UNIVERSITY OF NORTH FLORIDA TRAINING AND SERVICES INSTITUTE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

UNIVERSITY OF NORTH FLORIDA
TRAINING AND SERVICES INSTITUTE, INC.
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JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
University of North Florida Training and Services Institute, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Florida Training and Services Institute, Inc. (the "Institute"), a direct support organization and component unit of the University of North Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Institute'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 opinions on these financial statements based on our audit. We conducted our audit 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 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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Institute, as of June 30, 2020, and the respective changes in financial position and, its cash flows thereof for the year 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 management's discussion and analysis on pages 4 – 13 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.

2019 Audit

The financial statements of the Institute for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on September 9, 2019.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
September 9, 2020

Overview of the Financial Statements and Financial Analysis

The University of North Florida Training & Service Institute, Inc. (the Institute) presents its financial statements as of and for the fiscal year ended June 30, 2020 which include for comparative purposes the fiscal year ended June 30, 2019. The Institute is a direct support organization and component unit of the University of North Florida (a governmental agency).

The Institute's financial statements are presented on an accrual basis and includes the recording of depreciation. The statements' presentation includes 1) assets and liabilities as current and non-current; 2) revenues and expenses as operating and non-operating; 3) the use of the direct method for statements of cash flows; and 4) management's discussion and analysis (MD&A) of the financial results.

Financial Highlights

2020

2020 Financial Highlights

Online Training: As part of IPTM's ongoing strategic plan implementation coupled with technological and infrastructure improvements, online training sales revenue was approximately $550,000. This is an increase of $240,000 over the prior year. Six (6) new online training courses and Video on Demand (VoD) programs were developed and launched:

- Touch DNA for Law Enforcement (VoD)
- RADAR/LASER Operator Course (40 Hours)
- Commercial Vehicle Inspections (VoD)
- Tactical Medical for Patrol Officers ((VoD)
- Open Source Intelligence (VoD)
- Meet the New Marijuana (VoD)

The following courses were updated during FY20:

- Marijuana Impaired Driving Detection for Law Enforcement (MIDDLE)
- At-Scene Traffic Homicide Investigation
- Advanced Traffic Crash Investigation
- RADAR/LASER Instructor Course

Highway Safety Training Grants: For the second year straight, the Institute of Police Technology and Management more than doubled the grant funding received from the Florida Department of Transportation with the award of 30 grant projects totaling $15,376,007. The additional grant funding came from substantial increases in previously awarded projects as well as new grant programs as described below:

- **Florida's Pedestrian and Bicycle Focused Initiative Communications and High Visibility Enforcement Program** was expanded to incorporate a statewide education campaign that included paid media buys, communications contracts, localized advertising, and other strategic investments.

- **Florida's Comprehensive Pedestrian and Bicycle Safety Program** was increased to fund the additional personnel and administrative costs necessary to implement the pedestrian and bicycle safety grants.

- **Florida's Pedestrian and Bicycle High Visibility Enforcement Recruiting and Retention Program** was a new grant that supplied personnel and contractual services funds to solicit and maintain law enforcement agency involvement in the pedestrian and bicycle high visibility enforcement overtime contracts program.

- **Florida's Pedestrian and Bicycle Safety High Visibility Enforcement Campaign** was a new grant to implement a highly publicized pedestrian and bicycle safety demonstration project following a variation of the high visibility enforcement model.

The following training grants also received increased grant funding in order to provide training to more Florida Officers:

- **DWI Detection and Standardized Field Sobriety Testing** trains officers in the basics of DWI detection and the three phases of impaired driving investigations.

- **Advanced Roadside Impaired Driving Enforcement** trains officers in the detection of impaired drivers that are under the influence of drugs other than alcohol.

- **Marijuana Impaired Driving Detection for Law Enforcement** trains officers in the specifics of cannabis use and it's influence upon driving.

- **Pedestrian and Bicycle Law Enforcement Training: Laws, Procedures, and Best Practices** certifies officers to take part in the high visibility enforcement overtime contracts program.

During the fiscal year, IPTM provided grant-funded traffic training to 1,350 Florida law enforcement officers. Despite the increase in training funds available, this number was down by 38.6% from the previous fiscal year due to COVID-19.

In fiscal 2020, the two debt agreements related to the ADT building purchase were:

1) First mortgage. Lease income of $2 million was recorded to recognize the lessee's, LYM TYCI Capital Company, LLC, obligation of principal and interest payments. The maturity date is September 2020. All payments were current at June 30, 2020

2) *Note payable.* The note with the UNF Foundation, Inc. totaled $4.518 million and related interest payable totaled $712,671 at June 30, 2020.

- ***2020 Institute Investments***. The Institute's investments at year end totaled $221,191, a net decrease of approximately $84,721. The calculated total return for the year was -27.7%.

- Net position. In fiscal 2020, net position of $6.728 million increased in fiscal 2020 by approximately $1.711 million or 34.1% over prior year's $5.017 million. The change in net position represents the net decrease in assets of approximately $832,046 due to a net decrease in current assets of approximately $183,000 in accounts receivable, and decreases in tuition, contracts, radar, and other assets of approximately $195,038, which was offset by decreases in non-current assets of approximately

$649,000, a decrease in investments of approximately $85,000, and annual depreciation of approximately $564,000, which was offset by a net decrease in liabilities of $2.543 million due to a decrease in current liabilities of approximately $1,950,051 and a decrease in noncurrent liabilities of $593,041.

2019

Strategic Plan: The Institute of Police Technology and Management (IPTM) concluded its current 3 year strategic plan and made great strides in moving from economic survival to growth and opportunity. In addition, a new three-year strategic plan was developed and will continue to be the foundation for investments, enhancements, expansion, and other decisions pertaining to the immediate and future direction of the Institute.

Online Training: IPTM ongoing strategic plan implementation coupled with technological and infrastructure improvements, online training sales revenue was approximately $312,000. This is an increase of $106,000 over the prior year. Fifteen (15) new online training courses and Video on Demand (VoD) programs were developed and launched:

1. Prosecuting the Drugged Driver (VoD)
2. Forensic Evidence from Traffic Crash Fatalities
3. Bosch CDR Technician for the Insurance Industry
4. Driving in Crisis: Assessing the Mentally Impaired Driver (VoD)
5. DUI from a Defense Perspective (VoD)
6. Florida DUI Case Law Update (VoD)
7. UAV's in Crash Reconstruction (VoD)
8. Trimble Reveal I – Basic Diagramming
9. Realworks Forensic and Trimble Reveal Scan Diagramming
10. SX10 Operations with Realworks Forensic and Trimble Reveal Scan Diagramming
11. Marijuana Impaired Driving Detection for Law Enforcement
12. Advanced Marijuana Impaired Driving Detection for Law Enforcement
13. DRE Recertification Training
14. Police Traffic Radar/Laser Instructor
15. Event Data Recorder Use in Traffic Crash Reconstruction – Level I

Highway Safety Training Grants: The Institute doubled the grant funding received from the Florida Department of Transportation with the award of 31 grant projects totaling $6,772,575 during this fiscal year. Several new grant programs were received as described below:

- Florida's Pedestrian and Bicycle High Visibility Enforcement (HVE) grant supplied funds to contract with law enforcement agencies in priority locations to conduct overtime street operations to enhance pedestrian and bicycle safety.
- Florida's Pedestrian and Bicycle High Visibility Enforcement Program grant provided personnel and expenses to manage the above HVE project.
- Pedestrian and Bicycle Safety Public Education Program – Transit grant allowed IPTM to purchase transit advertising in support of the above HVE project.
- Pedestrian and Bicycle Safety Public Education Program – Billboards grant allowed IPTM to purchase billboard advertising in support of the above HVE project.

