

2024

University of Florida Development
Corporation

Financial Statements and
Independent Auditor's Report
Years Ended June 30, 2024 and 2023

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**UNIVERSITY OF FLORIDA
DEVELOPMENT CORPORATION**

YEARS ENDED JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of Florida Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the University of Florida Development Corporation (UFDC) which comprise the statement of net position as of June 30, 2024, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the fiscal year 2024 financial statements referred to above present fairly, in all material respects, the financial position of UFDC, as of June 30, 2024, and the related changes in net 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UFDC 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.

Prior Period Financial Statements

The financial statements of UFDC as of June 30, 2023, were audited by other auditors whose report dated November 28, 2023, expressed an unmodified opinion on those statements.

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 UFDC'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.

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INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibility 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards 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 UFDC'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 UFDC'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 the Management's Discussion and Analysis on pages 4 through 6 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

Board of Directors
University of Florida Development Corporation

INDEPENDENT AUDITOR'S REPORT

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2024, on our consideration of UFDC'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 UFDC's 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 UFDC's internal control over financial reporting and compliance.



December 10, 2024
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

**UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024, 2023 AND 2022**

JUNE 30, 2024

Introduction

The University of Florida Development Corporation (UFDC) is a non-profit entity that serves as a direct service organization of the University of Florida. The purpose of UFDC is to promote the sciences, technology, business, architecture, agriculture, engineering, and other areas that promote economic development. Management's Discussion and Analysis (MD&A) provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts for the fiscal years ended on June 30, 2024, 2023, and 2022 of UFDC and blended component unit Innovation Square, LLC, herein referred to as the "UFDC." The MD&A should be read in conjunction with the accompanying presented financial statements.

Financial Highlights

For the year ended June 30, 2024, UFDC's net position increased 80% due primarily to the debt forgiveness of \$5.3 million from Shands Teaching Hospital and Clinics, Inc. (Shands) in September 2023.

Overview of the Financial Statements and Financial Analysis

The financial section of this report consists of three parts: MD&A (this section), the financial statements, and notes to the financial statements.

The UFDC's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to an enterprise fund using an accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

Included in the financial statements are the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the related notes.

Financial Analysis of the UFDC Statements of Net Position

The statements of net position reflect the assets and liabilities of the UFDC, using the accrual basis of accounting, and present the financial position of the UFDC at a specified time. Assets less liabilities equal net position, which is one indicator of the UFDC's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the UFDC's financial condition.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024, 2023 AND 2022

The following schedule summarizes the UFDC's statement of net position as of June 30, 2024, 2023, and 2022:

	2024	2023	2022
Assets			
Current assets	\$ 5,044,653	\$ 5,395,141	\$ 4,896,569
Capital assets, net	7,965,303	8,426,809	8,724,349
Long-term lease receivable	4,596,193	4,893,533	6,312,414
Total assets	<u>\$ 17,606,149</u>	<u>\$ 18,715,483</u>	<u>\$ 19,933,332</u>
Liabilities			
Current liabilities	420,267	593,140	753,318
Non-current liabilities	182,633	5,540,446	5,075,709
Total liabilities	<u>602,900</u>	<u>6,133,586</u>	<u>5,829,027</u>
Deferred Inflow	<u>5,146,408</u>	<u>5,994,926</u>	<u>7,500,693</u>
Net Position			
Net investment in capital assets	7,965,303	3,284,775	3,741,528
Unrestricted	3,891,538	3,302,196	2,862,084
Total net position	<u>\$ 11,856,841</u>	<u>\$ 6,586,971</u>	<u>\$ 6,603,612</u>

Net position increased by \$5.3 million primarily due to the debt forgiveness of the note payable to Shands.

GASB 87

The GASB issued Statement No. 87 for fiscal years beginning after June 15, 2021, which requires UFDC to recognize lease assets on the statement of net position and to disclose information about leasing arrangements. See Note 10 for details from the implementation of this standard.

