,771	-	(531,633)	8,812,437
	325,364,359	3,368,057	1,634,856	(531,633)	329,835,639
Less accumulated depreciation for:					
Land improvements	(14,377,175)	(1,247,196)			(15,624,371)
Buildings, fixed equipment, and infrastructure	(74,841,014)	(6,554,284)	-	-	(81,395,298)
Other equipment	(6,683,397)	(337,617)	-	454,802	(6,566,212)
	(95,901,586)	(8,139,097)	-	454,802	(103,585,881)
Other capital assets (net)	229,462,773	(4,771,040)	1,634,856	(76,831)	226,249,758
Capital assets, net	$ 232,944,559	$ 7,175,934	$ -	$ (97,712)	$ 240,022,781

Note 5—Long-term debt (continued)

2003 Revenue Bonds
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 "2003 Bonds") and entered into an agreement (the "2003 Loan Agreement") to loan $36 million to the Association. The 2003 Bonds were secured by a letter of credit issued by Wells Fargo Bank, N.A. in favor of the Authority that was to expire July 10, 2019. Under the 2003 Loan Agreement, the Association was required to use the proceeds of such loan to fund improvements of certain properties as specified in the 2003 Loan Agreement. Borrowings under the 2003 Loan Agreement bore interest payable monthly at a formula rate adjusted daily (0.47% and 0.39% on November 13, 2016 and June 30, 2016, respectively). The loan was to mature in 2033, subject to certain early repayment provisions. On March 7, 2005, the Association redeemed $16 million of these bonds. The remaining outstanding balance of $12,675,000 was redeemed on November 14, 2016 using the proceeds from the Series 2016A Revenue Refunding Bonds.

2005A Revenue Bonds
On January 27, 2005, the Authority issued $17.47 million in taxable variable rate revenue bonds (UGA Athletic Association, Inc. Project), Series 2005A (the "2005A Bonds") and entered into an agreement (the "2005A Loan Agreement") to loan $17.47 million to the Association. The Bonds were secured by a letter of credit issued by Wells Fargo Bank, N.A. in favor of the Authority that was to expire July 10, 2019. Under the 2005A Loan Agreement, the Association was required to use the proceeds of such loan to fund improvements of certain properties as specified in the 2005A Loan Agreement. Borrowings under the 2005A Loan Agreement bore interest payable monthly at a formula rate adjusted daily (0.60% and 0.42% on November 13, 2016 and June 30, 2016, respectively). The loan was to mature in 2021 and required yearly principal reductions. On November 14, 2016, the remaining outstanding balance of $6,025,000 was redeemed using proceeds from the Series 2016B Revenue Refunding Bonds.

2005B Revenue Bonds
On August 25, 2005, the Authority issued $30 million in variable rate revenue bonds (UGA Athletic Association, Inc. Project), Series 2005B (the "2005B Bonds") and entered into an agreement (the "2005B Loan Agreement") to loan $30 million to the Association. The 2005B 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 10, 2019. Under the 2005B Loan Agreement, the Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the 2005B Loan Agreement. Borrowings under the 2005B Loan Agreement bear interest payable monthly at a formula rate adjusted daily (0.89% and 0.39% on June 30, 2017 and 2016, respectively). The loan matures in 2035, subject to certain early repayment provisions.

2011 Revenue and Refunding Bonds
On April 7, 2011, the Authority issued $65 million in revenue and refunding Bonds (UGA Athletic Association, Inc. Project), Series 2011 (the "2011 Bonds") and entered into an agreement (the "2011 Loan Agreement") to loan $65 million to the Association. The 2011 Bonds are payable solely from, and secured by, payments to be received by the Authority pursuant to the 2011 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 Association. The proceeds were used to redeem the Series 2001 Bonds and reimburse allowable improvements of certain properties as specified in the 2011 Loan Agreement. Borrowings under the 2011 Loan Agreement bear interest payable semiannually on July 1 and January 1 based on varying rates over the life of the 2011 Bonds, which compute to a true interest cost of 4.86%. The loan matures in 2031, subject to certain early repayment provisions. On November 14, 2016, the Association redeemed $39,965,000 of these bonds using proceeds from the Series 2016A Revenue Refunding Bonds.

