

**UNIVERSITY OF FLORIDA  
INVESTMENT CORPORATION  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**JUNE 30, 2020 AND 2019**  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors,  
University of Florida Investment Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the University of Florida Investment Corporation (UFICO), a direct support organization and component unit of the University of Florida, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the UFICO's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

UFICO's 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.

### ***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 require that we plan and perform the audits 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UFICO as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

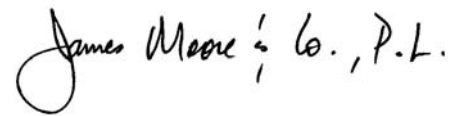
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 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.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 1, 2020 on our consideration of UFICO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UFICO's internal control over financial reporting and compliance.



Gainesville, Florida  
September 1, 2020

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2020 AND 2019  
(Continued)**

**INTRODUCTION**

The University of Florida Investment Corporation (UFICO), a not-for-profit corporation, is a direct support organization of the University of Florida (UF). UFICO is self-supporting, and does not receive any State support. UFICO's purpose is to promote the educational purposes of UF by providing investment research, advice, counsel, and management to UF and affiliated organizations.

**OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

The Management's Discussion and Analysis (MD&A) provides an overview of UFICO's financial performance as of and for the fiscal year ended June 30, 2020 with comparative information as of and for the fiscal years ended June 30, 2019 and 2018, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statement Nos. 37, 38, 63, and 65. The MD&A, the financial statements, and the notes thereto are the responsibility of UFICO management.

Pursuant to GASB Statement No. 63, UFICO's financial report includes three basic financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position consist of current and non-current assets and liabilities. The Statements of Revenues, Expenses and Changes in Net Position characterize revenues and expenses as either operating or non-operating. Finally, the Statements of Cash Flows consist of cash flows from operating, capital and related financing, and investing activities.

**SUMMARY OF NET POSITION**

The Statements of Net Position reports all financial and capital resources of UFICO at the end of the fiscal year. Net position over time can be a useful indicator of an entity's financial position. The condensed Statements of Net Position follows:

**UFICO's Net Position**

|                       | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|-----------------------|----------------------|----------------------|----------------------|
| Current assets        | \$ 2,895,132         | \$ 2,262,515         | \$ 2,019,118         |
| Long term assets      | 1,838,113            | 1,708,177            | 1,307,462            |
| Total assets          | <u>4,733,245</u>     | <u>3,970,692</u>     | <u>3,326,580</u>     |
| Current liabilities   | 2,441,479            | 2,239,399            | 1,601,557            |
| Long term liabilities | 1,540,074            | 1,568,519            | 1,307,462            |
| Total liabilities     | <u>3,981,553</u>     | <u>3,807,918</u>     | <u>2,909,019</u>     |
| Total net position    | <u>\$ 751,692</u>    | <u>\$ 162,774</u>    | <u>\$ 417,561</u>    |

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2020 AND 2019  
(Continued)**

**Highlights**

UFICO's total assets exceeded total liabilities as of June 30, 2020, 2019 and 2018 by \$751,692, \$162,774 and \$417,561, respectively.

UFICO's total assets increased by \$762,553 or 19.2% in 2020. The biggest component of this change was an increase in cash and cash equivalents, which increased by \$333,786, mainly due to cash provided by operating activities. UFICO's total assets increased by \$644,112 or 19.4% in 2019. The biggest component of this change was also an increase in cash and cash equivalents, which increased by \$410,835, which was also due to cash provided by operating activities.

In addition, total liabilities increased by \$173,635 or 4.6% in 2020. The increase is mainly related to accrued expenses related to leasehold improvements in the current year. Total liabilities increased by \$898,899 or 30.9% in 2019. The increase was mainly related to the current and deferred incentive compensation plan as the investment performance was strong in the prior year.

At June 30, 2020, UFICO had \$403,064 in capital assets, less accumulated depreciation of \$105,025 for net capital assets of \$298,039. Depreciation charges for the current fiscal year totaled \$42,169.

**SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred during each year. The operating revenues and expenses are related to providing investment management services. Non-operating revenues are not related to investment management services, such as interest income. UFICO strives to operate on a financial breakeven basis generating revenue sufficient to cover operating costs. Expenses are the driver for revenue that is billed to investors. A condensed Summary of Revenues, Expenses and Changes in Net Position follows:

**UFICO's Revenues, Expenses and Changes in Net Position**

|                          | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--------------------------|----------------------|----------------------|----------------------|
| Operating revenues       |                      |                      |                      |
| Management fees, net     | \$ 5,599,001         | \$ 4,892,745         | \$ 4,260,192         |
| Total operating expenses | <u>(5,028,533)</u>   | <u>(5,170,582)</u>   | <u>(4,390,309)</u>   |
| Operating income (loss)  | 570,468              | (277,837)            | (130,117)            |
| Non-operating revenues   | 18,450               | 23,050               | 12,818               |
| Change in net position   | <u>\$ 588,918</u>    | <u>\$ (254,787)</u>  | <u>\$ (117,299)</u>  |

**Highlights**

The management fee revenue for 2020 increased \$706,256 or 14.4% over the prior year. The current revenue matches the budgeted revenue. The increase over the prior year is due to a budgeted increase in Net Reserves. The management fee revenue for 2019 increased \$632,553 or 14.8% over 2018. The increase over 2018 was due to additional fees needed to offset increases in salaries, benefits, and payroll taxes.

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION  
STATEMENTS OF FINANCIAL POSITION**

JUNE 30,

Total operating expenses for 2020 decreased by \$142,049 or -2.7% over the prior year. The decrease primarily relates to the decrease in incentive compensation for the year. Total operating expenses for 2019 increased by \$780,273 or 17.8% over 2018. The increase related to salary, benefits, and payroll taxes as the investment team hired additional staff in 2019.

**SUMMARY OF CASH FLOWS**

The Statements of Cash Flows provide information about UFICO's cash receipts and disbursements. The operating activities presents cash flows related to UFICO's operating income or loss along with changes in receivables and payables in the Statements of Net Position. The investing activities present cash flows from purchases, proceeds, or income received from investing activities.

**UFICO's Cash Flows**

|  | <b>June 30, 2020</b> | <b>June 30, 2019</b> | <b>June 30, 2018</b> |
|--|----------------------|----------------------|----------------------|
| Cash provided by (used in):                  |                      |                      |                      |
| Operating activities                         | \$ 405,560           | \$ 527,443           | \$ (439,278)         |
| Investing activities                         | (71,774)             | (116,608)            | 12,818               |
| Net change in cash and cash equivalents      | 333,786              | 410,835              | (426,460)            |
| Cash and cash equivalents, beginning of year | 1,647,376            | 1,236,541            | 1,663,001            |
| Cash and cash equivalents, end of year       | \$ 1,981,162         | \$ 1,647,376         | \$ 1,236,541         |

**Highlights**

The increase in cash generated from operating and investing activities in 2020 is primarily due to an increase in cash received from management fees. The increase in cash flow in 2019 was primarily due to the increase in cash received from management fees.

**ECONOMIC OUTLOOK**

UFICO's economic outlook is closely related to and largely dependent on the management fees received. Management fees are directly related to assets under management. This income source is expected to remain fairly stable, with moderate growth over the long-term.

**CONTACTING MANAGEMENT**

This financial narrative is designed to provide you with a general overview of UFICO's finances and to show accountability for the various revenues we receive. If you have questions about this report or need additional financial information, please contact:

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Gainesville, FL 32601  
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**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

|  | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
| <b><u>ASSETS</u></b>                                     |              |              |
| <b>Current assets</b>                                    |              |              |
| Cash and cash equivalents                                | \$ 1,981,162 | \$ 1,647,376 |
| Due from investment funds                                | 211,424      | 53,937       |
| Management fees receivable - current portion             | 511,164      | 372,625      |
| Due from University of Florida                           | 175,000      | 175,000      |
| Prepaid expenses and other current assets                | 16,382       | 13,577       |
| Total current assets                                     | 2,895,132    | 2,262,515    |
| <b>Property and equipment, net</b>                       | 298,039      | 139,658      |
| <b>Management fees receivable, less current portion</b>  | 1,267,589    | 1,349,334    |
| <b>Investments - deferred compensation - 457(b) plan</b> | 272,485      | 219,185      |
| <b>Total assets</b>                                      | 4,733,245    | 3,970,692    |
| <b><u>LIABILITIES</u></b>                                |              |              |
| <b>Current liabilities</b>                               |              |              |
| Accounts payable and accrued expenses                    | 1,930,315    | 1,866,774    |
| Deferred compensation - current portion                  | 511,164      | 372,625      |
| Total current liabilities                                | 2,441,479    | 2,239,399    |
| <b>Long-term liabilities</b>                             |              |              |
| Deferred compensation, less current portion              | 1,267,589    | 1,349,334    |
| Deferred compensation - 457(b) plan                      | 272,485      | 219,185      |
| Total long-term liabilities                              | 1,540,074    | 1,568,519    |
| <b>Total liabilities</b>                                 | 3,981,553    | 3,807,918    |
| <b><u>NET POSITION</u></b>                               |              |              |
| <b>Net position</b>                                      |              |              |
| Net investment in capital assets                         | 187,714      | 139,658      |
| Unrestricted   | 563,978      | 23,116       |
| Total net position                                       | \$ 751,692   | \$ 162,774   |