Capital Assets

At June 30, 2024, 2023, and 2022, respectively, the UFDC had \$15,905,628, \$15,522,600, and \$15,002,781 in capital assets, less accumulated depreciation of \$7,940,325, \$7,095,790, and \$6,278,432 for net capital assets of \$7,965,303, \$8,426,809 and \$8,724,349. Depreciation charges for the fiscal year ended June 30, 2024, 2023, and 2022 totaled \$844,535, \$817,358, and \$735,573, respectively.

Please refer to the notes to financial statements for additional explanation.

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the UFDC's revenue and expense activity, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. UFDC functions as a single enterprise fund. The primary source of operating revenues was from rental income, which accounted for 99% of operating revenues in fiscal year 2024, and 94% of operating revenues in fiscal year 2023. Operating expenses increased slightly primarily due to salaries, depreciation, and property maintenance. Non-operating revenues increased by \$5.5 million due primarily to the debt forgiveness of the note payable to Shands.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024, 2023 AND 2022

The following summarizes the UFDC's activity for the fiscal years ended June 30, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 2,006,180	\$ 2,175,161	\$ 2,169,717
Operating expenses	(2,403,133)	(2,332,421)	(2,301,157)
Operating loss	(396,953)	(157,260)	(131,440)
Non-operating revenues	5,666,826	140,619	154,916
Increase (decrease) in net position	<u>\$ 5,269,873</u>	<u>\$ (16,641)</u>	<u>\$ 23,476</u>

Statements of Cash Flows

The statement of cash flows provides information about the UFDC's financial results by reporting the major sources and uses of cash. This information will assist in evaluating the UFDC's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash provided by (used in) the operating activities of the UFDC. Cash flows from capital and related financing activities and investing activities include cash provided by and cash used in the acquisition of capital assets and interest income.

The following summarizes the UFDC's cash flows for the fiscal year ended June 30, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash flows from:			
Operating activities	\$ 68,857	\$ 565,221	\$ 412,439
Capital and related financing activities	(383,029)	(519,818)	(463,322)
Investing activities	353,990	343,078	-
Net increase in cash and cash equivalents	39,818	388,481	(50,883)
Cash and cash equivalents, beginning of year	3,014,774	2,626,293	2,677,176
Cash and cash equivalents, end of year	<u>\$ 3,054,592</u>	<u>\$ 3,014,774</u>	<u>\$ 2,626,293</u>

Economic Outlook

Innovation Square, a 25-acre development that bridges the main University of Florida (University) campus and downtown Gainesville, FL, will incorporate laboratory, light manufacturing (research related), retail, residential (multi-family/non-student oriented), and office space, and is planned as a "new urbanist" development to appeal to the growing cadre of citizens who desire an in-town experience and a live-work-play environment. This urban neighborhood will also accommodate spin-off companies primarily from University research and serve as a home for companies recruited to Gainesville nationally and internationally.

The outlook for this development is positive, with interest by developers and companies hoping to locate near the University. Innovation Square has attracted several new companies and, along with its community stakeholders, continues to recruit nationwide. Roads, utility infrastructure, pedestrian walkway, and a community park have been completed and will enable further development to proceed more smoothly. The location relative to the University should insulate the development from any potential economic downturn and the lack of viable commercial alternatives in the in-town area will make Innovation Square, with development ready parcels, the most attractive alternative.

Contacting the UFDC's Financial Management

If you have any questions about this report or need additional information, contact the UFDC's management at:

University of Florida Development Corporation
720 SW 2nd Avenue
Suite 108
Gainesville, Florida 32601

FINANCIAL STATEMENTS

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Current Assets		
Cash and Cash Equivalents	\$ 3,054,592	\$ 3,014,774
Accounts Receivable	10,754	38,673
Short-Term Lease Receivable	1,066,055	1,569,029
Interest Receivable	91,493	74,388
Due from Related-Party	811,998	687,038
Prepaid Expenses	9,761	11,239
Total Current Assets	5,044,653	5,395,141
Non-Current Assets		
Capital Assets not Being Depreciated:		
Land	2,320,284	2,320,284
Construction in Progress	16,155	111,197
Capital Assets, Net of Accumulated Depreciation:		
Land Improvements	167,237	133,152
Buildings and Improvements	5,449,661	5,862,176
Office Equipment	11,966	-
Long-Term Lease Receivable	4,596,193	4,893,533
Total Non-Current Assets	12,561,496	13,320,342
Total Assets	\$ 17,606,149	\$ 18,715,483

