

**THE UNIVERSITY OF NORTH FLORIDA
FINANCING CORPORATION, INC.**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
The University of North Florida Financing Corporation, Inc.:

Report on the Audit of the Financial Statements

We have audited the financial statements of the University of North Florida Financing Corporation, Inc. (the Financing Corporation), a direct support organization and component unit of University of North Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Financing Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Financing Corporation as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Financing Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Financing Corporation'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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Financing Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Financing Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Financing Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

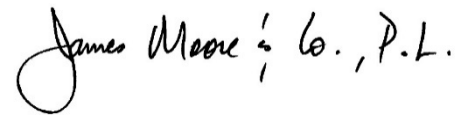
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the 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.

Emphasis of Matter

As discussed in Note 1(n) and 6, the Financing Corporation implemented GASB 87 for the year ended June 30, 2022. The 2022 financial statements have been presented to conform with the provisions of GASB 87. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2022, on our consideration of the Financing Corporation'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 Financing Corporation's internal control over financial reporting and compliance.

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

Gainesville, Florida
September 7, 2022

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The University of North Florida Financing Corporation, Inc. (the “Financing Corporation”) presents its financial statements for the fiscal years ended June 30, 2022. The Financing Corporation is a direct support organization and component unit of the University of North Florida (the “University” or “UNF”), a governmental agency.

The Financing Corporation’s financial statements are presented on an accrual basis, which include 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; 4) a management’s discussion and analysis (MD&A) of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statements include the following:

1. Basic financial statements-
 - a. Statements of Net Position
 - b. Statements of Revenues, Expenses, and Changes in Net Position
 - c. Statements of Cash Flows
 - d. Notes to Financial Statements

FINANCIAL HIGHLIGHTS

- The Financing Corporation’s 2022 principal payments and other debt service obligations were paid as scheduled:

Revenue Bonds and Note	Amount
Student Housing Project, Series 2016	\$ 3,440,000
Student Housing Note (November 2016)	\$ 2,295,000
Student Union Project, Series 2016	\$ 635,000

- *East Park Warehouse*

The Financing Corporation has two mortgages related to the East Park Warehouse, which was opened in December 2014. The UNF Physical Facilities Department is located in the Warehouse. Two notes were executed to assist in funding the purchase and renovation of the building.

- 1) The \$1.2 million loan agreement with the Foundation has a loan term of 10 years at an interest rate of 3.00% and quarterly mortgage payments of \$34,848.
- 2) The \$2.725 million mortgage with TD Bank has a loan term of 10 years at an interest rate of 2.32% and monthly mortgage payments of \$25,506.

At June 30, 2022, all mortgage payments were current.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)

- *Net Position* at June 30, 2022 was a deficit of \$29,116,356, which was an increase of 10.2% from the 2021 net deficit position of approximately \$32.4 million. The change in net position is the result of debt payments.

Statements of Net Position

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

The Statements of Net Position are presented as part of the basic financial statements. The year's activity included the following:

	As of June 30 (in thousands),			
	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Change</u>
Assets				
Current assets	\$ 8,201	\$ 4,279	\$ 3,922	91.7%
Noncurrent assets, incl def inflow	74,948	83,063	(8,115)	-9.8%
Total assets	<u>83,149</u>	<u>87,342</u>	<u>(4,193)</u>	<u>-4.8%</u>
Liabilities:				
Current liabilities	8,259	8,012	247	3.1%
Non-current liabilities, incl def outflow	104,006	111,750	(7,744)	-6.9%
Total liabilities	<u>112,265</u>	<u>119,762</u>	<u>(7,497)</u>	<u>-6.3%</u>
Net position:				
Unrestricted net position	(67,540)	(15,786)	(51,754)	327.8%
Net investment in capital assets	38,424	(16,634)	55,058	-331.0%
Total liabilities and net position	<u>\$ 83,149</u>	<u>\$ 87,342</u>	<u>\$ (4,193)</u>	<u>-4.8%</u>

Current Assets

- In fiscal 2022, *current assets* totaled \$8,200,631. Current assets include the current portion of lease receivable and interest receivable on leases totaling \$8,023,037 for the Housing and Student Union bond payment due in November 2021. Annually, the Financing Corporation receives administrative funds from the University Housing and Student Union Auxiliaries and Parking Systems funds.

