

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

Financial Statements
and
Independent Auditor's Reports

For the Fiscal Years Ended June 30, 2024 and 2023

CONTENTS

Independent Auditor's Report	1-2
Required Supplementary Information:	
Management's Discussion and Analysis.....	3-4
Financial Statements:	
Statements of Net Position.....	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows.....	7-8
Notes to Financial Statements.....	9-13
Supplementary Information	
Schedules of Functional Expenses.....	14
Additional Elements Required by Rules of the Auditor General:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Foundation Seed Producers, Inc.

August 30, 2024

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Florida Foundation Seed Producers, Inc. (the Organization), a direct-support organization and component unit of the University of Florida, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Florida Foundation Seed Producers, Inc. and do not purport to, and do not, present fairly the financial position of the University of Florida, as of June 30, 2024 and 2023, the respective changes in financial position, or the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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

Management is responsible for the preparation and fair presentation of the 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 Organization'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.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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.

Report on the Audit of the Financial Statements (concluded)

Auditor's Responsibilities for the Audit of the Financial Statements (concluded)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Organization'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 Organization'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 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024 on our consideration of the Organization's internal control over financial reporting (internal control) and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance.

Kattell and Company, P.L.

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

- Albert Einstein

Management's Discussion and Analysis

June 30, 2024 and 2023

Florida Foundation Seed Producers, Inc.

A Component Unit of the University of Florida

This discussion and analysis of the financial performance of Florida Foundation Seed Producers, Inc. (the Organization) provides an overview of the Organization's financial activities for the fiscal years ended June 30, 2024 and 2023. Please read it in conjunction with the Organization's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2024:

- The Organization's overall net position increased by \$652,241, which is about 4.4%.
- Total ending unrestricted net position was \$8,227,803.
- The Organization had total operating expenses for the year of \$21,120,380, operating revenues of \$22,014,970, and net non-operating expenses in excess of revenues of \$242,349.
- The Organization processed seed stocks produced on 940 and 1,098 acres in 2024 and 2023, respectively, and collected royalties related to 586 and 512 licenses in 2024 and 2023, respectively.

The following are various financial highlights for fiscal year 2023:

- The Organization's overall net position increased by \$299,575, which is about 2%.
- Total ending unrestricted net position was \$7,845,813.
- The Organization had total operating expenses for the year of \$18,143,836, operating revenues of \$18,628,110, and net non-operating expenses in excess of revenues of \$184,699.
- The Organization processed seed stocks produced on 1,098 and 972 acres in 2023 and 2022, respectively, and collected royalties related to 512 and 540 licenses in 2023 and 2022, respectively.

REQUIRED FINANCIAL STATEMENTS

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

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

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

Notes to Financial Statements. The notes provide additional information.

CONDENSED FINANCIAL INFORMATION

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

	2024	2023	2022
Net Position			
Assets:			
Non-capital Assets	\$ 16,767,670	\$ 16,691,185	\$ 17,731,359
Capital Assets, Net	7,207,290	6,937,039	7,137,753
Total Assets	23,974,960	23,628,224	24,869,112
Liabilities:			
Current Liabilities	8,391,553	8,659,049	10,151,303
Deferred Inflows:			
Leases	148,314	186,323	234,532
Net Position:			
Net Investment in Capital Assets	7,207,290	6,937,039	7,137,753
Unrestricted	8,227,803	7,845,813	7,345,524
Total Net Position	\$ 15,435,093	\$ 14,782,852	\$ 14,483,277

Management's Discussion and Analysis
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

CONDENSED FINANCIAL INFORMATION (concluded)

	2024	2023	2022
Change in Net Position			
Operating Revenue:			
Sales of seed	\$ 2,323,391	\$ 2,259,382	\$ 2,032,796
Royalties	19,658,305	16,324,600	18,099,289
Other	33,274	44,128	168,443
Total Revenues	<u>22,014,970</u>	<u>18,628,110</u>	<u>20,300,528</u>
Operating Expenses:			
Cost of seed sold	2,340,385	2,565,884	2,077,716
Royalty expenses and distributions	17,757,345	14,723,825	16,308,049
Other expenses	1,022,650	854,127	764,128
Total Expenses	<u>21,120,380</u>	<u>18,143,836</u>	<u>19,149,893</u>
Excess of Revenues over Expenses	894,590	484,274	1,150,635
Non-operating revenues and expenses, net	<u>(242,349)</u>	<u>(184,699)</u>	<u>(18,036)</u>
Change in Net Position	652,241	299,575	1,132,599
Beginning Net Position	<u>14,782,852</u>	<u>14,483,277</u>	<u>13,350,678</u>
Ending Net Position	<u>\$ 15,435,093</u>	<u>\$ 14,782,852</u>	<u>\$ 14,483,277</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Organization engaged in capital acquisitions during the year. These additions included a new combine and the replacement of the peanut cleaner in its warehouse. Refer to the note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the Organization's capital asset activity.