- Pedestrian and Bicycle Program Evaluation and Data Collection grant supplied personnel and contractual service funds to conduct an ongoing evaluation of the state's pedestrian and bicycle safety program.

The increased grant funding also allowed IPTM to provide more training to law enforcement officers. This fiscal year, 2019 Florida officers were trained and three additional courses were added to the grant funded training list:

- Crash Data Retrieval (CDR) Tool Technician grant allowed officers to take the online class to become a certified CDR Tool Technician.
- DWI Detection and Standardized Field Sobriety Testing grant funded the training of officers in detecting and arresting impaired drivers.
- Advanced Marijuana Impaired Driving Detection for Law Enforcement grant funded advanced training in detecting marijuana impaired drivers.

In fiscal 2019, the two debt agreements related to the ADT building purchase were:

1) First mortgage. Lease income of $2.0 million was recorded to recognize the lessee's, LYM TYCI Capital Company, LLC, obligation of principal and interest payments. The maturity date is September 2020. All payments were current at June 30, 2020.

2) *Note payable. T*he note with the UNF Foundation, Inc. totaled $4.590 million and related interest payable totaled $795,038 at June 30, 2019.

- ***2019 Institute Investments***. The Institute's investments at year end totaled $305,912, a net increase of approximately $16,000. The calculated total return for the year was 5.69%.

- Net position. In fiscal 2019, net position of $5.017 million increased in fiscal 2019 by approximately $1.568 million or 45.5% over prior year's $3.449 million. The change in net position represents the net increase in assets of approximately $794,000 due to a net increase in current assets of approximately $1.342 million in accounts receivable, and decreases tuition, contracts, radar and other assets of approximately $112,000, which was offset by decreases in non-current assets of approximately $547,000, an increase in investments of approximately $16,000 and annual depreciation of approximately $564,000, which was offset by a net decrease in debt of approximately $774,000.

Statement of Net Position

The purpose of the Statement of Net Position is to present the reader with a look at the Institute's financial condition as of the end of the fiscal year. In reading the Statement of Net Position, the reader will be able to determine the Institute's ability to continue operations and how much it owes to vendors and other lending institutions. It provides a snapshot of the net position and the availability for expenditure by the Institute.

As of June 30
(In thousands of dollars)

	2020	2019	Increase (decrease)	Change	2018	Increase (decrease)	Change
Assets							
Current assets	$ 2,301	$ 2,484	$ (183)	-7.4%	$ 1,142	$ 1,342	117.5%
Noncurrent assets:							
Capital assets, net	11,674	12,238	(564)	-4.6%	12,802	(564)	-4.4%
Other	787	872	(85)	-9.7%	856	16	1.9%
Total assets	14,762	15,594	(832)	-5.3%	14,800	794	5.4%
Liabilities:			-				
Current liabilities	3,516	5,466	(1,950)	-35.7%	3,795	1,671	44.0%
Noncurrent liabilities	4,518	5,111	(593)	-11.6%	7,556	(2,445)	-32.4%
Total liabilities	8,034	10,577	(2,543)	-24.0%	11,351	(774)	-6.8%
Net position:			-				
Unrestricted net position	93	(145)	238	-164.1%	(455)	310	-68.1%
Net investment in capital assets	6,635	5,162	1,473	28.5%	3,904	1,258	32.2%
Total net position	6,728	5,017	1,711	34.1%	3,449	1,568	45.5%
Total liabilities and net position	$ 14,762	$ 15,594	$ (832)	-5.3%	$ 14,800	794	5.4%

The Statements of Net Position are presented as part of the basic financial statements. For the fiscal year ended June 30, 2020, total net position increased by 34.1% or approximately $1.711 million. The years' activity included the following:

Current Assets

2020

- During fiscal 2020 *current assets* totaled approximately $2,301,000 a decrease of approximately $183,000 or 7.4%. The decrease represents the net of decreases in accounts receivable of approximately $118,000, grants receivable of approximately $535,000, prepaid of approximately $64,000 and inventory of approximately $14,000 offset by an increase in cash of approximately $545,000.

2019

- During fiscal 2019, *current assets* totaled approximately $2,484,000, an increase of approximately $1,342,000 or 117.5%. The increase represents the net of increases in cash of approximately $10,000, grants receivable of approximately $1,379 million and inventory of approximately $53,000 offset by a decrease in accounts receivable of approximately $96,000 and prepaid of approximately $4,000.

Non-Current Assets

2020

- *Capital assets*. At June 30, 2020, the TSI Investments, LLC ADT building, net capital asset value totalled $11.674 million. The scheduled depreciation of $564,025 was recorded.

- *Investments.* The Institute's investments totalled $221,191 at June 30, 2020 which was a decrease of approximately $84,000 or 27.6%, from prior year.

- *Other non-current assets*. These assets represented the outstanding $565,000 of the $600,000 line of credit the Institute approved for the Duval County Research and Development Authority.

2019

- *Capital assets*. At June 30, 2019, the TSI Investments, LLC ADT building, net capital asset value totalled $12.238 million. The scheduled depreciation of $564,025 was recorded.

- *Investments.* The Institute's investments totalled $305,912 at June 30, 2019, which was an increase of approximately $16,000 or 5.7%, from prior year.

- *Other non-current assets*. These assets represented the outstanding $565,000 of the $600,000 line of credit the Institute approved for the Duval County Research and Development Authority.

Current Liabilities

2020

- During fiscal 2020, *current liabilities* decreased approximately $1.950 million or 35.7%. The decrease is attributed to the net of 1) a decrease in the first mortgage current portion of approximately $1.443 million; 2) a decrease in interest payable of approximately $91,000 related to the notes payable; 3) a decrease unearned revenue of approximately $205, 000 4) decrease in accounts payable and accrued expenses of approximately $210,000 and 5) the approximately $22,000 increase in salaries payable.