Non-Current Assets

- In fiscal 2022, *non-current assets including deferred inflows* totaled \$74,947,244, which is a decrease of \$8,169,198 or 9.8% from the prior year. Non-current assets include funds advanced to the University as lease receivable for the Student Housing and the Student Union projects.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)

- *Capital assets.* At June 30, 2022, the East Park Warehouse building net capital asset value totaled \$4,398,169 net of accumulated depreciation of \$1,621,030, and The Flats net capital asset value totaled \$25,016,678 net of accumulated depreciation of \$4,991,470.

Total Assets

- *Total assets* were \$83,147,875, a decrease of \$4,193,644 or 4.8%.

Liabilities

- *Current liabilities* totaled \$8,258,620 reflects an increase of \$246,275 or 3.1%. The increase is due to the increase of current principal portion payments due on outstanding debt instruments.
- *Non-current liabilities including deferred outflows* totaled \$104,005,611 reflects a decrease of \$7,744,428 or 6.9%. The decrease represents the reduction for the current portion outstanding debt.

Net Position

- The net deficit position at June 30, 2022 totaled \$29,116,356.
- The unrestricted administration net position is the amount available to the Financing Corporation for any purpose in support of its mission.
- Net investment in capital assets reflects the cost of the East Park Warehouse building and The Flats reduced by the outstanding balances of the related debt and depreciation.

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 Financing Corporation's operating and non-operating activities 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 Financing Corporation.

	For the year ended June 30 (in thousands),			
	2022	2021	Increase (decrease)	Change
Operating revenue	\$ 11,542	\$ 11,395	\$ 147	1.3%
Operating expenses	4,371	4,351	21	0.5%
Operating income (loss)	7,171	7,044	126	1.8%
Non-operating revenue	(3,866)	(4,153)	287	-6.9%
Change in net position	3,305	2,891	413	14.3%
Net position, beginning of year	(32,421)	(35,312)	2,891	-8.2%
Net position, end of year	\$ (29,116)	\$ (32,421)	\$ 3,304	-10.2%

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)

The Statement of Revenues, Expenses, and Changes in Net Deficit includes the following categories:

- Operating revenues are primarily received in connection with lease agreements, funding from UNF for purchase of capital assets and other miscellaneous revenues.
- Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues, and to carry out the mission of the Financing Corporation.
- Net operating income (loss) represents the amount of operating revenue in excess of the year's operating expenses and does not include non-operating revenue.
- Non-operating revenue is received from sources for which no service is provided by the Financing Corporation (e.g., investment earnings).

The change in net position is the result of the fiscal year's excess of total revenues over expenses.

The Statements of Revenues, Expenses, and Changes in Net Position are presented as part of the basic financial statements. For fiscal year ended June 30, 2022, the Financing Corporation's net position totaled (\$29,116,356). The Statements' highlights are as follows:

Operating Revenues

- *Operating revenues* totaled \$11,542,057 which is an increase of \$146,848 or 1.3%. This represents lease revenue of \$11,497,057 and miscellaneous revenue of \$45,000, which the Financing Corporation receives for administrative operating funds from the East Park Warehouse, Student Housing, Parking and Student Union.

Operating Expenses

- *Operating expenses* totaled \$4,371,791, which is an increase of \$20,245 or 0.5%.
- *Program expenses* totaled \$57,195. Financing provided \$41,761 in funds to UNF Training & Services Institute, Inc. for accounting services.
- *Professional fees* totaled \$19,200, which is an increase of \$1,200 or 6.7%.
- *Expenses associated with student housing and student union* of \$3,434,568 were for operating lease expenses.
- *Depreciation expense* totaled \$860,828 and was related to The Flats and East Park Warehouse.