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



**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b>Operating revenues</b>               |                   |                   |
| Management fees, net                    | \$ 5,599,001      | \$ 4,892,745      |
| Total operating revenues                | <u>5,599,001</u>  | <u>4,892,745</u>  |
| <b>Operating expenses</b>               |                   |                   |
| Salaries, benefits and payroll taxes    | 4,517,494         | 4,733,363         |
| Services purchased                      | 7,500             | 7,500             |
| Travel                                  | 65,547            | 142,166           |
| General operating                       | 437,992           | 287,553           |
| Total operating expenses                | <u>5,028,533</u>  | <u>5,170,582</u>  |
| <b>Operating income (loss)</b>          | <u>570,468</u>    | <u>(277,837)</u>  |
| <b>Non-operating revenues</b>           |                   |                   |
| Interest                                | 18,390            | 22,980            |
| Gain on sale of furniture and equipment | 60                | 70                |
| Total non-operating revenues            | <u>18,450</u>     | <u>23,050</u>     |
| <b>Change in net position</b>           | <u>588,918</u>    | <u>(254,787)</u>  |
| <b>Net position, beginning of year</b>  | 162,774           | 417,561           |
| <b>Net position, end of year</b>        | <u>\$ 751,692</u> | <u>\$ 162,774</u> |

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

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

|   | <b>2020</b>  | <b>2019</b>  |
|---|--------------|--------------|
| <b>Cash flows from operating activities</b>   |              |              |
| Cash received from management fees  | \$ 5,542,207 | \$ 4,713,541 |
| Cash paid to vendors  | (515,946)    | (404,764)    |
| Cash paid to employees  | (4,620,701)  | (3,781,334)  |
| Net cash provided by operating activities   | 405,560      | 527,443      |
| <b>Cash flows from investing activities</b>   |              |              |
| Interest income   | 18,390       | 22,980       |
| Proceeds from sale of furniture and equipment   | 60           | 70           |
| Purchase of property and equipment  | (90,224)     | (139,658)    |
| Net cash used in investing activities   | (71,774)     | (116,608)    |
| <b>Net increase in cash and cash equivalents</b>  | 333,786      | 410,835      |
| <b>Cash and cash equivalents, beginning of year</b>   | 1,647,376    | 1,236,541    |
| <b>Cash and cash equivalents, end of year</b>   | \$ 1,981,162 | \$ 1,647,376 |
| <b>Reconciliation of operating income (loss) to net cash provided by operating activities</b> |              |              |
| Operating income (loss)   | \$ 570,468   | \$ (277,837) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities |              |              |
| Depreciation and amortization expense   | 42,169       | -            |
| Changes in assets and liabilities:  |              |              |
| Due from investment funds   | (157,487)    | 137,500      |
| Management fees receivable  | (56,794)     | (179,204)    |
| Prepaid expenses and other current assets   | (2,805)      | -            |
| Accounts payable and accrued expenses   | (46,785)     | 400,357      |
| Deferred compensation payable   | 56,794       | 446,627      |
| Total adjustments   | (164,908)    | 805,280      |
| Net cash provided by operating activities   | \$ 405,560   | \$ 527,443   |
| <b>Supplemental disclosure of noncash investing activities</b>                                |              |              |
| Purchase of property and equipment through accrued expenses                                   | \$ 110,325   | \$ -         |

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

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

(1) **Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of the University of Florida Investment Corporation, which affect the elements of the accompanying financial statements.

(a) **Organization**—The University of Florida Investment Corporation (UFICO) is a not-for-profit entity that commenced business July 1, 2004, to promote the educational purposes of the University of Florida (the “University” or “UF”) by providing investment research, advice, counsel and management to and for the University of Florida Board of Trustees and affiliated organizations of the University. UFICO functions as a direct support organization of the University and is a component unit (for accounting purposes only) of the University.

