

**Florida Foundation  
Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

Financial Statements  
and  
Independent Auditors' Reports

June 30, 2019

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# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Florida Foundation Seed Producers, Inc.  
P.O. Box 309  
Greenwood, FL 32443

### Report on Financial Statements

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We have audited the accompanying financial statements of Florida Foundation Seed Producers, Inc. (the Corporation), a direct support organization of the University of Florida, which comprise the Statement of Net Position as of June 30, 2019, and the related Statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements.** Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

**Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required 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 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 Corporation as of June 30, 2019, the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter.**

As discussed in Note 1, the financial statements present only Florida Foundation Seed Producers, Inc. and do not purport to, and do not, present fairly the financial position of the University of Florida, as of June 30, 2019 and the respective changes in financial position, or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, Hurricane Michael caused significant damage to the Corporation on October 10, 2018. The Corporation has recorded its best estimate of the amounts of insurance that will ultimately be collected to offset property damage and other covered events.

As discussed in Note 2, changes in laws governing direct support organizations required the Corporation to change financial reporting framework to that prescribed by the Governmental Accounting Standards Board. The accompanying financial statements are presented using the governmental reporting model.

As discussed in Note 2, the Corporation changed its method of accounting for royalty revenues, expenses and distributions. This change resulted in an increase in net position of \$17,833 from what was previously reported at June 30, 2018.

## Other Matters

**Required Supplementary Information.** Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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 of America, 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.

**Supplementary Information.** Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Corporation's internal control over financial reporting (internal control) and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance.

*Kattell and Company, P.L.*

November 22, 2019

*"Not everything that counts can be counted, and not everything that can be counted counts."*

- Albert Einstein

# Management's Discussion and Analysis

June 30, 2019

## Florida Foundation Seed Producers, Inc

*A Component Unit of the University of Florida*

This discussion and analysis of the financial performance of Florida Foundation Seed Producers, Inc. (the Corporation) provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Corporation's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2019:

- The Corporation's overall net position increased by \$1,883,446, which is about 21%.
- Total ending unrestricted net position was approximately \$7,800,000.
- The Corporation had total operating expenses for the year of approximately 16,200,000, operating revenues of approximately \$17,500,000 and net non-operating revenues of approximately \$600,000.
- The Corporation processed seed stocks produced on 939 and 859 acres in 2019 and 2018, respectively, and collected royalties related to 490 and 614 licenses in 2019 and 2018, respectively.

### REQUIRED FINANCIAL STATEMENTS

**Statement of Net Position.** This statement includes all of Corporation's assets, liabilities, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position.** The current and prior year revenues and expenses are reported in this statement along with the resulting change in net position. This statement measures the success of the Corporation's operations over the past year.

**Statement of Cash Flows.** The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the fiscal year. This statement reports cash receipts, cash payments, and changes in cash resulting from operating, capital and noncapital financing, and investing activities.

**Notes to Financial Statements.** The notes provide additional information.

### CONDENSED FINANCIAL INFORMATION

The following table presents condensed data about net position and changes in net position for governmental activities.

	2019	2018
Net Position		
Assets:		
Non-capital Assets	\$ 15,856,806	\$ 13,740,076
Capital Assets, Net	3,189,081	2,788,954
Total Assets	<u>19,045,887</u>	<u>16,529,030</u>
Liabilities:		
Current Liabilities	8,043,293	7,409,882
Total Liabilities	<u>8,043,293</u>	<u>7,409,882</u>
Net Position:		
Net Investment in Capital Assets	3,189,081	2,788,954
Unrestricted	7,813,513	6,330,194
Total Net Position	<u>\$ 11,002,594</u>	<u>\$ 9,119,148</u>