Non-operating Revenues

- In fiscal year 2022. The *non-operating expense* totaled \$3,865,757. These funds represent interest income on the minimal amounts in the student housing and student union debt service accounts and interest expense.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)

Statements of Cash Flows

The Statements of Cash Flows show the cash provided and used for operating, capital and related financing activities and investing activities.

- Operating activities include miscellaneous cash receipts and payments made for the Financing Corporation's operations, which excludes the operating lease activity since that was a non-cash transaction.
- Capital and related financing activities include deposits from UNF, bond principal/interest payments and payments of construction costs.
- Investing activities represent purchases of investments and proceeds from the sale of investments.

Economic Outlook

The Financing Corporation will continue with its operational plans and 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.

Management believes the Financing Corporation is functioning as intended to support capital projects for the University. With detailed monitoring of each account, the Financing Corporation has sufficient funds to cover its current obligations.

Requests for Information

This financial report is designed to provide a general overview of the Financing Corporation'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 Odom Stevenson
University of North Florida DSO Accounting
1 UNF Drive
UNF Hall, Suite 2800
Jacksonville, FL 32224-2648
(904) 620-2989

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 168,228
Prepaid insurance	9,366
Interest receivable from leases	1,244,664
Short-term lease receivable	6,778,373
Total current assets	8,200,631
 Noncurrent assets	
Prepaid insurance	114,759
Long-term lease receivable	95,036,407
Capital assets, net	29,414,848
Right to use lease asset, net	52,663,362
Total noncurrent assets	177,229,376
 Total assets	 \$ 185,430,007

DEFERRED OUTFLOWS

Deferred charge on refunding of debt	\$ 1,853,667
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LIABILITIES

Current liabilities	
Account payable	\$ 3,333
Interest payable	633,759
Current portion of long-term debt	7,621,528
Total current liabilities	8,258,620
 Noncurrent liabilities	
Long-term debt	105,859,278
 Total liabilities	 \$ 114,117,898

DEFERRED INFLOWS

Deferred inflows of resources - lease related	\$ 102,282,132
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NET POSITION

Net position	
Unrestricted	\$ (67,540,175)
Net investment in capital assets	38,423,819
 Total net position	 \$ (29,116,356)

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

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Operating revenues	
Lease related revenue	\$ 11,497,057
Miscellaneous revenues	45,000
Total operating revenues	11,542,057
Operating expenses	
Program services	57,195
Professional fees	19,200
Amortization expense	3,434,568
Depreciation expense	860,828
Total operating expenses	4,371,791
Operating income	7,170,266
Nonoperating revenues (expenses)	
Interest expense	(3,865,845)
Interest and dividends	88
Total nonoperating revenues (expenses)	(3,865,757)
Change in net position	3,304,509
Net position, beginning of year	(32,420,865)
Net position, end of year	\$ (29,116,356)

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

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities	
Received from lease agreements	\$ 11,398,734
Miscellaneous revenue	45,000
Payments to suppliers for goods and services	<u>(67,804)</u>
Net cash provided by operating activities	<u>11,375,930</u>
Cash flows from capital and related financing activities	
Interest paid on long-term debt	(3,795,167)
Principal payments on long-term debt	<u>(7,569,664)</u>
Net cash used in capital and related financing activities	<u>(11,364,831)</u>
Cash flows from investing activities	
Interest and dividends received	<u>88</u>
Net cash provided by investing activities	<u>88</u>
Net increase in cash and cash equivalents	11,187
Cash and cash equivalents, beginning of year	157,041
Cash and cash equivalents, end of year	<u>\$ 168,228</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 7,170,266
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	4,295,396
Amortization of prepaid insurance related to lease agreement with University of North Florida	7,758
Change in assets and liabilities:	
Lease receivable	(102,380,455)
Accounts payable	833
Deferred inflow of resources	<u>102,282,132</u>
Net cash provided by operating activities	<u>\$ 11,375,930</u>

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

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

(a) **Reporting entity**—The University of North Florida Financing Corporation, Inc. (the “Financing Corporation”) was created in October 2005 as a not-for-profit entity organized to receive, hold, invest and administer property and to issue revenue bonds or other forms of indebtedness (finance or refinance capital projects), with the associated expenditures and debt service, exclusively for the University of North Florida (the “University”).