In May 2009, UFICO, LLC (the “Subsidiary”) was formed and its sole member is UFICO. The Subsidiary began operations on July 1, 2009, for the purpose of acting as general partner or managing member of the investment funds managed by UFICO. The Subsidiary has no significant commitments or contingencies as general partner or managing member of the investment funds managed by UFICO. Further, the Subsidiary has no capital ownership or profit/loss sharing in the investment funds managed by UFICO. There was no financial activity for the Subsidiary during the years ended June 30, 2020 and 2019.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of UFICO have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reports.

For financial reporting purposes, UFICO is considered a special purpose government entity engaged only in business-type activities. Accordingly, UFICO prepares its financial statements using the economic resources measurement focus and the accrual basis of business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

The entire net position of UFICO is considered to be unrestricted, in accordance with the purpose and bylaws of UFICO.

(c) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates relate to the unpaid portion of employee incentive compensation at year-end. These estimates impact the calculation of the noncurrent portion of management fees receivable, accrued expenses, and deferred compensation. These estimates may be adjusted as more current information becomes available, and any adjustment could be material.

(d) **Cash and cash equivalents**—Cash and cash equivalents consist of cash in operating accounts and cash invested in money market funds, and have original maturities of three months or less.

(e) **Management fees receivable**—Management fees receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are considered uncollectible after management has used reasonable collection efforts are written off through a charge to the

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

valuation allowance and a credit to management fees receivable. No amounts due at June 30, 2020 and 2019, are considered to be uncollectible. Management fees that have been earned but are not due to be collected during the next fiscal year are reflected as noncurrent assets in the accompanying statements of financial position.

(f) **Property and equipment**—Furniture, equipment and leasehold improvements purchased with a cost of \$5,000 or more and software with a cost of \$20,000 or more are capitalized and depreciated over their estimated useful lives, generally five years using the straight-line method. Assets are not depreciated until they are placed in service. Depreciation expense was \$42,169 for the year ended June 30, 2020. There was no depreciation expense for the year ended June 30, 2019.

(g) **Income taxes**—UFICO is generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to UFICO's status as a not-for-profit entity. Management believes the organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. UFICO's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(h) **Classification of revenues**—UFICO classifies its revenues as operating or non-operating according to the following criteria:

- *Operating revenues*—Include activities that have the characteristics of exchange transactions, such as management royalty and licensing fees.
- *Non-operating revenues*—Include activities that have characteristics of non-exchange transactions, such as investment income.

(i) **Net position**—Net position may be classified and displayed in three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. Restricted net position consists of capital contributions received for specific future capital projects.
- Unrestricted – consists of assets that are available to UFICO for any legal use.

UFICO did not have any restricted assets for the years ended June 30, 2020 and 2019.

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

(2) **Management Fees:**

Management fees are billed and received at the beginning of each quarter and are computed based on UFICO budgeted management fees and the market value of the assets as reported by the custodian at the previous quarter-end. The asset valuations used in the fee calculations include all funds and assets under management, including cash and accrued income. Annualized fees charged were 0.13% and 0.16% of assets under management for the years ended June 30, 2020 and 2019, respectively. In addition, UFICO aims to maintain a reserve based on next fiscal year budgeted expenses and rebates management fees that are in excess of the reserve. Management fees earned during the years ended June 30, 2020 and 2019, were derived from UFICO's agreements with the University and various affiliated organizations of UF (collectively, the UF entities) as described in Note 3.

(3) **Related Party Transactions:**

The University of Florida Foundation (the "Foundation") processes various disbursements on behalf of UFICO, and UFICO reimburses the Foundation for these disbursements. The Foundation provides these services to UFICO for an annual fee of \$7,500 for each of the years ended June 30, 2020 and 2019. Included in accounts payable and accrued expenses at June 30, 2020 and 2019, is \$316,792 and \$203,576, respectively, due to the Foundation.

UFICO pays various investment expenses and enters into various agreements on behalf of the investment funds that it manages. The investment funds reimburse these expenses to UFICO on a quarterly basis. Included in due from investment funds at June 30, 2020 and 2019, is \$211,424 and \$53,937, respectively, due to UFICO from these investment funds.