# Management's Discussion and Analysis

June 30, 2019

## Florida Foundation Seed Producers, Inc

*A Component Unit of the University of Florida*

### CONDENSED FINANCIAL INFORMATION (concluded)

	2019	2018
Change in Net Position		
Operating Revenue:		
Sales of seed	\$ 2,030,389	\$ 2,090,540
Royalties	15,400,093	14,995,333
Other	27,345	87,489
Total Revenues	<u>17,457,827</u>	<u>17,173,362</u>
Operating Expenses:		
Cost of seed sold	1,679,428	1,701,528
Royalty expenses and distributions	13,893,825	13,506,536
Other expenses	589,390	667,256
Total Expenses	<u>16,162,643</u>	<u>15,875,320</u>
Excess of Revenues over Expenses	1,295,184	1,298,042
Non-operating revenues and expenses, net	588,262	58,823
Change in Net Position	1,883,446	1,356,865
Beginning Net Position	9,119,148	7,762,283
Ending Net Position	<u>\$ 11,002,594</u>	<u>\$ 9,119,148</u>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** In October of 2018, Hurricane Michael inflicted significant damage to the capital assets of the Corporation. By June 30, 2019, much of the damaged property had been removed and efforts were underway to replace critical facilities. Please refer to the note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the Corporation's capital asset activity.

**Debt Administration.** The Corporation had no long term debt at the beginning of the year and issued no new debt during the year.

### ECONOMIC FACTORS

The Corporation currently is not aware of any conditions that are expected to have a significant effect on the Corporation's financial position or results of operations.

### CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John Beuttenmuller, Secretary/Treasurer, P.O. Box 309, Greenwood, FL 32443.

**Statement of Net Position**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

**Assets**

Cash:	
Non-Interest Bearing	\$ 142,866
Interest Bearing	12,140,890
Total Cash	<u>12,283,756</u>
Receivables:	
Royalties	2,603,576
Sales of Seed	189,026
Insurance Proceeds	612,533
Other	3,394
Prepaid Expenses	69,335
Seed Inventory	60,481
Investment in Growing Crop	34,705
Property, Plant & Equipment (Net)	<u>3,189,081</u>
<b>Total Assets</b>	<b><u>19,045,887</u></b>

**Liabilities**

Liabilities:	
Accounts Payable	147,319
Accrued Employee Leave	77,508
Royalty Distributions Payable	<u>7,818,466</u>
<b>Total Liabilities</b>	<b><u>8,043,293</u></b>

**Net Position**

Net Position	
Net invested in capital assets	3,189,081
Unrestricted	<u>7,813,513</u>
<b>Total Net Position</b>	<b><u>\$ 11,002,594</u></b>

See accompanying notes.

**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ending June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

	<u>2019</u>
<b>Farm Income:</b>	
Sale of Seed:	\$ 1,703,894
Insurance Proceeds	326,495
Cost of Seed Sold	<u>(1,679,428)</u>
Gross Profit on Sales of Seed	350,961
Other Farm Income	<u>27,345</u>
<b>Gross Profit – Farming Operations</b>	<b>378,306</b>
<b>Licensing/Royalty Income:</b>	
Gross Revenues	15,400,093
Licensing Expenses	(153,286)
Breeder Distributions	(2,892,168)
Transfers to FAES	<u>(10,848,371)</u>
<b>Net Royalty</b>	<b>1,506,268</b>
<b>Net Operating Revenues</b>	<b>1,884,574</b>
<b>Expenses:</b>	
Licensing Program	293,120
Farming Program	144,533
Support Activities	<u>151,737</u>
<b>Total Expenses</b>	<b>589,390</b>
<b>Net Operating Income</b>	<b>1,295,184</b>
<b>Non-operating Revenues:</b>	
Interest Income	156,679
Gain on Asset Disposals	17,072
Insurance Proceeds in Excess of Expenses	<u>550,079</u>
<b>Total Non-operating Revenues</b>	<b>723,830</b>
<b>Other Transfers:</b>	
UF – Overhead Charge	10,568
UF Foundation – Endowment Fund	<u>125,000</u>
<b>Total Transfers Out</b>	<b>135,568</b>
<b>Change in Net Assets</b>	<b>1,883,446</b>
<b>Net Assets, Beginning</b>	<u><b>9,119,148</b></u>
<b>Net Assets, End</b>	<u><u><b>\$ 11,002,594</b></u></u>

See accompanying notes.