The Financing Corporation is governed by a five-member board. The board members are appointed by the University’s board of trustees.

The Financing Corporation is a direct support organization and component unit of the University under Governmental Standards Board Statement No. 14, *The Financial Reporting Entity*. These financial statements include all funds and departments controlled by the Financing Corporation.

(b) **Basic financial statements**—The Financing Corporation is considered a special purpose government entity engaged in a single business-type activity. Business-type activities are those activities primarily supported by user fees and charges. As such, the Financing Corporation presents only the statements required of enterprise funds, which include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

(c) **Basis of presentation**—The financial statements of the Financing Corporation 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 Financing Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Financing Corporation 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 Financing Corporation is reported in three categories as follows:

- *Net investment in capital assets* consist of capital assets, including leased assets, net of accumulated depreciation and amortization, reduced by outstanding balances of any debt and lease liabilities that is attributable to those assets.
- *Restricted net position* represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. At June 30, 2022, the Financing Corporation did not have any restricted net position.
- *Unrestricted net position* represents funds that are available without restriction for carrying out the Financing Corporation’s objectives.

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

(d) **Cash and cash equivalents**—The Financing Corporation defines cash and cash equivalents as cash on hand, cash on deposit and highly liquid investments with an initial maturity of three months.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

(e) **Interest receivable from leases**—Interest receivable from leases represents a receivable of accrued interest to be received associated with the underlying leases discussed in Note 6.

(f) **Capital assets and right to use assets**—All real property (buildings and land) is capitalized. Property and equipment purchased or constructed with an original cost of \$5,000 or more are recorded at cost (except for intangible right to use assets, the measurement of which is discussed in Note 6). Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 25-35 years. The right to use lease assets are amortized over the shorter of the lease term or the useful life of the underlying assets, see Note 6 for further discussion.

(g) **Prepaid insurance**—Prepaid insurance incurred for the Student Housing Capital Improvement Refunding Revenue Bonds Series 2016 is being deferred and amortized over the life of the issue using the straight-line method. For the year ended June 30, 2022, prepaid insurance amortization was \$7,758.

(h) **Interest payable**—Interest payable represents a two-month accrual for Housing and Student Union bond interest.

(i) **Premiums on revenue bonds**—Premiums on revenue bonds incurred for the Financing Corporation are deferred and amortized over the life of the issue using the straight-line method. Amortization at June 30, 2022, Series 2007 was \$155,122 (Student Housing) and \$83,685 (Student Union).

(j) **Operating income**—The Financing Corporation's operating income includes all revenues and expenses associated with the organization's daily activities that are primarily attributed to lease activities and debt financing. Interest income, dividend income and net gains/(losses) on investments are excluded from operating income.

(k) **Income taxes**—The Financing Corporation 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 Financing Corporation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2022.

(l) **Revenue recognition**—The Financing Corporation recognizes lease income based on debt service payments. Transfers and miscellaneous revenue are recognized once the related funds have been received.

(m) **Deferred charge on refunding of debt**—In connection with the advance refunding of the capital improvement revenue bonds series 2016, the Financing Corporation incurred a deferred charge, which is the difference between the reacquisition price and the net carrying amount of the old debt, and will be amortized using the straight-line method. The deferred amortization for the year ended June 30, 2022 was \$115,907.