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts Payable	\$ 131,130	\$ 271,427
Intercompany Payables, Current	-	7,949
Accrued Property Taxes	179,239	146,420
Unearned Rental Revenue	81,263	143,612
Tenant Deposits Payable	3,467	3,467
Accrued Expenses and Liabilities, Current	25,168	20,265
Total Current Liabilities	420,267	593,140
Non-Current Liabilities		
Unearned Rental Revenue, Non-Current	182,633	244,715
Note Payable to Shands	-	5,295,731
Total Non-Current Liabilities	182,633	5,540,446
Total Liabilities	602,900	6,133,586
Deferred Inflows of Resources		
Leases	5,146,408	5,994,926
Net Position		
Net Investment in Capital Assets	7,965,303	3,284,775
Unrestricted	3,891,538	3,302,196
Total Net Position	11,856,841	6,586,971
Total Liabilities, Deferred Inflows, and Net Position	\$ 17,606,149	\$ 18,715,483

See accompanying notes.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Operating Revenues		
Rent	\$ 2,006,157	\$ 2,036,211
Other	23	138,950
Total Operating Revenues	<u>2,006,180</u>	<u>2,175,161</u>
Operating Expenses		
Professional Fees and Other Services	387,856	370,254
Utilities	271,847	329,061
Repairs and Maintenance	190,988	183,460
Memberships and Dues	223,457	211,714
Property Taxes	330,982	267,187
Insurance	11,831	12,428
Depreciation	844,535	817,358
Salaries	120,097	117,241
Other Operating Expenses	21,543	23,718
Total Operating Expenses	<u>2,403,136</u>	<u>2,332,421</u>
Operating Loss	<u>(396,956)</u>	<u>(157,260)</u>
Non-Operating Revenue		
Gain on Extinguishment of Debt	5,295,731	-
Interest Revenue	371,095	360,641
Interest Expenses	-	(220,022)
Total Non-Operating Revenue	<u>5,666,826</u>	<u>140,619</u>
Increase (Decrease) in Net Position	5,269,870	(16,641)
Net Position, Beginning of Year	<u>6,586,971</u>	<u>6,603,612</u>
Net Position, End of Year	<u><u>\$ 11,856,841</u></u>	<u><u>\$ 6,586,971</u></u>

See accompanying notes.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Rent Receipts	\$ 1,861,441	\$ 2,161,297
Other Receipts	23	138,950
Cash Paid to Vendors for Goods and Services	(1,792,607)	(1,735,026)
Net Cash Provided by Operating Activities	68,857	565,221
Cash Flows from Capital Financing Activities		
Purchase or Construction of Capital Assets	(383,029)	(519,818)
Net Cash Used in Capital Financing Activities	(383,029)	(519,818)
Cash Flows from Investing Activities		
Interest Revenue	353,990	343,078
Net Cash Provided by Investing Activities	353,990	343,078
Net Increase in Cash and Cash Equivalents	39,818	388,481
Cash and Cash Equivalents, Beginning of Year	3,014,774	2,626,293
Cash and Cash Equivalents, End of Year	\$ 3,054,592	\$ 3,014,774
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Loss	\$ (396,956)	\$ (157,260)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided by Operating Activities:		
Depreciation	844,535	817,358
Changes in Operating Assets and Liabilities:		
Accounts Receivable	27,919	168,786
Lease Receivable	800,314	1,330,790
Accounts Payable	(140,297)	74,648
Due to Related-Party	(7,949)	7,949
Due from Related-Party	(124,960)	(173,323)
Prepaid Assets and Other Expenses	1,478	100
Accrued Property Taxes	32,819	(8,602)
Unearned Rental Revenue	(124,431)	131,731
Tenant Deposits Payable	-	(454)
Accrued Liabilities	4,903	(120,735)
Deferred Inflows from Leases	(848,518)	(1,505,767)
Net Cash Provided by Operating Activities	\$ 68,857	\$ 565,221
Non-Cash Investing, Capital, and Financing Activities		
Extinguishment of Debt	\$ 5,295,731	\$ -