**Statement of Cash Flows**  
**For the Year Ending June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

<b>Cash Flows from Operating Activities</b>	
Royalties:	
Collections	\$ 13,067,531
Payments to FAES	(10,522,612)
Payments to Breeders	(2,780,395)
Payments of Expenses	(58,352)
Net Cash from Royalties	<u>(293,828)</u>
Seed Production and Sales:	
Sales of Seed	1,632,548
Seed Related Insurance Proceeds	29,261
Seed costs:	
Contract Growers	(726,010)
Wages and Benefits	(284,211)
Seed, Plants, Fertilizer and Supplies	(109,855)
Seed Processing Costs	(66,551)
Equipment and Facilities Costs	(124,646)
All Other Costs	(90,565)
Net Cash from Production and Sales of Seed	<u>259,971</u>
Other Operating Cash Flows:	
Insurance Proceeds – Operating Costs	151,043
Other Collections	23,951
Wages and Benefits	(446,906)
Other Disbursements	(400,657)
<b>Net Cash Provided by Operating Activities</b>	<b><u>(706,426)</u></b>
<b>Cash Flow from Investing Activities</b>	
<b>Interest on Deposits</b>	<b><u>156,679</u></b>
<b>Cash Flow from Capital and Related Financing Activities</b>	
Proceeds from Sale of Property and Equipment	31,500
Property Purchases reimbursed by Cost	
Sharing Programs	99,961
Capitalized Purchases of Property and Equipment	(829,020)
Disaster-related cash flows:	
Insurance Proceeds	776,679
Non-capitalized recovery costs	(378,532)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b><u>(299,412)</u></b>
<b>Net Change in Cash</b>	<b>(849,159)</b>
<b>Cash, Beginning</b>	<b><u>13,132,915</u></b>
<b>Cash, End</b>	<b><u>\$ 12,283,756</u></b>

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**Statement of Cash Flows**  
**For the Years Ending June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*  
**(concluded)**

**Reconciliation Of Operating Income To Net Cash Used In Operating Activities**

Operating Income	\$ 1,295,184
Depreciation – general	8,650
Depreciation – related to farm operations	242,448
Transfers	(135,568)
Changes in:	
Receivables related to operating cash flows	(2,767,530)
Prepaid expenses	(18,164)
Seed Inventory	11,640
Investment in growing crop	23,503
Payables	37,951
Royalty distribution payable	595,460
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (706,426)</u></b>

See accompanying notes.

**Notes to Financial Statements**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

**NOTE 1 – NATURE OF THE ENTITY**

Florida Foundation Seed Producers, Inc. (the Corporation) is a not-for-profit corporation organized under the laws of the State of Florida.

The Corporation works with the Institute of Food and Agricultural Sciences of the University of Florida (the University) for the purpose of increasing foundation seed from the point at which a variety is developed by a trained plant breeder to the state at which ample stocks are made available to qualified seed producers. The Corporation owns 500 acres of land near Marianna, Florida. It owns farming equipment, processing equipment and storage facilities that it uses to grow, harvest and process the foundation seed for sale.

Also, the Corporation acts as an agent for the Florida Agricultural Experiment Station (FAES) and collects royalties on released and licensed cultivars. In its capacity as agent, the Corporation provides office space and personnel to handle the plant variety protection, trademark, plant patent and plant breeders' rights applications. The Corporation facilitates the licensing and marketing of FAES released cultivars and is responsible for the negotiation, execution, and management of contracts thereto.

The Corporation has been classified as a direct support organization of the University. As such, the Corporation is a component unit of the University as that term is defined by generally accepted accounting principles applicable to governmental entities. However, these financial statements present the financial position, changes in net position and cash flows of the Corporation only.

The Corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business taxable income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Corporation qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Corporation is operated exclusively for charitable, scientific and educational purposes.