(n) **Recently issued accounting pronouncements**—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 Financing Corporation evaluated the effect of the implementation of the new standard and recorded a lease receivable, interest receivable, deferred inflow of resources, and right to use asset in the Statement of Net Position for the year ended June 30, 2022. Refer to Note 6 for discussion of the underlying lease agreements.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

(a) **Cash and cash equivalents**—As of June 30, 2022, cash and cash equivalents consisted of a bank demand account subject to immediate withdrawal and a money market fund.

(b) **Custodial credit risk – deposits**—Custodial credit risk for deposits is the risk that, in the event of a depository financial institution’s failure, the Financing Corporation’s deposits may not be returned to it. All of the Financing Corporation’s cash deposits were insured by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2022.

(c) **Interest Income**—Interest income was \$88 for the year ended June 30, 2022.

(3) **Related Party Transactions:**

The University provides, as in-kind contributions to the Financing Corporation, support services such as office space, furnishings, and fiscal management at no cost. No value has been assigned to these items in the accompanying statement of revenues, expenses, and changes in net position since there is no objective basis for determining the value.

See Notes 4 and 6 for funds received from the University for capital assets and lease commitments with the University.

(4) **Capital Assets and Right to Use Assets:**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Building – East Park Warehouse	\$ 5,419,200	\$ -	\$ -	\$ -	\$ 5,419,200
Land – East Park Warehouse	600,000	-	-	-	600,000
Building – The Flats at Kernan	22,542,121	-	-	-	22,542,121
Land – The Flats at Kernan	-	-	-	-	7,466,027
Accumulated depreciation	<u>(5,751,672)</u>	<u>(860,828)</u>	-	-	<u>(6,612,500)</u>
Total capital assets, net	<u>\$30,275,676</u>	<u>\$ (860,828)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$29,414,848</u>
Leased Land	\$56,097,929	\$ -	\$ -	\$ -	\$56,097,929
Accumulated amortization	-	<u>(3,434,567)</u>	-	-	<u>(3,434,567)</u>
Total right to use assets, net	<u>\$56,097,929</u>	<u>\$ (3,434,567)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$52,663,362</u>

The Financing Corporation purchased the East Park Warehouse Building (the “Building”) in November 2013 for \$2.725 million. The 67,224 square foot Building is located on a parcel of land adjacent to the University campus in Duval County, Florida. The Building is used to house the University’s Physical Facilities Maintenance Department and depreciation is based on a twenty-five year estimated useful life using the straight-line method. Renovation costs were funded with existing University funds of \$1.7 million and a \$1.2 million line of credit from the UNF Foundation, Inc. The Building was placed into service in December 2014.

The Flats at Kernan (The Flats) was purchased in October 2014 by the Financing Corporation. The Flats at Kernan apartments is located at 4850 First Coast Technology Parkway in Jacksonville, Duval County, Florida. The 12.82-acre site contains a student housing complex of eight 3-story buildings with accommodations for 192 students. In fiscal year 2017, the Flats debt was serviced as part of the Student Housing Series 2016 bonds debt service. See Note 5.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Long term debt activity for the year ended June 30, 2022 is presented below:

Capital Improvement Revenue Bonds	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Student Union Bond 2016	\$ 14,925,000	\$ -	\$ 635,000	\$ 14,290,000	\$ 660,000
Student Housing Bond 2016	55,160,000	-	3,440,000	51,720,000	3,560,000
Student Housing Note 2016	41,880,000	-	2,295,000	39,585,000	2,415,000
Student Union premium series 2016	1,421,071	-	83,685	1,337,386	-
Student Housing premium series 2016	2,634,151	-	155,122	2,479,029	-
Note payable – Parking System	3,850,478	-	541,612	3,308,866	556,474
Mortgage payable – East Park Warehouse	718,330	-	292,305	426,025	299,256
Note payable – East Park Warehouse	461,440	-	126,940	334,500	130,798
Total	\$ 121,050,470	\$ -	\$ 7,569,664	\$ 113,480,806	\$ 7,621,528