UFICO has management agreements with each of the UF entities. These agreements range from three to five years with one-year automatic extensions unless terminated by either party. Information regarding management fees receivable and investment balances at June 30 is as follows:

|  | <b>Management Fees<br/>Receivable</b> |              | <b>Investment Balance<br/>(In Millions)</b> |             |
|--|---------------------------------------|--------------|---|-------------|
|  | <b>2020</b>                           | <b>2019</b>  | <b>2020</b>                                 | <b>2019</b> |
| University of Florida Foundation           | \$ 1,155,763                          | \$ 1,143,458 | \$ 1,881                                    | \$ 1,853    |
| University of Florida                      | 284,084                               | 283,114      | 1,319                                       | 938         |
| University of Florida Athletic Association | -                                     | -            | 6   | 6           |
| Florida Proton Therapy Institute           | -                                     | -            | 35  | 36          |
| Shands Teaching Hospital & Clinics         | 338,906                               | 295,387      | 588   | 585         |

The management fees receivable above are presented on a gross basis. There were no rebates payable to investors as of June 30, 2020 and 2019.

The management fees receivable is related to the deferred compensation liability described in Note 6.

UFICO has an agreement with UF where excess operating cash is held by UF on behalf of UFICO. All earnings, losses and associated fees related to these funds will be retained or paid by UF. UFICO has same day liquidity in regards to these funds up to \$10,000,000. A withdrawal of more than \$10,000,000 requires two days written notice. The balances of these funds held by UF are \$175,000 at June 30, 2020 and 2019. These funds are shown as Due from University of Florida on the Statements of Net Position.

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(4) Cash and Cash Equivalents:**

UFICO maintains an operating cash account with a national bank with a bank balance of \$997,800 and \$178,759 at June 30, 2020 and 2019, respectively. This account is federally insured up to FDIC limits.

UFICO also maintains a money market account with a bank balance of \$983,362 and \$1,468,617 at June 30, 2020 and 2019, respectively. This account is not insured by the FDIC.

**(5) Property and Equipment:**

Property and equipment balances and activity for the fiscal years ended June 30, 2020 and 2019, are summarized as follows:

| <b>Fiscal year ended June 30, 2020</b> | <b><u>Beginning<br/>Balance</u></b> | <b><u>Adjustments</u></b> | <b><u>Additions</u></b> | <b><u>Reductions</u></b> | <b><u>Ending<br/>Balance</u></b> |
|--|-------------------------------------|---------------------------|-------------------------|--------------------------|----------------------------------|
| Property and equipment                 |                                     |                           |                         |                          |                                  |
| Equipment                              | \$ 204,211                          | \$ (76,108)               | \$ 74,929               | \$ (58,691)              | \$ 144,341                       |
| Leasehold improvements                 | 107,971                             | 76,108                    | 125,621                 | (50,977)                 | 258,723                          |
| Total property and equipment           | <u>312,182</u>                      | <u>-</u>                  | <u>200,550</u>          | <u>(109,668)</u>         | <u>403,064</u>                   |
| Less: Accumulated depreciation         |                                     |                           |                         |                          |                                  |
| Equipment                              | 121,547                             | -                         | 16,297                  | (58,691)                 | 79,153                           |
| Leasehold improvements                 | 50,977                              | -                         | 25,872                  | (50,977)                 | 25,872                           |
| Total accumulated depreciation         | <u>172,524</u>                      | <u>-</u>                  | <u>42,169</u>           | <u>(109,668)</u>         | <u>105,025</u>                   |
| Total property and equipment, net      | <u>\$ 139,658</u>                   | <u>\$ -</u>               | <u>\$ 158,381</u>       | <u>\$ -</u>              | <u>\$ 298,039</u>                |
|  |                                     |                           |                         |                          |                                  |
| <b>Fiscal year ended June 30, 2019</b> | <b><u>Beginning<br/>Balance</u></b> | <b><u>Adjustments</u></b> | <b><u>Additions</u></b> | <b><u>Reductions</u></b> | <b><u>Ending<br/>Balance</u></b> |
| Property and equipment                 |                                     |                           |                         |                          |                                  |
| Equipment                              | \$ 121,547                          | \$ -                      | \$ 82,664               | \$ -                     | \$ 204,211                       |
| Leasehold improvements                 | 50,977                              | -                         | 56,994                  | -                        | 107,971                          |
| Total property and equipment           | <u>172,524</u>                      | <u>-</u>                  | <u>139,658</u>          | <u>-</u>                 | <u>312,182</u>                   |
| Less: Accumulated depreciation         |                                     |                           |                         |                          |                                  |
| Equipment                              | 121,547                             | -                         | -                       | -                        | 121,547                          |
| Leasehold improvements                 | 50,977                              | -                         | -                       | -                        | 50,977                           |
| Total accumulated depreciation         | <u>172,524</u>                      | <u>-</u>                  | <u>-</u>                | <u>-</u>                 | <u>172,524</u>                   |
| Total property and equipment, net      | <u>\$ -</u>                         | <u>\$ -</u>               | <u>\$ 139,658</u>       | <u>\$ -</u>              | <u>\$ 139,658</u>                |