2019

- During fiscal 2019, *current liabilities* increased approximately $1.671 million or 44.0%. The increase is attributed to the net of 1) an increase in the first mortgage current portion of approximately $214,000; 2) a decrease in interest payable of approximately $88,000 related to the notes payable; 3) a decrease in salaries payable of approximately $97,000; 4) an increase in accounts payable and accrued expenses of approximately $1,099,000; 5) an increase in unearned revenue of approximately $134,000; and 6) the approximately $409,000 increase in vacation and sick leave accrual over prior year.

Non-Current Liabilities

2020

- During fiscal 2020, *non-current liabilities* decreased by approximately $593,000 or 11.6%. The decrease is due to the net of loan repayments to the UNF Foundation, Inc. of $72,000, the $521,000 for the first mortgage moved to current liability

2019

- During fiscal 2019, *non-current liabilities* decreased by approximately $2.445 million or 32.4%. The decrease is due to the net of loan repayments to the UNF Foundation, Inc. of $72,000, the $1.964 million for the first mortgage moved to current liability

Net Position

The net position at June 30, 2020 increased by approximately $1.711 million from approximately $5.017 million in prior year or 34.1%.

The Net Position section of the Statement of Net Position provides two classifications:

1. The unrestricted net position details the amounts available to the Institute for any purpose in support of the Institute's mission.
2. Net investment in capital assets reflects the cost of the ADT building, net of depreciation, reduced by the outstanding balance of debt incurred for the purchase of the ADT building.

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to provide the details of the Institute's operating and non-operating activity for the fiscal year. This includes the revenues displayed by major source (net of discounts and allowances), expenses, and gains and losses received or expended by the Institute.

Operating revenues are revenues received from services provided (e.g. training courses, radar testing, grants, and computer software installations) to various customers and constituents of the Institute. Operating expenses are those expenses incurred to produce the operating revenues and are detailed by type, which include course materials, program fees, etc. Net operating income/(loss) represents the amount of operating expenses in exceeds of operating expenses and does not include non-operating revenue or expenses.

UNIVERSITY OF NORTH FLORIDA
TRAINING AND SERVICES INSTITUTE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Non-operating revenue is received from sources for which no service is provided by the Institute (e.g. investments). The change in net position is the result of the excess of revenues over expenses, which is also the change in total net position on the Statement of Net Position.

	Years ended June 30 (In thousands of dollars)						
	2020	2019	Increase (decrease	Change	2018	Increase (decrease	Change
Operating revenues:							
Program fees	$ 2,732	$ 3,765	$ (1,033)	-27.4%	$ 3,824	$ (59)	-1.5%
Lease revenue	2,104	2,042	62	3.0%	1,983	59	3.0%
Book sales	195	204	(9)	-4.4%	205	(1)	-0.5%
Miscellaneous income/admin operations	464	516	(52)	-10.1%	595	(79)	-13.3%
Total operating revenues	5,495	6,527	(1,032)	-15.8%	6,607	(80)	-1.2%
Less operating expenses	14,902	8,747	6,155	70.4%	15,854	(7,107)	-44.8%
Operating income (loss)	(9,407)	(2,220)	2,220	-100.0%	(9,247)	7,027	-76.0%
Non-operating income (expense)							
Grants	11,428	4,263	7,165	168.1%	2,136	2,127	99.6%
Interest Expense	(330)	(487)	157	-32.2%	627	(1,114)	-177.7%
Investment Earnings	20	12	8	66.7%	22	(10)	-45.5%
Total non-operating income	11,118	3,788	7,330	193.5%	2,785	1,003	36.0%
Change in net position	1,711	1,568	143	9.1%	1,122	446	39.8%
Net position, beginning of year	5,017	3,449	1,568	45.5%	2,327	1,122	48.2%
Net position, end of year	$ 6,728	$ 5,017	$ 1,711	34.1%	$ 3,449	1,568	45.5%

The statement of Revenues, Expenses, and Changes in Net Position is on page 15 of the basic financial statements. For fiscal year ended June 30, 2019, the Institute's operations resulted in an increase in net position of approximately $1.711, or 34.1%. The statements' highlights are as follows:

Operating Revenues and Expenses

<u>2020</u>

- *Operating revenues* increased by approximately $6,133 million or 56.8%. Increases primarily occurred in grant revenue of approximately $7.164 million and lease revenue of approximately $61,000. These increases were offset by decreases in program fees of approximately $1.033 million, books sales of approximately $8,500, and miscellaneous revenue of approximately of $51,000.

- During fiscal year 2020, o*perating expenses* increased by approximately $5.998 million or 65%. The increases were in professional and consulting fees of approximately $307,000, printing, postage and telephone of approximately of 15,100, educational materials of approximately of 116,000 and general administrative expenses of approximately $5.767 million. The increases in expenses were offset by decreases in travel expenses of approximately of $291,000 and interest expense of $157,000.

2019

- *Operating revenues* increased by approximately $2.046 million or 23.4%. Increases primarily occurred in grant revenue of approximately $2.126 million, the Cop Shop sales of approximately $5,000, tuition revenue of approximately $63,000, on-line tuition revenue of approximately of $106,000 and miscellaneous revenue of approximately of $20,000. These increases were offset by decreases in contract revenue of approximately $244,000 and lease revenue of approximately $59,000.

- During fiscal year 2019, o*perating expenses* increased by approximately $1.590 million or 20.8%. The increases were in professional and consulting fees of approximately $255,000, travel expenses of approximately of $14,000, and general administrative expenses of approximately $1.700 million. The increases in expenses were offset by decreases were in program fees of approximately $171,000, printing, postage and telephone of approximately $9,000, interest expense of approximately $140,000 and educational materials of approximately $45,000.

Years ended June 30
(In thousands of dollars)

	2020	2019	Increase (decrease)	Change	2018	Increase (decrease)	Change
Non-operating income:							
Investment Earnings	$ 19	$ 11	$ 8	72.7%	$ 22	$ (11)	-50.0%
Total non-operating income	$ 19	$ 11	$ 8	72.7%	$ 22	$ (11)	-50.0%

Non-Operating Income and Expenses

2020

In fiscal 2020, non-operating income reflected a total return of approximately $15,000 in investment activity less investment management fees of $1,250.

2019

In fiscal 2019, non-operating income reflected a total return of approximately $16,000 in investment activity less investment management fees of $5,000.

Statements of Cash Flows

The Statements of Cash Flows shows the cash provided and used for operating and investing activities.

- Operating activities included funds received for services (from program fees, grants, publications, etc.) and payments related to providing these services (for programs, employees' services, and supplies for goods and services).

- Capital and related financing activities included proceeds from a loan and mortgage and mortgage payments made.

- Cash flow from investing activities represented funds used to purchase investments, proceeds from sale of investments, and interest and dividends.

Economic Outlook

The Institute has no knowledge of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

Management believes the Institute's overall financial position is strong. With detailed monitoring of each account, the Institute has sufficient funds to cover its obligations.