See accompanying notes.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

University of Florida Development Corporation (UFDC) is a not-for-profit entity organized March 28, 2011, for the purpose of promoting the educational mission and purposes of the University of Florida (the University) and promoting, managing, assisting, and developing research in the sciences, technology, business, architecture, agriculture, engineering, and any other fields that further such mission and educational purposes and promote economic development. UFDC is a direct support organization of the University as defined by Section 1004.28, Florida Statutes.

On August 13, 2012, Shands Teaching Hospital and Clinics, Inc. (Shands) formed Innovation Square, LLC, a manager managed, limited liability company for charitable, educational, and scientific purposes and exclusively to further the charitable purposes of its members, UFDC and Shands. On October 18, 2012, UFDC made a contribution of cash to the capital of Innovation Square, LLC. Shands had a 77.3% ownership and UFDC had a 22.7% ownership of Innovation Square, LLC. The members of Innovation Square, LLC's governing board are identical to those of UFDC's governing board, and UFDC is the managing member and vested with operational responsibility of Innovation Square, LLC. Innovation Square, LLC is a blended component unit of UFDC. On December 11, 2018, UFDC purchased from Shands its ownership interest to obtain 100% ownership of Innovation Square, LLC. Transactions between UFDC and Innovation Square, LLC have been eliminated from the accompanying financial statements.

UFDC is a discretely presented component unit of the University and is to be included in the University's Annual Financial Report (AFR).

UFDC is reported as a special purpose entity engaged in business type activities.

Basis of Accounting

The financial statements of UFDC have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recognized when they are incurred.

UFDC distinguishes operating revenues and expenses from non-operating and other items. Operating revenues are those revenues that are generated from the primary operations of UFDC. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of UFDC. All other expenses are reported as non-operating expenses.

UFDC follows Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities*, an amendment to GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose government engaged only in business-type activities, engaged only in governmental activities, or engaged in both governmental and business-type activities in their separately issued reports.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Cash and Cash Equivalents

UFDC considers all short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Capital Assets

Capital assets are stated at cost. Costs of \$2,000 or more are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The useful lives of these assets range from 5 to 25 years. When items of equipment and other property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Capital assets donated are reported at fair value at the time of the donation; however, capital assets donated by related organizations are recorded based on the net book value of these assets in the accounting records of the related organization on the date of donation.

Income Taxes

UFDC is a not-for-profit corporation established under the laws of the State of Florida and is generally exempt from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. Innovation Square, LLC, is a Florida limited liability corporation. While Innovation Square, LLC is not a tax exempt entity, it carries out its business activities in a manner consistent with the charitable, education and scientific purposes of its member, which is a not for profit corporation organized under Chapter 617, Florida Statutes, and is exempt from federal taxation. Therefore, no provision for income taxes has been made in the accompanying financial statements.

UFDC and Innovation Square, LLC file tax returns in the U.S. federal jurisdiction. UFDC and Innovation Square, LLC have reviewed and evaluated the relevant technical merits of each of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of UFDC and Innovation Square, LLC. UFDC's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Accounts Receivable

Accounts receivable, which represent unpaid rent and amounts due for reimbursement of construction costs, are stated at the amount management expects to collect from outstanding balances. No amounts due at June 30, 2024 or 2023, are considered to be uncollectible.

Revenue Recognition

UFDC recognizes revenue in the period in which revenue is earned.

Unearned Revenue

Current unearned revenues arise from receipt of rental income prior to the period earned. The unearned revenues are recognized as revenue in the period in which revenue is earned.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

UFDC has evaluated subsequent events through December 10, 2024, the date the financial statements were available to be issued. During the period from June 30, 2024 to December 10, 2024, UFDC did not have any material recognizable subsequent events.