In fiscal year 2017, the Financing Corporation defeased the Capital Improvement Refunding Revenue Bonds Student Union Project Series 2007 (CIRB) by placing the proceeds of the new Capital Improvement Refunding Revenue Bonds Student Union Project Series 2016 in an irrevocable trust to provide for all future debt service payments of the CIRB Student Union Project Series 2007. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Financing Corporation's financial statements. The Bonds were called on November 1, 2017. At June 30, 2018, the CIRB Student Union Project Series 2007 outstanding bonds are considered defeased. The principal and interest payments on the Student Union premium series 2016 are due on the last day of June with a coupon rate ranging from 3% – 5% per annum and principal payments ranging from approximately \$745,000 to \$1.2 million beginning June 30, 2017 through June 30, 2038.

In fiscal year 2017, the Financing Corporation defeased the Capital Improvement Revenue Bonds Student Housing Project Series 2007 (CIRB) by placing the proceeds of the Capital Improvement Refunding Revenue Bonds Series 2016 in an irrevocable trust to provide for all future debt service payments of the CIRB Series 2007. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Financing Corporation's financial statements. The 2007 bonds were called on November 1, 2017. At June 30, 2018, the CIRB Student Housing Project Series 2007 outstanding bonds are considered defeased. The principal and interest payments on the Student Housing premium series 2016 are due on the last day of June annually with interest payments ranging from approximately \$52,000 to \$2.9 million and principal payments ranging from approximately \$2.4 million to \$3.8 million beginning June 30, 2017 through June 30, 2038.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

In fiscal year 2018, the Financing Corporation redeemed the Series 1998 Parking System Capital Improvement Revenue Bonds and replaced them with a loan agreement. The Parking System Capital Improvement Revenue Bonds Series 1998 (the "Parking Bonds") were assigned to the Financing Corporation from the UNF Foundation, Inc. in September 2007. On January 31, 2018, the Financing Corporation redeemed the Parking Bonds and replaced it with a loan from the TD Bank, N.A. in the amount of \$5,500,000. All issuance costs of the transaction (\$28,750) were paid from loan proceeds. The loan is collateralized by the revenue stream from the parking system at the University. The principal and interest payments are due the 1st day each month with a fixed interest rate of 2.71% per annum through to the maturity date of January 1, 2028. The monthly loan payment amount is \$53,272. The covenants of the Parking loan require parking revenues sufficient to pay 100% of the costs of operation and maintenance of the facility plus 120% of debt service during each year. The Foundation executed on November 26, 2013, a mortgage loan agreement with TD Bank, N.A. in the amount of \$2,724,915 in connection with the purchase of a building (see Note 4 for further discussion). The principal and interest payments are due the 26th day each month with a fixed interest rate of 2.32% per annum and based upon a fully amortized loan for the ten (10) year term in the amount of \$25,506 per month.

The Financing Corporation executed on December 31, 2014, a loan agreement with the UNF Foundation, Inc. in the amount of \$1,200,000 in connection with the purchase of a building (see Note 4 for further discussion). The principal and interest payments are due the 1st day after each quarter with a fixed interest rate of 3.00% per annum and based upon a fully amortized loan for the ten (10) year term in the amount of \$34,848 per quarter.

The aggregate maturities of long-term debt as of June 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 7,621,528	\$ 3,747,952	\$ 11,369,480
2024	7,733,287	3,462,016	11,195,303
2025	7,826,482	3,167,654	10,994,136
2026	6,998,549	2,910,329	9,908,878
2027	7,230,110	2,680,979	9,911,089
2028-2032	33,859,443	9,945,097	43,804,540
2033-2027	32,345,000	3,887,463	36,232,463
2028	6,049,992	99,971	6,149,963
	109,664,391	29,901,461	139,565,852
Unamortized discount and premium	3,816,415	-	3,816,415
Total	\$ 113,480,806	\$ 29,901,461	\$ 143,382,267

(6) **Lease Commitments:**

Ground Sublease Agreement

The Financing Corporation (sub lessee) agreed to prepay to the University (sub lessor) approximately \$90.5 million for rental of both the housing and student union facilities. The amortization expense related to the leases are included within operating expenses in the statement of revenues, expenses and change in net position. As all payments under the lease agreement were prepaid, there is no lease liability, and the right of use asset is amortized on a straight-line basis over the lease term.