Note 5—Long-term debt (continued)

2016A Revenue Refunding Bonds
On October 12, 2016, the Authority issued $50,575,000 in revenue and refunding Bonds (University of Georgia Athletic Association Project), Series 2016A (the "2016A Bonds") and entered into an agreement (the "2016 Loan Agreement") to loan $50,575,000 to the Association. The 2016A Bonds are payable solely from, and secured by, payments to be received by the Authority pursuant to the 2016 Loan Agreement, dated as of October 1, 2016, between the Authority and the Association and a promissory note issued by the Association. The promissory note is a general, unsecured obligation of the Association. The proceeds were used to redeem the Series 2003 Bonds, and a portion of the Series 2011 Bonds, and to fund bond issuance costs as specified in the 2016 Loan Agreement. Borrowings under the 2016 Loan Agreement bear interest payable semiannually on March 1 and September 1 based on varying rates over the life of the 2016A Bonds, which compute to a true interest cost of 2.353%. The loan matures in 2033, subject to certain early repayment provisions.

The advance refunding resulted in a loss, which consisted of the difference between the reacquisition price and the net carrying amount of the old debt, of $6,405,074. This difference, reported in the accompanying statements of net position as a deferred outflow of resources, is being charged to operations as interest expense through July 31, 2033, using the straight-line method. The Association completed the advance refunding to reduce its total debt service payments through 2034 by $4,770,803 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,377,119 at an effective interest rate of 1.933%.

2016B Revenue Refunding Bonds
On October 12, 2016, the Authority issued $9.6 Million in taxable Bonds (University of Georgia Athletic Association Project), Series 2016B (the "2016B Bonds") and entered into an agreement (the "2016 Loan Agreement") to loan $9.6 million to the Association. The 2016B Bonds are payable solely from, and secured by, payments to be received by the Authority pursuant to the 2016 Loan Agreement, dated as of October 1, 2016, between the Authority and the Association and a promissory note issued by the Association. The promissory note is a general, unsecured obligation of the Association. The proceeds were used to redeem the Series 2005A Bonds, settle the related interest rate swap agreements on the Series 2003 and 2005A Bonds, and fund bond issuance costs as specified in the 2016 Loan Agreement. Borrowings under the 2016 Loan Agreement bear interest payable semiannually on March 1 and September 1 based on varying rates over the life of the 2016B Bonds, which compute to a true interest cost of 2.558%. The loan matures in 2033, subject to certain early repayment provisions.

The advance refunding resulted in a loss, which consisted of the difference between the reacquisition price and the net carrying amount of the old debt, of $3,457,200. This difference, reported in the accompanying statements of net position as a deferred outflow of resources, is being charged to operations as interest expense through June 30, 2021, using the straight-line method. The Association completed the advance refunding to reduce its total debt service payments through 2034 by $666,966, but had an economic loss (difference between the present values of the old and new debt service payments plus swap termination fee) of $2,839,116 at an effective interest rate of 1.933%.

The bonds payable and the letter of credit agreements required the Association to meet certain covenants. At June 30, 2017, the Association was not aware of any violations of the covenants.

Note 5—Long-term debt (continued)

Total long-term debt consisted of the following at June 30:

	2017	2016
Development Authority of Athens-Clarke County Series 2003 revenue bonds. Interest is payable monthly based on a formula rate adjusted daily (0.39% and 0.39% on June 30, 2017 and 2016, respectively). The loan matures in 2033, based on certain repayment provisions.	$ -	$ 13,325,000
Development Authority of Athens-Clarke County Series 2005A revenue bonds. Interest is payable monthly based on a formula rate adjusted daily (0.42% and 0.42% on June 30, 2017 and 2016, respectively). The loan matures in 2021, based on certain repayment provisions.	-	7,150,000
Development Authority of Athens-Clarke County Series 2005B revenue bonds. Interest is payable monthly based on a formula rate adjusted daily (0.39% and 0.39% on June 30, 2017 and 2016, respectively). The loan matures in 2035, based on certain repayment provisions.	22,415,000	23,235,000
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.	11,265,000	56,110,000
Development Authority of Athens-Clarke County Series 2016A revenue refunding bonds. Interest is payable semi-annually on each March 1 and September 1 beginning March 1, 2017 and is based on varying rates over the life of the bonds, which compute to a true interest cost of 2.353%. The loan matures in 2033, based on certain repayment provisions.	50,575,000	-
Development Authority of Athens-Clarke County Series 2016B revenue refunding bonds. Interest is payable semi-annually on each March 1 and September 1 beginning March 1, 2017 and is based on varying rates over the life of the bonds, which compute to a true interest cost of 2.558%. The loan matures in 2033, based on certain repayment provisions.	9,600,000	-
Total debt	93,855,000	99,820,000
Unamortized bond premium	10,413,529	1,886,851
Total debt, net	104,268,529	101,706,851
Less current portion of debt	(2,865,000)	(4,990,000)
Total long-term debt	$ 101,403,529	$ 96,716,851

Note 5—Long-term debt (continued)

The annual debt service requirements at June 30, 2017, excluding premium, are as follows:

Years	Principal	Interest	Total
2018	$ 2,865,000	$ 3,667,282	$ 6,532,282
2019	5,495,000	3,765,005	9,260,005
2020	5,630,000	3,565,846	9,195,846
2121	5,785,000	3,357,148	9,142,148
2022	5,955,000	3,131,706	9,086,706
2023-2027	26,995,000	12,090,301	39,085,301
2028-2032	33,165,000	5,341,586	38,506,586
2033-2036	7,965,000	436,028	8,401,028
	$ 93,855,000	$ 35,354,902	$ 129,209,902

A summary of the components of interest cost for the year ended June 30, 2017 is as follows:

	Total Interest	Amount Capitalized	Amount Expensed
Interest Cost:			
Interest Expense	$ 3,429,547	$ 475,562	$ 2,953,985
Amortization of Premiums, Discounts, and Deferred Loss	226,877	-	226,877
Fees	963,589	-	963,589
Total Interest, Financing and Related Costs	$ 4,620,013	$ 475,562	$ 4,144,451

A summary of the components of interest cost for the year ended June 30, 2016 is as follows:

	Total Interest	Amount Capitalized	Amount Expensed
Interest Cost:			
Interest Expense	$ 4,384,566	$ 364,605	$ 4,019,961
Amortization of Premiums, Discounts, and Deferred Loss	39,643	-	39,643
Fees	308,812	-	308,812
Total Interest, Financing and Related Costs	$ 4,733,021	$ 364,605	$ 4,368,416

Note 6—Derivative instruments

Derivative Instruments - Interest Rate Swap Agreements – The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2017, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2017 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2017		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Hedging Derivatives:					
2005B-Interest Rate Swap	Deferred outflow of resources	$ (1,869,128)	Debt	$ (3,961,146)	$ 22,415,000
				$ (3,961,146)	

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2016, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2016		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Hedging Derivatives:					
2003-Interest Rate Swap	Deferred outflow of resources	$ (646,265)	Debt	$ (2,809,913)	$ 13,325,000
2005A-Interest Rate Swap	Deferred outflow of resources	123,378	Debt	(830,050)	7,150,000
2005B-Interest Rate Swap	Deferred outflow of resources	(1,453,311)	Debt	(5,830,274)	23,235,000
				$ (9,470,237)	

Note 6—Derivative instruments (continued)

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 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 2005A 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.

The interest rate swap agreements on the 2003 and 2005A Series bonds were settled on October 12, 2016 with the redemption of the 2003 series and the 2005A series bonds.

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, 2017, the fair value of the interest rate swap agreements was $3,961,146, indicating the amount that the Association would be required to pay the Counterparties to terminate the swap agreements.

Note 6—Derivative instruments (continued)

Swap Payments and Associated Debt – As of June 30, 2017, 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	
Years Ending	**Principal**	**Interest**	**Swaps, net**	**Total**
2018	$ 850,000	$ 191,929	$ 559,180	$ 1,601,109
2019	880,000	184,096	536,362	1,600,458
2020	910,000	175,998	512,766	1,598,764
2021	945,000	167,587	488,262	1,600,849
2022	980,000	158,865	462,851	1,601,716
2023-2027	5,415,000	653,082	1,902,743	7,970,825
2028-2032	6,430,000	385,592	1,123,417	7,939,009
2033-2036	6,005,000	82,458	240,242	6,327,700
Total	$ 22,415,000	$ 1,999,607	$ 5,825,823	$ 30,240,430

Credit Risk – As of June 30, 2017, 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 $5.8 million less the cumulative fair value of $3.7 million. As of June 30, 2017, 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.

Note 7—Long-term liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Deferred compensation payable	$ 586,684	$ -	$ 92,387	$ 494,297	$ -
Long-term debt	101,706,851	69,259,017	66,697,339	104,268,529	2,865,000
Total long-term liabilities	$ 102,293,535	$ 69,259,017	$ 66,789,726	$ 104,762,826	$ 2,865,000

Changes in long-term liabilities for the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Deferred compensation payable	$ 680,622	$ -	$ 93,938	$ 586,684	$ -
Long-term debt	106,687,640	-	4,980,789	101,706,851	4,990,000
Total long-term liabilities	$ 107,368,262	$ -	$ 5,074,727	$ 102,293,535	$ 4,990,000

Note 8—Fair value measurements

The Athletic Association has adopted SGAS No. 72, *Fair Value Measurement and Application*, which requires fair value measurement be classified and disclosed in one of the following three Fair Value Hierarchy categories.