Requests for Information

This financial report is designed to provide a general overview of the Institute's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Valerie Stevenson, Controller
University of North Florida
TSI/Foundation Accounting
Hicks Hall, Suite 2900
1 UNF Drive
Jacksonville, FL 32224-2648
(904) 620-2790

UNIVERSITY OF NORTH FLORIDA TRAINING AND SERVICES INSTITUTE, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 627,226	$ 80,250
Accounts receivable, net	132,661	250,569
Grants receivable	1,397,574	1,932,353
Prepaid expenses and other assets	66,189	129,868
Inventory	77,519	91,265
Total current assets	2,301,169	2,484,305
Noncurrent Assets		
Cash and cash equivalents	1,294	1,454
Investments	221,191	305,912
Note receivable	565,000	565,000
Capital assets, net	11,673,932	12,237,961
Total non-current assets	12,461,417	13,110,327
Total assets	$ 14,762,586	$ 15,594,632
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,518,878	$ 1,751,054
Salaries payable - to UNF	21,784	-
Vacation and sick leave accrual	469,806	469,806
Interest payable	715,074	806,499
Unearned revenue	269,769	474,550
Current portion of long-term debt	521,041	1,964,493
Total current liabilities	3,516,352	5,466,402
Noncurrent Liabilities		
Long-term debt	4,518,000	5,111,041
Total liabilities	$ 8,034,352	$ 10,577,443
NET POSITION		
Unrestricted	$ 93,343	$ (145,235)
Net investment in capital assets	6,634,891	5,162,424
Total net position	$ 6,728,234	$ 5,017,189

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

UNIVERSITY OF NORTH FLORIDA TRAINING AND SERVICES INSTITUTE, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues		
Program fees	$ 2,732,411	$ 3,765,092
Lease revenue	2,103,580	2,042,310
Book sales	195,171	203,788
Miscellaneous income and administrative operations	464,402	515,616
Total operating revenues	5,495,563	6,526,807
Operating Expenses		
Program fees	2,998,005	2,757,661
Consultants fees	2,329,632	2,022,958
Travel	530,651	821,697
Grant equipment	1,753	815
Printing, postage, and telephone	66,493	51,397
Educational materials	455,766	339,999
General administrative expenses	7,955,849	2,188,105
Depreciation expense	564,025	564,025
Total operating expenses	14,902,174	8,746,657
Operating loss	(9,406,611)	(2,219,850)
Non-Operating Income (Expense)		
Grants	11,427,620	4,262,932
Interest expense	(329,738)	(486,674)
Investment earnings	19,776	11,509
Total non-operating income (expense)	11,117,658	3,787,766
Change in net position	1,711,047	1,567,916
Net position, beginning of year	5,017,189	3,449,273
Net position, end of year	$ 6,728,234	$ 5,017,189

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

UNIVERSITY OF NORTH FLORIDA TRAINING AND SERVICES INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Received from program fees	$ 2,850,319	$ 3,861,250
Other operating revenues	2,558,371	2,895,524
Payments to employees for services	(2,998,005)	(2,757,660)
Payments to suppliers for goods and services	(11,473,108)	(4,471,770)
Net cash used in operating activities	(9,062,424)	(472,655)
Cash flows from capital and related financing activities:		
Interest paid on notes payable	(421,163)	(574,434)
Principal payments on notes payable	(1,937,393)	(1,822,052)
Net cash used in financing activities	(2,358,556)	(2,396,486)
Cash flows from noncapital and related financing activities:		
Received from grant activity	11,962,237	2,884,260
Cash flows from investing activities:		
Interest and dividends	5,728	29
Proceeds from sale of investments	1,080	-
Purchase of investments	(1,250)	(5,030)
Net cash provided by (used in) investing activities	5,558	(5,001)
Net increase in cash and cash equivalents	546,815	10,117
Cash and cash equivalents, beginning of year	81,704	71,587
Cash and cash equivalents, end of year	$ 628,520	$ 81,704
Reconciliation of operating income to net cash		
Operating loss	$ (9,406,611)	$ (2,219,850)
Adjustments to reconcile operating income to		
Depreciation	564,025	564,025
Changes in assets and liabilities:		
Accounts receivable	117,908	96,158
Prepaid expenses and other assets	63,682	4,383
Inventory	13,746	(53,377)
Accounts payable and accrued expenses	(210,393)	1,002,196
Vacation and sick leave accrual	-	-
Deferred revenue	(204,781)	133,810
Net cash used in operating activities	$ (9,062,424)	$ (472,655)

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

(1) Summary of Significant Accounting Policies:

(a) **Reporting entity**—The accounting policies of the University of North Florida Training and Services Institute, Inc. (the Institute) is a not-for-profit entity organized to implement and administer unique educational and training programs at the University of North Florida (the University), and at other selected institutions. The Institute is a direct support organization (DSO) and component unit of the University.

The accompanying financial statements include the accounts of the University of North Florida Training and Service Institute, Inc. and UNF TSI Investments, LLC (the LLC), a blended component of the Institute. The LLC was formed in March 2010 by its sole member, the Institute, for the purpose of purchasing the property described in Note 4.

(b) **Basis of accounting**—The financial statements of the Institute 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 reporting.

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

The net position of the Institute is reported in two categories as follows:

- Unrestricted net position is expendable for any purpose at the discretion of the Institute.
- 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institute's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(c) **Use of estimates**—The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(d) **Income taxes**—The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Institute has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2020 and 2019. Fiscal years ending on or after June 30, 2016 remain subject to examination by federal and state tax authorities.

(e) **Investments**—Investments are stated at fair value based on quoted market prices. The Institute intends to hold its investments for the long term. However, the needs of the organization may require the sale of a portion of these assets on a short-term basis, subject to the approval of the Investment Committee.

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

(f) **Capital assets**—Purchased or constructed additions to capital assets in excess of $5,000 are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which is 25 years for buildings.

(g) **Net position flow and assumptions**—The Institute had no restricted net position at June 30, 2020. Should the Institute hold net position that classifies as either restricted or committed, it is the Institute to first apply restricted resources, and then committed resources, before using any unrestricted resources.

(h) **Revenue recognition**— The Institute receives payments for certain program services and instruction. Program fees are deemed to be earned and reported as revenue when the related courses of instruction or services are provided. Such amounts received but not yet earned are reported as deferred revenue.

(i) **Grants**—Grant revenue is awarded, but not received by the Institute until the funds are used for the designated purpose and a request for reimbursement is filed with the State of Florida. The Institute records revenue from grants when the funds are entitled to be received from the grantor for the reimbursement claims.

(j) **Cash and cash equivalents**—For purposes of the statements of cash flows, the Institute considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(k) **Accounts receivable**—Accounts receivable represents the amounts billed for courses and contracts that remain unpaid at year-end. The allowance for doubtful accounts is based on an evaluation of the periodic aging of accounts receivable. Bad debt expense was $8,264 and $8,382 the years ended June 30, 2020 and 2019, respectively. Accounts receivable is reported net of an allowance for uncollectible accounts of $630 and $8,895, at June 30, 2020 and 2019, respectively.