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

(6) **Lease Commitments:** (Continued)

Leases for Student Union, Housing and Parking Facilities

In accordance with the Lease Agreement, the University agreed to pay all debt service, including principal and interest over the lease term in accordance with the related lease and bond documents.

The lease agreements are in connection with the issuance of capital improvement refunding revenue bonds as disclosed in Note 5. The lease inception date was August 1, 2016 for Student Union and November 1, 2016, for Student Housing with an expiration date that coincides with the maturities of the bonds (November 1, 2037). Facilities and ground leases for Parking System were assigned in September 2007.

Semi-annual interest payments are required for Student Housing and Student Union in accordance with the bond documents and monthly interest payments for Parking. Annual principal payments are required for all of the capital improvement revenue bonds and the note. In addition, the lessee is responsible for other operating costs that may be incurred by the Financing Corporation.

Lease for Warehouse Building

In accordance with the Lease Agreement, the University agreed to pay monthly rent payments of \$39,700, which approximate the related monthly mortgage and quarterly principal and interest payments.

In fiscal year 2015, the lease agreement was amended to include the issuance of additional long-term debt as disclosed in Note 5. The lease inception date was November 25, 2013 with an expiration date that coincides with the maturities of the mortgage (November 26, 2023) and note (January 1, 2025).

Lease for The Flats Apartments

The Financing Corporation has included The Flats in the Student Housing. The lease inception date was November 1, 2016. In accordance with the Lease Agreement, the Flats debt will be serviced as part of the Student Housing Series 2016 debt service schedule. See above paragraph regarding Student Housing debt service schedule.

The Financing Corporation recognized \$4,852,453 of interest revenue and \$6,644,604 of lease revenue, for a total \$11,497,057 of lease-related revenue for the year ended June 30, 2022. Future minimum rents under non-cancelable operating leases to be received as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	\$ 6,778,373	\$ 4,606,106	\$ 11,384,479
2024	6,965,180	4,296,372	11,261,552
2025	7,023,181	3,978,320	11,001,500
2026	6,210,520	3,698,359	9,908,878
2027	6,522,463	3,407,253	9,929,715
2028-2032	31,189,670	12,614,987	43,804,657
2033-2037	31,154,132	5,078,332	36,232,465
2038	5,971,263	178,709	6,149,971
Total Receipts	<u>\$ 101,814,782</u>	<u>\$ 37,858,438</u>	<u>\$ 139,673,217</u>

THE UNIVERSITY OF NORTH FLORIDA FINANCING CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

(7) **Concentration of Credit Risk:**

The Financing Corporation receives 100% of its operating revenue from the University.

(8) **Net Deficit Position:**

The Financing Corporation is currently in a significant net deficit position of approximately \$29.1 million at June 30, 2022. The debt is secured by assets that were transferred to the University, which resulted in a net deficit position to the Financing Corporation. The purpose of the Financing Corporation is to support the mission of the University; therefore, the results of operations were anticipated. In addition, the operating lease payments over the lease term are recognized as revenues, which will offset the net deficit position over the terms of the bonds.

**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**

Independent Auditors' Report

To the Board of Directors,
The University of North Florida Financing Corporation, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of North Florida Financing Corporation, Inc. (the Financing Corporation), a direct support organization and component unit of the University of North Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Financing Corporation's basic financial statements, and have issued our report thereon dated September 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Financing Corporation's internal control over financial reporting (internal control) as a basis for designing 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 the Financing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Financing Corporation'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financing Corporation'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 financial statements. 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 7, 2022