Level 1
Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which would generally be included in Level 1 include listed equity securities, mutual funds, and money market funds. The Athletic Association, to the extent that it holds such investments, does not adjust the quoted price for these investments.

Level 2
Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies. The types of investments which would generally be included in this category include publicly-traded securities with restrictions on disposition, corporate obligations, and US Government and Agency Treasury Inflation Indices.

Level 3
Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments. The types of investments which would generally be included in this category include debt and equity securities issued by private entities and partnerships. The inputs into the determination of fair value require significant judgment or estimation. Inputs include recent transactions, earnings forecasts, market multiples, and future cash flows.

Note 8—Fair value measurements (continued)

The tables below summarize the valuation of the Association's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016, based on the level of input utilized to measure fair value.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016 are as follows:

	Fair Value Measurement			
June 30, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
Investment Pools:				
Board of Regents Short-term Fund	$ 36,583,471	$ -	$ 36,583,471	$ -
Total Investments - Recurring Basis	$ 36,583,471	$ -	$ 36,583,471	$ -
Derivative Financial Instruments:				
Interest Rate Swaps	$ 3,961,146	$ -	$ 3,961,146	$ -
Total Liabilities - Recurring Basis	$ 3,961,146	$ -	$ 3,961,146	$ -

	Fair Value Measurement			
June 30, 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Investment Pools				
Board of Regents Short-term Fund	$ 50,449,990	$ -	$ 50,449,990	$ -
Total Investments - Recurring Basis	$ 50,449,990	$ -	$ 50,449,990	$ -
Derivative Financial Instruments				
Interest Rate Swaps	$ 9,470,237	$ -	$ 9,470,237	$ -
Total Liabilities - Recurring Basis	$ 9,470,237	$ -	$ 9,470,237	$ -

All assets and liabilities have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

The Association's amounts on deposit at the UGA Foundation are stated at fair value using the net asset value per share. As of June 30, 2017 and 2016, the fair value of the funds held by the Foundation was $50,910,910 and $45,515,888, respectively. The amounts are invested in the long-term investment portfolio of UGA Foundation as a quasi-endowed fund which provides the opportunity to earn long-term investment return but with the inherent risk associated with such investments. As a quasi-endowed fund of the UGA Foundation, the entire net asset value is available upon request for expenditure or transfer of funds.

Note 9—Employee benefits

Personnel of the Association are employees of the University. As such, the Association reimburses the University for compensation and benefit expenses of University employees who spend a significant amount of time providing services to the Association. Amounts recorded for reimbursements for the years ended June 30, 2017 and 2016, amounted to $30,629,548 and $28,776,861, respectively, and are included in operating expenses on the statements of revenues, expenses, and changes in net position.

Note 10—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.

Note 11—Related party transactions

The Association makes payments to the University for services such as food services, parking services, health services, tuition, gas, electricity, security, and golf course maintenance. These payments totaled $50,089,439 and $43,089,980 during 2017 and 2016, respectively, and were recognized as expenses of the Association. At June 30, 2017 and 2016, the Association recorded payables of $5,599,476 and $4,552,760, respectively, to the University.

Additionally, the University collects student fees and remits those amounts to the Association. During 2017 and 2016, student fees collected by the University were remitted to the Association prior to year end.

During fiscal years 2017 and 2016, the University of Georgia Foundation remitted $24,856,538 and $5,540,362, respectively, to the Association for facility renovation and program support. As of June 30, 2017 and 2016, there was $27,878 and $4,996 reflected in accounts receivable for amounts requested by the Association that had not been remitted.

The Association has an agreement with the state of Georgia whereby 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, which expires June 30, 2022.

Note 12—Commitments and contingencies

Commitments – Authorized commitments for construction aggregated approximately $66,495,078 and $35,495,436 at June 30, 2017 and 2016, 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.

Note 13—Related organizations

The University of Georgia Foundation, Inc., a related organization, has received contributions that are restricted for athletic purposes. As of June 30, 2017, endowment funds of $37,645,623 have been established for athletic scholarships, $7,511,149 has been established for athletic capital projects, and $35,980,453 has been established for general support of athletic programs and awards. As of June 30, 2016, endowment funds of $33,626,651 have been established for athletic scholarships, $16,718,311 has been established for athletic capital projects, and $32,059,670 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. Revenue is recognized by the Association as expenditures are made by the Association for restricted or approved purposes and reimbursements are requested from the Foundation.

Note 14—Subsequent events

At the September 15, 2017 board meeting, the Board of Directors of the Association approved a resolution to enter into an agreement with a bank to establish a revolving line of credit to use as a bridge funding mechanism for capital projects as cash is received from fund raising efforts. The line of credit was established and $11,285,496 was drawn down on October 4, 2017.