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

ECONOMIC FACTORS

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

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

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

Statements of Net Position
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets:		
Cash:		
Non-Interest Bearing	\$ 17,060	\$ 8,038
Interest Bearing	15,804,628	12,233,149
Total Cash	15,821,688	12,241,187
Receivables:		
Royalties	358,327	3,793,065
Sales of Seed	137,770	236,537
Leases	164,525	196,769
Prepaid Expenses	165,170	41,062
Seed Inventory	65,580	113,253
Investment in Growing Crop	54,610	69,312
Capital Assets:		
Property, Plant & Equipment (Net)	7,207,290	6,937,039
Total Assets	23,974,960	23,628,224
Liabilities		
Current Liabilities:		
Accounts Payable	70,544	80,097
Accrued Employee Leave	81,368	85,478
Royalty Distributions Payable	8,239,641	8,493,474
Total Liabilities	8,391,553	8,659,049
Deferred Inflows		
Leases	148,314	186,323
Net Position		
Net Position		
Net invested in capital assets	7,207,290	6,937,039
Unrestricted	8,227,803	7,845,813
Total Net Position	\$ 15,435,093	\$ 14,782,852

See accompanying notes.

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2024 and 2023

Florida Foundation Seed Producers, Inc.

A Component Unit of the University of Florida

	<u>2024</u>	<u>2023</u>
Farm Income:		
Sale of Seed	\$ 2,323,391	\$ 2,259,382
Cost of Seed Sold	(2,340,385)	(2,565,884)
Gross Profit/(Loss) on Sales of Seed	(16,994)	(306,502)
USDA/FSA Distribution	--	22,707
Other Farm Income	33,274	21,421
Gross Profit – Farming Operations	16,280	(262,374)
Licensing/Royalty Income:		
Gross Revenues	19,658,305	16,324,600
Licensing Expenses	(620,971)	(278,829)
Breeder Distributions	(3,794,619)	(3,132,692)
Transfers to FAES	(13,341,755)	(11,312,304)
Net Royalty	1,900,960	1,600,775
Net Operating Revenues	1,917,240	1,338,401
Expenses:		
Licensing Program	738,520	581,967
Farming Program	91,756	106,851
Support Activities	192,374	165,309
Total Expenses	1,022,650	854,127
Net Operating Income	894,590	484,274
Non-operating Revenues:		
Interest Income	416,499	182,881
Rental Income – Office Space	29,843	46,072
Gain/(Loss) on Asset Disposals	(61,824)	45,730
Total Non-operating Revenues	384,518	274,683
Other Transfers:		
UF – Overhead Charge	3,202	3,202
Donations – UF Affiliates	623,665	456,180
Total Transfers Out	626,867	459,382
Change in Net Assets	652,241	299,575
Net Assets, Beginning	14,782,852	14,483,277
Net Assets, End	\$ 15,435,093	\$ 14,782,852

See accompanying notes.

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

	2024	2023
Cash Flows from Operating Activities		
Licensing and Royalties:		
Collections	\$ 23,093,043	\$ 18,265,165
Payments to FAES	(13,680,356)	(12,587,527)
Payments to Breeders	(3,709,851)	(3,444,374)
Payments of Expenses	(620,971)	(381,015)
Net Cash from Royalties	<u>5,081,865</u>	<u>1,852,249</u>
Seed Production and Sales:		
Sales of Seed	2,422,158	2,628,301
Seed costs:		
Contract Growers	(844,178)	(1,127,485)
Wages and Benefits	(399,004)	(370,272)
Seed, Plants, Fertilizer and Supplies	(65,384)	(136,920)
Seed Processing Costs	(39,696)	(54,948)
Equipment and Facilities Costs	(236,934)	(221,214)
Insurance	(124,317)	(128,919)
All Other Costs	(117,879)	(81,409)
Net Cash from Production and Sales of Seed	<u>594,766</u>	<u>507,134</u>
Other Operating Cash Flows:		
Other Collections	33,274	44,128
Wages and Benefits	(865,770)	(543,281)
Other Disbursements	(252,403)	(270,909)
Transfers	(626,867)	(459,382)
Net Cash Provided by Operating Activities	<u>3,964,865</u>	<u>1,129,939</u>
Cash Flows from Investing Activities		
Interest on Deposits and Receivables	404,040	167,593
Rental Income	36,537	54,922
Net Cash Provided by Investing Activities	<u>440,577</u>	<u>222,515</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Disposal of Property and Equipment	20,000	20,466
Capitalized Purchases of Property and Equipment	(844,941)	(259,460)
Net Cash Used by Capital and Related Financing Activities	<u>(824,941)</u>	<u>(238,994)</u>
Net Change in Cash	3,580,501	1,113,460
Cash, Beginning	<u>12,241,187</u>	<u>11,127,727</u>
Cash, End	<u>\$ 15,821,688</u>	<u>\$ 12,241,187</u>