(l) **Inventory**—Inventory consisting primarily of books and computer software, is stated at cost on a first-in, first-out (FIFO) basis.

(m) **Vacation and sick leave accrual**—Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.305 of the Florida Administrative Code. Employees earn annual and sick leave based on their years of service. For annual leave, however, a maximum of 352 hours can be carried forward from one year to the next or paid upon termination for administrative and professional (A&P) employees and 240 hours can be carried forward from one year to the next or paid upon termination for University support personnel services (USPS) employees. Additionally, employees who have completed at least ten years of service are eligible to receive payment for one fourth of their accrued sick leave hours, upon termination, not to exceed 480 hours. Vacation pay and sick leave payments are expensed as earned by the employee. The following table is a rollforward of activity by year related to the vacation pay and sick leave accrual.

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

Effective July 1, 2018 compensated absences are maintained by the University and no longer held on the Institute's financial statements. Accrued compensation absences as of June 2020 and 2019 were as follows:

Accrued Compensated Absences as of June 30,

	2020	2019
Beginning Balance	$ 469,806	$ 469,806
Increases	-	-
Decreases	-	
Ending Balance	$ 469,806	$ 469,806

(n) **Contributions to police departments for grant equipment and other items**—The Institute of Police Technology Management (IPTM) unit receives grants to conduct law enforcement training, grant equipment contributions and consultant services. The total cost associated with grant work performed or purchased in 2020 and 2019 was $10,059,992 and $3,231,639, respectively.

(o) **Operating income or loss**—Operating revenues and expenses for a proprietary fund are those that result from providing services and producing and delivering goods and or services.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Interest and dividends, unrealized gain or loss on investments, and contributions to related parties are considered non-operating. When both restricted and unrestricted resources are available for use, the Institute's policy is to use restricted resources first, then unrestricted resources as needed.

(p) **Pronouncements issued**—GASB issued Statement No. 87, Leases, in June 2017. GASB 87 seeks to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The provisions in GASB 87 are effective for fiscal years beginning after June 15, 2021, as amended by GASB 95. Management is currently evaluating the effect that Statement No. 87 will have on the Institute's financial statements.

(2) **Cash and Cash Equivalents and Investments:**

Investment decisions are made by the Investment Committee of the Institute's Board of Directors and approved by the Board. All deposits and investments are held at the financial institutions in the name of the Institute.

(a) **Cash and cash equivalents**—As of June 30, 2020, cash and cash equivalents included bank demand accounts and money market funds subject to immediate withdrawal. It is the Institute's policy that cash equivalent securities shall be limited to the following: (1) the money market or short term investment fund provided by the fund custodian; (2) direct obligations of the United States Government with a maturity of one year or less; (3) commercial paper with a maturity of 270 days or less that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's; and (4) bankers acceptances issued by the largest 50 banks in the United States (in terms of total assets). The Institute does not have a formal deposit policy for custodial credit risk with regard to cash deposits in banks but adheres to the requirements of FS 280.

(2) **Cash and Cash Equivalents and Investments:** (Continued)

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Institute's deposits may not be returned to it. At June 30, 2020 and 2019, the Institute's cash deposits with a bank were $627,226 and $80,250, respectively. All of the Institute's cash deposits were insured by the Federal Deposit Insurance Corporation (FDIC). Thus, the Institute's cash deposits are not considered exposed to custodial credit risk.

FL CLASS was included in the Institute's cash deposits with a bank in the amount of $555,728 at June 30, 2020. There was no FL CLASS at June 30, 2019. FL CLASS is rated by S&P Global Ratings. The current rating is 'AAAm.'

The Institute's investments in money market funds are amounts invested to meet regular operations and are included in the investments disclosures below.

(b) **Investments**—The Institute's investment policy requires equity securities be limited to: (1) investments in publicly traded securities on a major stock exchange or NASDAQ; (2) no more than 7% of the market value of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer; and (3) investment in the shares of companies that have been publicly traded for less than one year are limited to no more than 5% of the market value of the total equity portfolio.

For fixed income securities, the investment policy limits investments to: (1) securities rated "A" or higher by Moody's or Standard & Poor's rating services; (2) no more than 10% of the market value of the total portfolio shall be invested in the securities of any single corporate issuer; (3) investments in Collateralized Mortgage Obligations (CMOs) that consist of GNMAs, FNMAs, and FHLMCs, with no more than 20% of the market value of the portfolio in these types of issues and shall be restricted to those issues that are currently paying interest, receiving principal pay-downs and do not contain leverage; (4) investments in securities issued by foreign governments or corporations shall not exceed 25% of the total portfolio and (5) no limit on investments in securities issued directly by the United States Government or any agency or instrumentality thereof. The Institute's policy prohibits investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts or options contracts in individually managed portfolios. Trading on margin and short selling are also prohibited. The Institute does not have a formal policy on limiting the duration of mid-term and long-term investments.

Investments consist of the following at June 30, 2020 and 2019:

Investment Type	**2020**	**2019**
Equity mutual funds	$ 164,519	$ 239,051
Fixed income mutual funds	56,673	66,861
Total	$ 221,191	$ 305,912

(2) **Cash and Cash Equivalents and Investments:** (Continued)

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the Institute's debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income are as follows:

		Quality Rating at June 30, 2020	
Investment Type	**Fair Value**	**AA-A**	**Unrated**
Equity mutual funds	$ 164,519	$ -	$ 164,519
Fixed income mutual funds	56,673	56,673	
Total	$ 221,191	$ 56,673	$ 164,519

		Quality Rating at June 30, 2019	
Investment Type	**Fair Value**	**AA-A**	**Unrated**
Equity mutual funds	$ 239,051	$ -	$ 239,051
Fixed income mutual funds	66,861	66,861	-
Total	$ 305,912	$ 66,861	$ 239,051

Interest rate risk. Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Institute's policy for managing its exposure to fair value loss occurring from increasing interest rates is through using the specific identification method and maintaining diversification of its investments so as to minimize the impact of downturns in the market as stated above.

(3) **Fair Value Measurements:**

The Institute has provided additional information about fair value measurements which is based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes the information used to develop these assumptions. 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 as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

(3) **Fair Value Measurements:** (Continued)

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Institute uses the market approach valuation technique to value its investments.

The asset or 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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

Following is a description of the valuation methodologies use for assets measured at fair value.

Level 1 Fair Value Measurements

The fair value of the mutual funds is based on quoted net asset values of the shares held by the Institute at year-end.

The following tables present the investments carried on the statement of net position by level within the valuation hierarchy as of June 30, 2020 and 2019.

	Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	$ 164,519	$ -	$ -	$ 164,519
Fixed income mutual funds	56,673	-	-	56,673
Total	$ 221,191	$ -	$ -	$ 221,191

	Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	$ 239,051	$ -	$ -	$ 239,051
Fixed income mutual funds	66,861	-	-	66,861
Total	$ 305,912	$ -	$ -	$ 305,912

(4) **Capital Assets:**

UNF TSI Investments, LLC (the LLC) is a wholly-owned Florida limited liability company formed in March 2010, for which the Institute is the LLC's sole member. In May 2010, the LLC purchased approximately 7.71 acres of land adjacent to UNF and the ADT Building located in Duval County, Florida for $17,408,190. The building is depreciated based on a 25-year estimated useful life using the straight-line method. During fiscal year, 2020 and 2019, depreciation expense of $564,025 was recorded.

(4) **Capital Assets:** (Continued)

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, net					
Land – ADT	$ 3,307,556	$ -	$ -	$ -	$ 3,307,556
Building - ADT	14,100,634	-	-	-	14,100,634
	17,408,190	-	-	-	17,408,190
Less accumulated depreciation for:					
Building - ADT	5,170,223	564,025	-	-	5,734,258
Capital assets, net	$ 12,237,957	$ 564,025	$ -	$ -	$ 11,673.932

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, net					
Land – ADT	$ 3,307,556	$ -	$ -	$ -	$ 3,307,556
Building - ADT	14,100,634	-	-	-	14,100,634
	17,408,190	-	-	-	17,408,190
Less accumulated depreciation for:					
Building - ADT	4,606,208	564,025	-	-	5,170,233
Capital assets, net	$ 12,801,982	$ 564,025	$ -	$ -	$ 12,237,957

(5) **Long-Term Debt:**

In May 2010, the UNF TSI Investments, LLC (the "LLC") executed the following agreements to purchase the ADT building:

(a) *First Mortgage Debt* – the LLC assumed the $12,514,143 debt from Wells Fargo Bank Northwest, National Association (f/k/a First Security Bank), as Trustee of the Legg Mason Mortgage Capital Corporation Lease-Backed Commercial Mortgage Pass-Through Trust, Series 2000-CT-5 and LYM TYCI Capital Company, LLC (TYCO) secured by an existing first priority mortgage upon the Property. Principal and interest of $165,968, was due monthly through September 2018 and principal and interest of $170,954 is due monthly through September 2019. Each October, monthly payments increase 3% through the maturity date of September 2020. The debt was executed at a fixed interest rate of 8.3% per annum.

(5) **Long-Term Debt:** (Continued)

(b) *UNF Foundation, Inc. and UNF Training & Services, Inc. and UNF TSI Investments,* LLC entered into a Memorandum of Understanding (MOU). The MOU includes a) loan funding to the LLC in an amount not to exceed $4,800,000; b) terms for the loan: interest will accrue at the rate of 4.50% per annum, and the principal and all accrued interest on the loan will be payable in full on or in part at any time prior to its due date in eleven years (May 2021); c) no additional encumbrances or loans may be entered into to afford any party a security interest in or otherwise pledge, collateralize or encumber the ADT Property; and d) no TSI funding of capital projects for as long as any portion of the loan or interest thereon remains unpaid, and TSI will not advance, loan or contribute to UNF or a UNF-related entity any sum for the purpose of funding a UNF capital project.

A summary of changes in long-term debt activity for the year ended June 30, 2020, is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
First Mortgage	2,485,534	$ -	$ (1,964,493)	$ 521,041	$ 521,041
Note payable - UNF Foundation	4,590,000	-	(72,000)	$ 4,518,000	-
Total	7,075,534	$ -	$ (2,036,493)	$ 5,039,041	$ 521,041

A summary of changes in long-term debt activity for the year ended June 30, 2019, is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
First Mortgage	4,235,586	$ -	$ (1,750,052)	$ 2,485,534	$ 1,965,493
Note payable - UNF Foundation	4,662,000	-	(72,000)	$ 4,590,000	-
Total	8,897,586	$ -	$ (1,822,052)	$ 7,075,534	$ 1,965,493

The aggregate maturities of long-term debt long-term debt for the year are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 5,039,041	$ 7,224	$ 5,046,265

(6) **Note Receivable:**

The Duval County Research and Development Authority has an approved line of credit up to $600,000 with the Institute. The non-interest-bearing promissory note was approved by the Institute's Board at its May 2010 meeting. Payment to the Institute will occur upon the sale of First Coast Technology Park land. The amount outstanding at years ended at June 30, 2020 and 2019 was $565,000.

There are no formal repayment terms of the note receivable; therefore, it has been recorded as a non-current asset.

(7) **Retirement Benefits:**

The Institute's employees are employed by the University. The Institute does not administer a separate retirement plan for its employees; however, pursuant to law, all salaried employees are members of retirement plans of the State of Florida. The retirement plans accounting and funding policies, actuarial present value of accumulated plan benefits, net assets available for benefits and other related matters are the responsibility of the Florida State Department of Administration, Division of Retirement. Other postemployment benefits (OPEB), primarily subsidized premiums for health insurance, are provided by the University. The complete disclosures for the retirement plan and OPEB can be located in the audited financial statements of the University. Payments made to the University for contributions on behalf of the Institute's employees were $197,540 and $195,405 for the years ended June 30, 2020 and 2019, respectively.

(8) **Related Party Transactions:**

(a) The University provides, as in-kind contributions to the Institute, support services such as office and classroom space, furnishings and fiscal management at no cost. Annually, the Institute's Board of Directors decides what amount, if any, will be remitted to the University as a contribution for faculty development. There was no payment to the University in fiscal 2020 or 2019.

(b) The Institute makes contributions to the University for equipment purchases, excluding vehicles. The University maintains title to all such equipment purchases with the Institute having use of all equipment without further charges. Contributions to the University for equipment purchases were $7,223 and $10,452 for the years ended June 30, 2020 and 2019, respectively.

(c) The University provides campus mail, telephone, and other such services to the Institute. Charges for the above services were $17,196 and $13,154 for each of the years ended June 30, 2020 and 2019, respectively, and are included in printing, postage and telephone in the accompanying financial statements.

(d) The University of North Florida Foundation, Inc. (Foundation) contributes funds to the Institute for reimbursement of Foundation operating costs paid by the Institute. Contributions for the above costs were $393,000 and $450,000 for the years ended June 30, 2020 and 2019, respectively.

(e) The University of North Florida Financing Corporation, Inc. (Financing) contributes funds to the Institute for reimbursement of Financing operating costs paid by the Institute. Contributions for the above costs were $30,000 for each of the years ended June 30, 2020 and 2019, respectively.

(f) The Institute has amounts payable to the University of $1,607,027 and $829,208 at June 30, 2020 and 2019, respectively.