Reclassification

Certain 2023 financial statement amounts have been reclassified to conform to the 2024 financial statement presentation.

Note 2 - Cash and Cash Equivalents

At June 30, 2024 and 2023, aggregate bank balances were \$3,054,592 and \$2,999,447, respectively. Deposits are maintained with commercial banks which are organized under the laws of the United States and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per FDIC-insured financial institution.

Note 3 - Capital Assets

Capital assets consist of the following at June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital Assets not Being Depreciated:				
Land	\$ 2,320,284	\$ -	\$ -	\$ 2,320,284
Construction in Progress	111,197	13,713	(108,755)	16,155
Total Capital Assets not Being Depreciated	2,431,481	13,713	(108,755)	2,336,439
Capital Assets Being Depreciated:				
Land Improvements	152,540	43,905	-	196,445
Building and Improvements	12,911,970	419,704	-	13,331,674
Moveable Equipment	26,609	14,462	-	41,071
Total Capital Assets Being Depreciated	13,091,119	478,071	-	13,569,190
Less: Accumulated Depreciation				
Land Improvements	(19,133)	(10,075)	-	(29,208)
Buildings and Improvements	(7,050,049)	(831,964)	-	(7,882,013)
Moveable Equipment	(26,609)	(2,496)	-	(29,105)
Total Accumulated Depreciation	(7,095,791)	(844,535)	-	(7,940,326)
Total Assets Being Depreciated, Net	5,995,328	(366,464)	-	5,628,864
Total Capital Assets, Net	\$ 8,426,809	\$ (352,751)	\$ (108,755)	\$ 7,965,303

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Capital assets consist of the following at June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets not Being Depreciated:				
Land	\$ 2,320,284	\$ -	\$ -	\$ 2,320,284
Construction in Progress	845,687	111,197	(845,687)	111,197
Total Capital Assets not Being Depreciated	3,165,971	111,197	(845,687)	2,431,481
Capital Assets Being Depreciated:				
Land Improvements	113,293	39,247	-	152,540
Building and Improvements	11,696,908	1,215,062	-	12,911,970
Moveable Equipment	26,609	-	-	26,609
Total Capital Assets Being Depreciated	11,836,810	1,254,309	-	13,091,119
Less: Accumulated Depreciation				
Land Improvements	(11,985)	(7,148)	-	(19,133)
Buildings and Improvements	(6,239,838)	(810,211)	-	(7,050,049)
Moveable Equipment	(26,609)	-	-	(26,609)
Total Accumulated Depreciation	(6,278,432)	(817,359)	-	(7,095,791)
Total Assets Being Depreciated, Net	5,558,378	436,950	-	5,995,328
Total Capital Assets, Net	\$ 8,724,349	\$ 548,147	\$ (845,687)	\$ 8,426,809

Note 4 - Notes Payable

UFDC issued a note payable to buyout the remaining interest that Shands held in Innovation Square, LLC on December 11, 2018. At June 30, 2024 and 2023, there is debt outstanding totaling \$0 and \$5,295,731, respectively. UFDC incurred \$0 and \$220,022 of interest expense during fiscal years ending June 30, 2024 and 2023, respectively, which was added to the note payable principal. Principal amounts will only be due and payable on an annual basis if UFDC meets the net cash balance threshold as determined by the agreement. Any remaining unpaid balance is due on June 30, 2039. There were no principal amounts due at June 30, 2024 or 2023, respectively.

In September of 2023, UFDC and Shands entered into an agreement whereby the remaining balance (\$5,295,731) of the note owed to Shands was forgiven. In consideration of the loan forgiveness between UFDC and Shands, the University of Florida Board of Trustees will provide Shands the long-term use of property located at 1600 SW 14th Street, Gainesville, Florida, comprising of 2.19 acres and all existing improvements.