- concluded on next page -

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida
(concluded)

	2024	2023
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 894,590	\$ 484,274
Depreciation – general	42,248	30,269
Depreciation – related to farm operations	450,618	455,169
Transfers	(626,867)	(459,382)
Changes in:		
Receivables	3,533,505	2,041,193
Prepaid expenses	(124,108)	83,673
Seed Inventory	47,673	10,537
Investment in growing crop	14,702	(20,989)
Payables	(13,663)	(74,005)
Royalty distribution payable	(253,833)	(1,420,800)
Net Cash Provided by Operating Activities	<u>\$ 3,964,865</u>	<u>\$ 1,129,939</u>

See accompanying notes.

Notes to Financial Statements
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 1 – NATURE OF THE ENTITY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

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

Cash

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

Receivables

Receivables consist of amounts due in accordance with royalty agreements for licensed technology and for sales of seed and seed products. Other receivables consist of amounts due to the Organization that arise in the normal course of business. The Organization records receivables at net realizable value. No allowance is provided since all receivables are deemed fully collectible.

Seed Inventory and Investment in Growing Crop

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

Notes to Financial Statements
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

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

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

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

Net Position

Net Position represents the difference between assets and liabilities and deferred inflows and is reported in three categories. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net Position is reported as *restricted* when there are limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The Organization reported no restricted net position at June 30, 2024 and 2023. The balance of Net Position is reported as *unrestricted*.

Revenue Recognition - Sale of Seed.

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

Revenue Recognition - Royalty and Research Income.

The Organization acts as the collection agent for FAES. In exchange for these services, the Organization receives ten percent of net collections (after deducting applicable expenses). FAES assigns its rights to seed varieties and nursery stock to the Organization. The Organization enters into contracts with licensees that grant certain production and distribution rights. In return for these contracts, the licensees pay a royalty, based on total sales, to the Organization. The Organization, in turn, makes distributions to FAES and inventors. In addition, the Organization serves as a collection agent for a limited number of research contracts. Royalty contracts require payment at least annually.

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

Royalties are received throughout the year. The Organization summarizes receipts for the two six-month periods ending December 31 and June 30. Distributions are made shortly thereafter. The amount reported on the Statement of Financial Position as Royalty Distribution Payable is the amount of distributions due from collections for the six-month periods ended June 30, 2024 and 2023.

Expense Allocations

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

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

Notes to Financial Statements
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Expense Allocations (concluded)

payroll. However, certain expenses are allocated to the functional categories based on an estimate of the purpose achieved by the expenditure.

Use of Estimates

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

NOTE 3 – LEASES

The Organization leased office space in Gainesville, Florida, to two tenants. The Organization recorded a lease receivable and deferred inflows for the net present value of expected future lease payments using an estimated incremental borrowing rate of 7%. Deferred inflows will be recognized as income on a straight-line basis over the lease terms. The lease term expired for Lease #1 and was not renewed. The following provides details:

	<u>Lease #1</u>	<u>Lease #2</u>
Original lease term date:	January 31, 2024	September 30, 2024
Options to renew:	None	Two three-year terms
Lessee reasonably certain to renew:	NA	Yes
Estimated lease term date:	January 31, 2024	September 30, 2030
For the year ended June 30, 2024:		
Lease revenue	\$ 6,712	\$ 30,442
Interest income	\$ 276	\$ 12,459

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 448,266	\$ --	\$ --	\$ 448,266
Construction in progress	68,519	21,187	--	89,706
Total	516,785	21,187	--	537,972
Capital assets being depreciated:				
Buildings	4,342,429	83,216	--	4,425,645
Farm equipment	1,844,255	257,037	--	2,101,292
Warehouse Equipment	3,694,828	448,385	119,221	4,023,992
Vehicles	156,879	--	--	156,879
Office Furniture & Equipment	42,200	3,365	--	45,565
Total	10,080,591	792,003	119,221	10,753,373
Accumulated depreciation:				
Buildings	881,222	120,004	--	1,001,226
Farm equipment	849,776	4,203	--	853,979
Warehouse equipment	1,864,927	342,875	69,148	2,138,654
Vehicles	32,210	23,395	--	55,605
Office furniture & equipment	32,202	2,389	--	34,591
Total	3,660,337	492,866	69,148	4,084,055
Net Capital Assets	\$ 6,937,039	\$ 320,324	\$ 50,073	\$ 7,207,290

Notes to Financial Statements
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 5 – CONCENTRATIONS

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

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

Accounts Receivable. The Organization's accounts receivable generally have a limited concentration of credit risk because of the dispersion of receivables from different individual farmers, farming organizations and geographies. However, at June 30, 2024, 64% of receivables from the sale of seed were due from three customers and 71% of royalty receivables were due from two licensees. At June 30, 2023, 56% of receivables from the sale of seed were due from two customers and 98% of royalty receivables were due from two licensees.