(9) **Risk Management:**

The Institute has purchased general liability, automobile, errors and omissions and international insurance policies, each with a coverage of $1,000,000 per occurrence, to reduce the exposure of potential claims associated with selected course activities. The Institute has these commercial insurance policies to cover wrongful acts occurring in the normal course of business. The policy requires a $5,000 deductible for each loss. Substantially all other insurable risks, which include automobile, general liability, and workers compensation insurance, are covered under the State of Florida's self-insurance fund. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

(10) Concentrations:

Grants receivable and revenues as of and for the years ended June 30, 2020 and 2019 were derived entirely from the State of Florida. Lease revenue for the years ended June 30, 2020 and 2019 was derived entirely from one tenant.

(11) Segment Information:

The Institute's financial statements for fiscal years 2020 and 2019 include the accounts of the University of North Florida Training and Service Institute, Inc. and UNF TSI Investments, LLC (the LLC).

Summary financial information for each entity is presented below as of and for the year ended June 30, 2020.

	The University of North Florida Training & Service Institute, Inc.	UNF TSI Investments, LLC	Total
As of June 30, 2020			
Current assets	$ 2,183,638	$ 117,531	$ 2,301,169
Non-current assets	787,485	11,673,932	$ 12,461,417
Total assets	$ 2,971,123	$ 11,791,463	$ 14,762,586
Liabilities:			
Current liabilities	$ 2,280,237	$ 1,236,115	$ 3,516,352
Non-current liabilities		4,518,000	$ 4,518,000
Total liabilities	2,280,237	5,754,115	8,034,352
Net assets			
Unrestricted net position	690,885	(597,542)	$ 93,343
Net investment in capital assets	-	6,634,891	$ 6,634,891
Total net position	690,885	6,037,349	6,728,234
Total liabilities and net position	$ 2,971,122	$ 11,791,464	$ 14,762,586

Summary financial information for each entity is presented below as of and for the year ended June 30, 2019.

	The University of North Florida Training & Service Institute, Inc.	UNF TSI Investments, LLC	Total
As of June 30, 2019			
Current assets	$ 2,370,197	$ 114,108	$ 2,484,305
Non-current assets	872,366	12,237,961	$ 13,110,327
Total assets	$ 3,242,563	$ 12,352,069	$ 15,594,632
Liabilities:			
Current liabilities	$ 2,695,410	$ 2,770,992	$ 5,466,402
Non-current liabilities		5,111,041	$ 5,111,041
Total liabilities	2,695,410	7,882,033	10,577,443
Net assets			
Unrestricted net position	547,153	(692,388)	$ (145,235)
Net investment in capital assets	-	5,162,424	$ 5,162,424
Total net position	547,153	4,470,036	5,017,189
Total liabilities and net position	$ 3,242,563	$ 12,352,069	$ 15,594,632

(11) **Segment Information:** (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2020.

For the year ended June 30, 2020	The University of North Florida Training & Service Institute, Inc.	UNF TSI Investments, LLC	Total
Operating revenue and transfers	3,391,983	2,103,580	$ 5,495,562
Operating expenses and transfers	14,695,648	206,526	14,902,174
Operating income (loss)	(11,303,666)	1,897,054	(9,406,612)
Non-operating Income	11,447,397	(329,738)	11,117,659
Change in net position	143,731	1,567,316	1,711,047
Net position, beginning of year	547,153	4,470,036	5,017,189
Net position, end of year	$ 690,884	$ 6,037,352	$ 6,728,236

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019.

For the year ended June 30, 2019	The University of North Florida Training & Service Institute, Inc.	UNF TSI Investments, LLC	Total
Operating revenue and transfers	4,484,496	2,042,310	$ 6,526,806
Operating expenses and transfers	8,540,132	206,525	8,746,657
Operating income (loss)	(4,055,636)	1,835,785	(2,219,851)
Non-operating Income	4,274,441	(486,674)	3,787,767
Change in net position	218,805	1,349,111	1,567,916
Net position, beginning of year	328,348	3,120,925	3,449,273
Net position, end of year	$ 547,153	$ 4,470,036	$ 5,017,189

(11) **Segment Information:** (Continued)

Condensed Statement of Cash Flows for the year ended June 30, 2020.

	The University of North Florida Training & Service Institute, Inc.	UNF TSI Investments, LLC	Total
For the year ended June 30, 2020			
Net cash provided by (used in):			
Operating activities	$ (9,066,843)	$ -	$ (9,066,843)
Capital and related financing activities	(421,163)	(1,937,392)	(2,358,555)
Noncapital and related financing activities	11,966,656		11,966,656
Investing activities	5,558	-	5,558
	2,484,208	(1,937,392)	546,816
Cash and cash equivalents, beginning of year	11,921,616	(11,839,912)	81,704
Cash and cash equivalents, end of year	$ 14,405,824	$ (13,777,304)	$ 628,520

Condensed Statement of Cash Flows for the year ended June 30, 2019.

	The University of North Florida Training & Service Institute, Inc.	UNF TSI Investments, LLC	Total
For the year ended June 30, 2019			
Net cash provided by (used in):			
Operating activities	$ (472,656)	$ -	$ (472,656)
Capital and related financing activities	(574,434)	(1,822,052)	(2,396,486)
Noncapital and related financing activities	2,884,260		2,884,260
Investing activities	(5,001)	-	(5,001)
	1,832,169	(1,822,052)	10,117
Cash and cash equivalents, beginning of year	10,089,447	(10,017,860)	71,587
Cash and cash equivalents, end of year	$ 11,921,616	$ (11,839,912)	$ 81,704

(12) **Operating Leases:**

The Institute leases the ADT building to a tenant under an operating lease with an expiration date extending to September, 2020.

During June 2020, the lease was extended to for five years through August 31, 2025. The minimum monthly lease payments is $82,629 with a 2.5% annual increase on the first day of every September.

(12) **Operating Leases:** (Continued)

Future minimum rents under non-cancelable operating leases as of June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	$ 1,178,884
2022	1,012,206
2023	1,037,511
2024	1,063,449
2025	1,090,035
Thereafter	182,414
Total	$ 5,564,499