**NOTE 2 – ACCOUNTING CHANGES**

**Financial Reporting Framework**

Prior to the year ending June 30, 2019, the Corporation prepared its financial statements using the accounting and financial reporting standards applicable to not-for-profit organizations. In 2018, the Florida Legislature enacted legislation that requires that all members of the governing body of the Corporation be approved by the board of trustees of the University. Generally accepted accounting principles (GAAP) indicate that an organization should prepare its financial statements in accordance with the provisions of the Governmental Accounting Standards Board (GASB) if a majority of that organization's governing body is approved by officials of one or more government entities. As a result, the Corporation has changed its method of preparing its financial statements; financial statements will be prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, paragraph 147.

**Accounting for Royalty Collections, Expenses, and Distributions**

As part of the change from the not-for-profit to the governmental reporting model, the Corporation changed its method of accounting for royalty receipts from licensed technology. Under the not-for-profit model, the Corporation reported royalty receipts, expenses and distributions as agency transactions; the collection fee was the only amount reported as revenue. Under the governmental model, the Corporation will report royalty revenues when due, royalty expenses when incurred, and distributions due to breeders and FAES based on the net. This change in accounting principle resulted in an increase of \$17,833 to net position at June 30, 2018.

**Notes to Financial Statements**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Measurement Focus and Basis of Accounting

For financial reporting purposes, the Corporation is considered a special purpose government entity engaged only in business-type activities. Accordingly, the Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP for proprietary funds, which is similar to those for private business enterprises. Therefore, revenues are recorded when earned and expenses are recorded when incurred.

Cash

Cash consists of time and demand deposits at financial institutions. As a direct support organization of the University of Florida, all deposits with financial institutions qualify as public deposits and are covered by Florida's Public Deposits Program as defined in Section 280.02, Florida Statutes. The Corporation has no policy regarding deposit custodial credit risk.

Receivables

Accounts receivable consist of amounts due for sales of seed and seed products. Other receivables consist of amounts due to the Corporation that arise in the normal course of business. The Corporation records receivables at net realizable value. No allowance is provided since all receivables are deemed fully collectible.

Seed Inventory and Investment in Growing Crop

Seed Inventory is carried at the lower of cost or market as determined on a specific identification basis. The investment in growing crop is stated at cost incurred to date, which does not exceed its expected net realizable value when sold. The costs of planting, cultivating, harvesting, cleaning, treating, bagging and warehousing operations are allocated to the investment in growing crop, the cost of seed inventory, and are also the basis for cost of seed sold.

Property, Plant and Equipment

Purchases and improvements costing more than \$1,000 are capitalized at cost, while all maintenance, repairs, and minor renewals are expensed as incurred. Capitalized assets are depreciated using the straight-line method over estimated useful lives as follows:

Buildings	10 – 30 years
Farm Equipment	5 – 20 years
Warehouse Equipment	5 – 25 years
Vehicles	3 – 5 years
Office Equipment and Furniture	3 – 10 years

Management reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the assets to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. The Corporation has not recognized any impairment on its fixed assets.

**Notes to Financial Statements**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

Revenue Recognition

*Sale of Seed.* Sales of seed are recognized as revenue when the seed is delivered to the customer.

*Other Farm Income.* Other farm income consists of amounts remitted from United States Department of Agriculture in accordance with the National Farm Bill. These amounts are recognized when received.

*Royalty and Research Income.* The Corporation acts as the collection agent for FAES. In exchange for these services, the Corporation receives ten percent of net collections (after deducting applicable expenses).

FAES assigns its rights to seed varieties and nursery stock to the Corporation. The Corporation enters into contracts with licensees that grant certain production and distribution rights. In return for these contracts, the licensees pay a royalty, based on total sales, to the Corporation. The Corporation, in turn, makes distributions to FAES and inventors. In addition, the Corporation serves as a collection agent for a limited number of research contracts. Royalty contracts require payment at least annually.