Revenues. The following table displays the percentage of total revenues received from the top three customers with respect to sales of seed and the top three licensees with respect to licensing/royalty income for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Sales of Seed	72%	70%
Licensing/Royalty Income	68%	72%

NOTE 6 – DEFINED CONTRIBUTION PENSION PLAN

The Organization makes contributions of 10% of salary to individual retirement accounts of all eligible employees under a Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement as authorized by Section 408(k) of the Internal Revenue Code. Retirement contributions for the years ended June 30, 2022, 2023 and 2024 were \$28,334, \$31,975 and \$29,554, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

University of Florida.

The Organization reimburses the University for the cost of certain employees who provide services on behalf of the Organization but who are employees of the University. Costs reimbursed include salary, taxes, benefits, and cell phone allowances. These costs were \$622,609 and \$550,645 for the years ended June 30, 2024 and 2023, respectively. These employees have offices off campus in an office building owned by the Organization.

The Organization utilizes certain administrative services of the University, including accounting, information technology, and human resources. For these services, for both of the years ended June 30, 2024 and 2023, the University charged the Organization a \$3,202 general administration and technology fee.

The Organization reported \$6,439,597 and \$6,074,184 royalties payable to the University of Florida at June 30, 2024 and 2023, respectively.

Board Members.

The Organization entered into the following transactions with organizations where board members held substantial ownership interests (> 35%) for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Receipts from royalties	\$ 70,722	\$ 53,319
Receipts from sales of seed	\$ 19,440	\$ --
Disbursements for purchases of services	\$ 4,926	\$ 51,769

Notes to Financial Statements
June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 8 – COMMITMENTS

The Organization entered into contracts totaling \$179,412 that were not completed by June 30, 2024. The Organization recognized expenditures of \$89,706 for construction in progress at June 30, 2024, leaving \$89,706 of contract commitments.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through August 30, 2024, which is the date the financial statements were available to be issued.

Schedules of Functional Expenses
For the Years Ended June 30, 2024 and 2023
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

	Program Services			Support Activities	Total
	Licensing	Farming			
2024					
Advertising and Marketing	\$ 4,256	\$ 4,257	\$ --	\$ 8,513	
Bad Debts	--	25	--	25	
Depreciation	27,067	7,590	7,591	42,248	
Dues and Memberships	19,171	2,458	4,248	25,877	
Insurance	3,671	479	6146	10,296	
Meeting Expense	38,111	--	9,075	47,186	
Other	998	128	222	1,348	
Office Supplies	28,066	3,598	6,218	37,882	
Payroll and Benefits – Employees	81,845	7,516	27,737	117,098	
Payroll – IFAS Agreement	461,474	60,485	98,495	620,454	
Accounting and Legal Services	--	--	23,846	23,846	
Repairs and Maintenance	11,524	1,477	2,553	15,554	
Telephone	5,158	669	1,120	6,947	
Royalty Expense	33,522	--	--	33,522	
Office Association Dues	4,817	631	1,028	6,476	
Property Tax - Rentals	9,733	1,276	2,076	13,085	
Utilities – Water and Electric	9,107	1,167	2,019	12,293	
Total	\$ 738,520	\$ 91,756	\$ 192,374	\$ 1,022,650	
2023					
Advertising and Marketing	\$ 2,305	\$ 2,306	\$ --	\$ 4,611	
Bad Debts	--	--	350	350	
Depreciation	20,886	4,238	5,145	30,269	
Dues and Memberships	16,280	3,303	4,011	23,594	
Insurance	5,189	1,053	1,278	7,520	
Meeting Expense	41,254	--	8,104	49,358	
Other	856	174	211	1,241	
Office Supplies	23,712	4,811	5,842	34,365	
Payroll and Benefits – Employees	41,759	6,960	30,526	79,245	
Payroll – IFAS Agreement	391,681	78,658	78,658	548,997	
Accounting and Legal Services	--	--	23,931	23,931	
Repairs and Maintenance	10,142	2,058	2,499	14,699	
Telephone	3,607	732	888	5,227	
Office Association Dues	5,320	313	626	6,259	
Property Tax - Rentals	11,144	656	1,311	13,111	
Utilities – Water and Electric	7,832	1,589	1,929	11,350	
Total	\$ 581,967	\$ 106,851	\$ 165,309	\$ 854,127	

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

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

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

August 30, 2024

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Florida Foundation Seed Producers, Inc. (the Organization) as of and for the year ended June 30, 2024, as listed in the table of contents, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated August 30, 2024.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kattell and Company, P.L.