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

In early 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 and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Institute as of September 9, 2020, management believes that a material impact on the Institute's financial position and results of future operations is reasonably possible.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF NORTH FLORIDA TRAINING AND SERVICES INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal/ State Agency Pass-Through Entity Federal Program/ State Project	CFDA/ CSFA Number	Pass-Through Identifying/ Grant Contract Identification Number	Grant Amount	Expenditures
FEDERAL AGENCY				
Department of Transportation				
Passed through Florida Department of Transportation:				
Florida's Bicycle Pedestrian Focused Initiative High Visibility	20.205	433144 -1-8404	$ 2,761,000	$ 1,754,848
Total Highway Planning & Construction Cluster			2,761,000	1,754,848
Passed through Florida Department of Transportation:				
Motorcycle Awareness Survey	20.600	MC-18-10-08	60,000	60,000
Pedestrian & Bicycle Program Evaluation & Data Collection	20.600	PS-19-08-02	250,000	50,565
Florida's Pedestrian & Bicycle High Visibility Enforcement	20.600	PS-19-08-04	150,000	95,023
Florida Law Enforcement Liaison Program	20.600	PT-18-12-01	1,000,000	210,233
Florida Law Enforcement Traffic Safety Challenge	20.600	PT-18-12-02	250,000	72,988
Data-Driven Approaches to Crime & Traffic Safety (DDACTS)	20.600	PT-18-12-05	65,000	-
Public Traffic Safety Professionals Training - Traffic Safety	20.600	PT-18-12-06	180,375	-
Florida Law Enforcement Liaison Program	20.600	PT-19-12-01	950,000	608,830
Florida Law Enforcement Traffic Safety Challenge Recognition & Training Event	20.600	PT-19-12-02	150,000	933
Crash Data Retrieval (CDR) Tool Technician	20.600	PT-19-12-10	14,750	8,850
Data Driven Approaches to Crime & Traffic Safety	20.600	PT-19-12-11	44,625	16,660
Event Data Recorder Use in Traffic Crash Reconstruction	20.600	PT-19-12-12	35,000	27,825
Human Factors in Traffic Crash Reconstruction	20.600	PT-19-12-13	35,000	8,250
Investigation of Motorcycle Crashes - Level I	20.600	PT-19-12-14	39,750	19,875
Pedestrian/Bicycle Crash Investigation - Level I	20.600	PT-19-12-15	39,750	18,285
Police Motorcycle Instructor Course	20.600	PT-19-12-16	50,000	49,500
Pedestrian & Bicycle Safety Public Education Program-Transit Advertising	20.616	FHPE-19-07-01	200,000	33,788
Pedestrian & Bicycle Safety Public Education Program-Billboard Advertising	20.616	FHPE-19-07-02	200,000	39,365
Florida Laws - Pedestrian & Bicycle Enforcement	20.616	FHTR-18-08-01	360,000	70,218
Florida Laws - Pedestrian & Bicycle Enforcement Training	20.616	FHTR-19-06-01	360,000	168,105
Statewide Safety Belt/Public Opinion Survey	20.616	M2X-18-20-02	321,000	53,580
Florida Law Enforcement Liason Occupant Protection Awareness Program	20.616	M2X-18-20-04	250,000	-
Statewide Safety Belt & Child Passenger Safety Surveys	20.616	M2X-19-20-02	321,000	253,312
Florida Law Enforcement Liason Occupant Protection Awareness Program	20.616	M2X-19-20-03	150,000	2,354
DRE FHP Training	20.616	M5TR-18-06-02	75,000	8,956
Public Traffic Safety Professionals Training - Impaired Driving	20.616	M5TR-18-06-04	127,750	10,055
Public Traffic Safety Professionals Training - Drugged Driving	20.616	M5TR-18-06-05	96,000	29,570
Drug Recognition Expert Program	20.616	M5TR-18-06-06	415,000	64,548
Drug Evaluation & Classification Program	20.616	M5TR-19-12-04	346,000	189,624
Drug Recognition Expert Training Grant-Florida Highway Patrol	20.616	M5TR-19-12-05	50,000	15,264
Drug Recognition Expert Instructor	20.616	M5TR-19-12-06	16,500	16,500
DWI Detention & Standardized Field Sobriety Testing	20.616	M5TR-19-12-07	100,000	78,210
Advanced Roadside Impaired Driving Enforcement (ARIDE)	20.616	M5TR-19-12-08	100,000	73,470
DWI Detention & Standardized Field Sobriety Testing Instructor Update	20.616	M5TR-19-12-09	5,000	2,475
DWI Detention & Standardized Field Sobriety Testing Refresher	20.616	M5TR-19-12-10	20,000	1,000
Marijuana Impaired Driving Detection for Law Enforcement	20.616	M5TR-19-12-11	39,000	33,540
Medical Foundations of Visual Systems Testing	20.616	M5TR-19-12-12	35,700	29,750
Advanced Marijuana Impaired Driving Detection for Law Enforcement	20.616	M5TR-19-12-13	19,500	14,235
Drug Recognition Expert (DRE) Call-Out	20.616	M5X-18-06-02	30,000	1,010
DUI Media Awareness Survey	20.616	M5X-18-06-04	60,000	10,780
Florida Law Enforcement Liason Impaired Driving Awareness	20.616	M5X-18-06-05	250,000	-
Drug Recognition Expert (DRE) Call-Out	20.616	M5X-19-06-02	20,000	557
Impaired Driving Media Awareness Survey	20.616	M5X-19-06-04	60,000	60,000
Total Highway Safety Cluster			7,341,700	2,508,084
Total Department of Transportation			**10,102,700**	**4,262,932**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 10,102,700**	**$ 4,262,932**

Reconciled to cash received from Department of Transportation during the year:	
Total amounts expended	$ 4,262,932
Less net change in grants receivable in financial statements	(1,378,673)
Total cash received from Department of Transportation	$ 2,884,259

The accompanying notes to financial statements are an integral part of this statement.

UNIVERSITY OF NORTH FLORIDA
TRAINING AND SERVICES INSTITUTE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2020

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Institute under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **De Minimis Indirect Cost Rate:**

The Institute has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) **Subrecipients:**

During the year ended June 30, 2020, the Institute provided no federal awards to subrecipients.

(5) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Institute. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

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,
UNF Training and Service Institute, 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 UNF Training and Service Institute, Inc. (the "Institute") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated September 9, 2020.

Internal Control over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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.

James Moore & Co., P.L.

Gainesville, Florida
September 9, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors,
University of North Florida Training and Services Institute, Inc.:

Report on Compliance for Each Major Federal Program

We have audited the University of North Florida Training and Services Institute, Inc. (the Institute)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Institute's major federal programs for the year ended June 30, 2020. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with laws, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report on Internal Control over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
September 9, 2020

UNIVERSITY OF NORTH FLORIDA
TRAINING AND SERVICES INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

A. **Summary of Auditors' Results:**

Financial Statements:

Type of audit report issued on the financial statements:	*Unmodified*	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards:

Internal control over major Federal programs:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified?	_____ yes	X none reported
Type of auditor's report issued on compliance for major Federal programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	X none reported
Auditee qualified as a low-risk auditee?	_____ yes	X no
Dollar threshold used to distinguish between type A and type B programs:		$750,000

Identification of major Federal programs:

CFDA Number	Project Name
20.205	Highway Safety Cluster

B. **Financial Statement Findings:** None

C. **Federal Award Findings and Questioned Costs:** None.

D. **Summary Schedule of Prior Audit Findings:** None.

E. **Corrective Action Plan:** Not applicable as there are no current year findings.