Royalty and research expenses are netted against gross royalty income. In some cases, royalties received are not distributed, rather they are held to offset expected future expenses; these are called “held revenues”. Net Royalties are generally distributed as follows: 10% is retained by the Corporation as the collection agent, 70% is paid to FAES, and 20% is distributed to the faculty breeders under the Cultivar Research Incentive Program (CRIP).

Royalties are received throughout the year. The Corporation summarizes receipts for the two six month periods ending December 31 and June 30. Distributions are made shortly thereafter. The amount reported on the Statement of Financial Position as Royalty Distribution Payable is the amount of distributions due from collections for the six-month periods ended June 30, 2019

Expense Allocations

A large portion of the Corporation’s costs are capitalized as the costs of growing crop. When the crop is harvested, these costs become the costs of seed inventory. Upon sales, these costs are reported as the costs of seed sold. All costs associated with planting, harvesting, warehousing, cleaning and treating seed are included in the costs of seed.

All other costs are classified as expenses. Program service expenses include the costs of managing the farming and warehousing operations and the costs of performing and managing licensing activities. Support service expenses include all costs that are not included in costs of seed, farming or licensing. Most expenses are assigned directly to one of the Corporation’s two functions. Gross payroll costs of each employee are assigned to the functions depending on where each employee spends their time and fringe benefits are allocated in proportion to total gross payroll. However, certain expenses are allocated to the functional categories based on an estimate of the purpose achieved by the expenditure.

Use of Estimates

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

**Notes to Financial Statements**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 448,266	\$ --	\$ --	\$ 448,266
Construction in progress	37,198	298,806	37,198	298,806
Total	<u>485,464</u>	<u>298,806</u>	<u>37,198</u>	<u>747,072</u>
Capital assets being depreciated:				
Buildings	1,281,472	59,060	334,329	1,006,203
Farm equipment	1,088,541	328,494	136,321	1,280,714
Warehouse Equipment	2,474,200	75,676	78,972	2,470,904
Vehicles	80,114	82,981	52,375	110,720
Office Furniture & Equipment	28,020	--	--	28,020
Total Capital Assets Being Depreciated	<u>4,952,347</u>	<u>546,211</u>	<u>601,997</u>	<u>4,896,561</u>
Accumulated depreciation				
Buildings	830,755	29,123	232,936	626,942
Farm equipment	783,243	61,946	134,473	710,716
Warehouse equipment	952,290	147,746	38,516	1,061,520
Vehicles	57,497	11,315	39,479	29,333
Office furniture & equipment	25,072	969	--	26,041
Total Accumulated Depreciation	<u>2,648,857</u>	<u>251,099</u>	<u>445,404</u>	<u>2,454,552</u>
Net Capital Assets	<u>\$ 2,788,954</u>	<u>\$ 593,918</u>	<u>\$ 193,791</u>	<u>\$ 3,189,081</u>

**NOTE 5 – CONCENTRATIONS**

*Credit Risk.* Financial instruments that subject the Corporation to a concentration of credit risk consist principally of deposits with banks and accounts receivable.

*Bank Deposits.* The Corporation is a direct support organization of the University of Florida. As such, the Corporation's bank deposits meet the definition of public deposits in Section 280.02, Florida Statutes. The Corporation's cash is held in banks that meet the definition of qualified public depositories. As a result, all of the Corporation's deposits are secured in accordance with the provisions of the Florida Security for Public Depositors Act.

*Accounts Receivable.* The Corporation's accounts receivable generally have a limited concentration of credit risk because of the dispersion of receivables from different individual farmers, farming organizations and geographies. However, at June 30, 2019, 45% of the balance of accounts receivable was due from two vendors.

*Sales.* For the year ended June 30, 2019, sales to the top three customers accounted for 68% of the Corporation's annual sales of seed.

**NOTE 6 – DEFINED CONTRIBUTION PENSION PLAN**

The Corporation makes contributions of 10% of salary to individual retirement accounts of all eligible employees under a Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement as authorized by Section 408(k) of the Internal Revenue Code. Retirement contributions for the year ended June 30, 2019 were \$30,905.