**(6) Deferred Compensation Agreement:**

UFICO maintains a deferred compensation bonus plan covering certain employees. Under this plan, certain employees are eligible for an annual bonus. For fiscal years 2020 and 2019, 75% of the calculated bonus is payable as soon as reasonably possible after the bonus is determined. The remaining 25%, plus investment earnings, is payable to the employee three years after it is earned, provided the employee has continued employment with UFICO. As of June 30, 2020 and 2019, \$1,778,753 and \$1,721,959 in bonuses and related fringe benefits, respectively, have been accrued under this plan.

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**(7) Retirement Plan:**

UFICO has an Internal Revenue Code Section 403(b) retirement savings plan (the “Plan”) covering substantially all of its employees. Participants are eligible to receive non-elective contributions from UFICO after six months of service and become immediately vested in UFICO’s non-elective contribution account. For the years ended June 30, 2020 and 2019, UFICO contributed \$227,575 and \$208,226, respectively, to the Plan.

**(8) Investments and Fair Value Measurements:**

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UFICO has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s and liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes to the methodologies used at June 30, 2020 and 2019.

*Deferred compensation – 457(b) plan investment* – Valued at quoted market prices of shares held by UFICO at year-end.

*Deferred compensation – 457(b) plan liability* – Valued at the corresponding balance in the investment account at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UFICO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The deferred compensation plan investment and liability amounts of \$272,485 and \$219,185 as of June 30, 2020 and 2019, respectively, are recorded in UFICO's financial statements at fair value. Plan assets are invested in a short-term bond fund and a large value stock fund, both of which are traded on an active market. As such, the investment and liability amounts are categorized as Level 1 in the fair value hierarchy.

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**(9) Operating Lease:**

UFICO is currently one year into a ten-and-a-half-year lease for office space effective July 2019. Payments on this new lease began in fiscal year 2020 once building improvements were completed. Rent expense for the year ended June 30, 2020 was \$155,764 and for 2019 was \$112,833. The current lease will expire at the end of December 2030. Future payments required under this operating lease are as follows:

| Year Ending<br>June 30 | Amount       |
|------------------------|--------------|
| 2021                   | \$ 236,824   |
| 2022                   | 248,767      |
| 2023                   | 259,623      |
| 2024                   | 267,169      |
| 2025                   | 274,904      |
| Thereafter             | 1,340,933    |
|                        | \$ 2,628,220 |

**(10) Recent Accounting Pronouncements:**

GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB No. 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions in GASB No. 84 are effective for UFICO’s fiscal year ending June 30, 2021. Management is still evaluating the impact of this pronouncement on UFICO’s financial statements.

GASB issued Statement No. 87, *Leases*, in June 2017. GASB No. 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB No. 87 are effective for UFICO’s fiscal year ending June 30, 2022. Management is still evaluating the impact of this pronouncement on UFICO’s financial statements.

GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, in June 2020. GASB No. 97 seeks to increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans, and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans. The provisions in GASB No. 97 related to the consistency and comparability of reporting of fiduciary component units are effective immediately and had no impact on UFICO’s financial statements. The provisions in GASB No. 97 related to the accounting and financial reporting for Section 457 plans are effective for UFICO’s fiscal year ending June 30, 2022. Management is still evaluating the impact of this pronouncement on UFICO’s financial statements.



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**(11) Risks and Uncertainties – COVID-19:**

During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. UFICO cannot reasonably estimate the length or severity of this pandemic, and cannot anticipate the impact on its financial results or results of operations for future periods.

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

The Board of Directors,  
University of Florida Investment Corporation:

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 the business-type activity of the University of Florida Investment Corporation (UFICO), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise UFICO's basic financial statements, and have issued our report thereon dated September 1, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered UFICO'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UFICO's internal control. Accordingly, we do not express an opinion on the effectiveness of UFICO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether UFICO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Gainesville, Florida  
September 1, 2020