**Notes to Financial Statements**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

**NOTE 7 – RELATED PARTY TRANSACTIONS**

*Sales and Receivables.* Sales to related parties or to organizations where those related parties have significant influence were \$1,216,160 for the year ended June 30, 2019. Accounts receivable at June 30, 2019, included \$116,461 due from related parties or those organizations.

*University of Florida.*

The Corporation reimburses the University for the cost of certain employees who provide services on behalf of the Corporation but who are employees of the University. Costs reimbursed include salary, taxes and benefits, and cell phone allowances. These costs were \$244,643 for the year ended June 30, 2019. These employees occupied 810 square feet of office space in McCarty Hall on the main campus of the University in Gainesville, Florida. In addition, the Corporation utilizes certain administrative services of the University, including accounting, information technology, and human resources.

The Corporation reported \$6,135,577 royalties payable to the University of Florida at June 30, 2019.

**NOTE 8 – COMMITMENTS**

Prior to June 30, 2019, the Corporation entered into a contract to purchase farm equipment for \$35,500. The Corporation will pay the contracted price when the equipment is delivered in the next fiscal year.

**NOTE 9 – RISK MANAGEMENT**

The Corporation is exposed to various risks of loss, including property, business interruption, general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the Corporation has purchased commercial insurance. The Corporation retains a portion of the risk of loss in the form of deductibles. The Corporation has recorded no liability for unpaid claims. Settled claims resulting from these risks have not exceeded commercial coverage in either of the previous two years.

On October 10, 2018, Hurricane Michael traveled through the panhandle of Florida and brought significant damage to the Corporation's structures, equipment and 2018 peanut crop. The Corporation has received insurance proceeds of \$956,984 and has estimated and accrued a receivable for another \$612,533. These proceeds offset the costs of crop loss mitigation and will help to fund the costs to rebuild damaged property and equipment.

The statement of change in net position displays \$550,079 of insurance proceeds in excess of expenses. This occurs for the following reasons:

- The damaged property and equipment had a net book value well below its replacement cost.
- Costs incurred to replace damaged property are not expensed as incurred; instead those costs will be capitalized and depreciated over estimated useful lives.

Insurance proceeds were net of approximately \$108,000 in deductibles.

**NOTE 10 – SUBSEQUENT EVENTS**

The Corporation has evaluated events and transactions for potential recognition or disclosure through November 22, 2019, which is the date the financial statements were available to be issued.

**Schedule of Functional Expenses**  
**June 30, 2019**  
**Florida Foundation Seed Producers, Inc.**  
*A Component Unit of the University of Florida*

	2019			
	Program Services			Support Activities
	Licensing	Farming	Total	
Advertising and Marketing	\$ 1,616	\$ 1,616	\$ --	\$ 3,232
Depreciation	3,313	2,595	2,742	8,650
Dues and Memberships	11,589	1,245	1,315	14,149
Insurance	941	737	780	2,458
Meeting Expense	25,485	5,778	11,315	42,578
Other	1,746	1,368	1,446	4,560
Office Supplies	5,915	4,633	4,895	15,443
Payroll – Employees in Greenwood	58,617	54,866	47,849	161,332
Payroll – Taxes and Benefits	17,001	15,913	13,878	46,792
Payroll – IFAS Agreement	158,033	43,305	43,305	244,643
Accounting and Legal Services	--	--	16,875	16,875
Repairs and Maintenance	3,377	2,645	2,796	8,818
Telephone	2,715	2,127	2,247	7,089
Utilities – Water and Electric	2,772	2,171	2,294	7,237
Contributions	--	5,534	--	5,534
<b>Total</b>	<b><u>\$ 293,120</u></b>	<b><u>\$ 144,533</u></b>	<b><u>\$ 151,737</u></b>	<b><u>\$ 589,390</u></b>

# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
Florida Foundation Seed Producers, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Florida Foundation Seed Producers, Inc. (the Organization) as of and for the year ended June 30, 2019, as listed in the table of contents, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 22, 2019.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Kattell and Company, P.L.*

November 22, 2019