Note 5 - Related-Party Transactions

Shands, other component units, and several departments within the University lease space in buildings owned by Innovation Square, LLC. Rent earned pursuant to leases with Shands and the University in fiscal years ended June 30, 2024 and 2023, totaled \$1,327,845 and \$1,141,334, respectively.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

The table below summarizes the related-party activity for fiscal years ended June 30, 2024 and 2023.

	2024		2023	
	Shands	University	Shands	University
Revenue	\$ 234,298	\$ 1,093,547	\$ 169,087	\$ 972,247

Note 6 - Construction Commitments

As of June 30, 2024, renovations are ongoing for several tenant suites. Costs incurred are currently presented as construction in progress on the statement of net position. UFDC estimates the cost to complete these renovations is approximately \$92,000.

Note 7 - Risk Management

UFDC purchased conventional commercial insurance coverage for potential exposures in the areas of property and general liability. This insurance was purchased from commercial insurers and is designed to insure against such risks and minimize UFDC's financial exposure.

Note 8 - Blended Component Unit

Condensed component unit information for Innovation Square, LLC, UFDC's blended component unit, as of and for the year ended June 30, 2024, is as follows:

Condensed Statement of Net Position				
	Innovation Square, LLC	University of Florida Development Corporation	Eliminations	Total Organization
Assets				
Current Assets	\$ 5,044,653	\$ 6,944,000	\$ (6,944,000)	\$ 5,044,653
Capital Assets, Net	7,965,303	-	-	7,965,303
Lease Receivable	4,596,193	-	-	4,596,193
Total Assets	17,606,149	6,944,000	(6,944,000)	17,606,149
Liabilities				
Current Liabilities	420,267	-	-	420,267
Non-Current Liabilities	182,633	-	-	182,633
Total Liabilities	602,900	-	-	602,900
Deferred Inflow	5,146,408	-	-	5,146,408
Net Position				
Net Investment in Capital Assets	7,965,303			7,965,303
Unrestricted	3,891,538	6,944,000	(6,944,000)	3,891,538
Total Net Position	\$ 11,856,841	\$ 6,944,000	\$ (6,944,000)	\$ 11,856,841

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Innovation Square, LLC	University of Florida Development Corporation	Eliminations	Total Organization
Operating Revenues	\$ 2,006,180	\$ -	\$ -	2,006,180
Depreciation Expense	(844,535)	-	-	(844,535)
Other Operating Expense	(1,558,601)	-	-	(1,558,601)
Operating Loss	(396,956)	-	-	(396,956)
Non-Operating Revenue	371,095	5,295,731	-	5,666,826
Non-Operating Expense	-	-	-	-
Increase (Decrease) in Position	(25,861)	5,295,731	-	5,269,870
Net Position, Beginning of Year	11,882,702	1,648,269	(6,944,000)	6,586,971
Net Position, End of Year	<u>\$ 11,856,841</u>	<u>\$ 6,944,000</u>	<u>\$ (6,944,000)</u>	<u>\$ 11,856,841</u>

Condensed Statement of Cash Flows

	Innovation Square, LLC	University of Florida Development Corporation	Eliminations	Total Organization
Net Cash Provided by (Used in)				
Operating Activities	\$ 68,857	\$ -	\$ -	68,857
Capital and Related Financing Activities	(383,029)	-	-	(383,029)
Investing Activities	353,990	-	-	353,990
Net Increase in Cash and Cash Equivalents	39,818	-	-	39,818
Cash and Cash Equivalents, Beginning of Year	3,014,774	-	-	3,014,774
Cash and Cash Equivalents, End of Year	<u>\$ 3,054,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,054,592</u>

Condensed component unit information for Innovation Square, LLC, UFDC's blended component unit, as of and for the year ended June 30, 2023, is as follows:

Condensed Statement of Net Position

	Innovation Square, LLC	University of Florida Development Corporation	Eliminations	Total Organization
Assets				
Current Assets	\$ 5,395,141	\$ 6,944,000	\$ (6,944,000)	5,395,141
Capital Assets, Net	8,426,809	-	-	8,426,809
Lease Receivable	4,893,533	-	-	4,893,533
Total Assets	18,715,483	6,944,000	(6,944,000)	18,715,483
Liabilities				
Current Liabilities	593,140	-	-	593,140
Non-Current Liabilities	244,715	5,295,731	-	5,540,446
Total Liabilities	837,855	5,295,731	-	6,133,586
Deferred Inflow	5,994,926	-	-	5,994,926
Net Position				
Net Investment in Capital Assets	8,149,604	-	(4,864,829)	3,284,775
Unrestricted	3,733,098	1,648,269	(2,079,171)	3,302,196
Total Net Position	<u>\$ 11,882,702</u>	<u>\$ 1,648,269</u>	<u>\$ (6,944,000)</u>	<u>\$ 6,586,971</u>

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Innovation Square, LLC	University of Florida Development Corporation	Eliminations	Total Organization
Operating Revenues	\$ 2,175,161	\$ -	\$ -	\$ 2,175,161
Depreciation Expense	(817,358)	-	-	(817,358)
Other Operating Expense	(1,515,063)	-	-	(1,515,063)
Operating Loss	(157,260)	-	-	(157,260)
Non-Operating Revenue	360,641	-	-	360,641
Non-Operating Expense	-	(220,022)	-	(220,022)
Increase (Decrease) in Position	203,381	(220,022)	-	(16,641)
Net Position, Beginning of Year	11,679,321	1,868,291	(6,944,000)	6,603,612
Net Position, End of Year	\$ 11,882,702	\$ 1,648,269	\$ (6,944,000)	\$ 6,586,971

Condensed Statement of Cash Flows

	Innovation Square, LLC	University of Florida Development Corporation	Eliminations	Total Organization
Net Cash Provided by (Used in)				
Operating Activities	\$ 740,198	\$ -	\$ -	\$ 740,198
Capital and Related Financing Activities	(351,717)	-	-	(351,717)
Net Increase in Cash and Cash Equivalents	388,481	-	-	388,481
Cash and Cash Equivalents, Beginning of Year	2,626,293	-	-	2,626,293
Cash and Cash Equivalents, End of Year	\$ 3,014,774	\$ -	\$ -	\$ 3,014,774

Note 9 - Condominium Association

Innovation Square, LLC is an ownership member of the Clarence T. Ayers Medical Plaza Condominium Association, Inc. (the Association) located at 720 SW 2nd Avenue, Gainesville, Florida. The Association is for the North Tower only of the Clarence T. Ayers Medical Plaza Building (the Building) and associated parking lots near the Building. Innovation Square, LLC owns approximately 85% of the property comprising the Association and is in the process of acquiring other units within the Building.

Note 10 - Operating Leases

In June 2017, the GASB issued Statement No. 87, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets on the statement of net position and disclosing key information about leasing arrangements.

UNIVERSITY OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Lease-Related Revenue		
Lease Revenue:		
Office Space	\$ 1,912,663	\$ 1,827,152
Total Lease Revenue	1,912,663	1,827,152
Interest Revenue	298,618	345,314
Total	<u>\$ 2,211,281</u>	<u>\$ 2,172,466</u>

Future lease revenue is as follows:

Years Ending June 30,	Principal	Interest	Total
2025	\$ 1,066,055	\$ 233,723	\$ 1,299,778
2026	1,002,643	188,279	1,190,922
2027	928,930	145,375	1,074,305
2028	612,334	104,976	717,310
2029	174,374	89,811	264,185
2030-2034	575,219	352,791	928,010
2035-2039	-	327,759	327,759
2040-2044	-	360,535	360,535
2045-2049	-	361,082	361,082
2050-2054	-	396,589	396,589
2055-2059	-	436,247	436,247
2060-2064	-	479,872	479,872
2065-2069	-	527,860	527,860
2070-2074	-	528,661	528,661
2075-2079	248,209	332,436	580,645
2080-2084	424,999	213,711	638,710
2085-2089	617,805	84,775	702,580
2090-2094	11,680	48	11,728
Total	<u>\$ 5,662,248</u>	<u>\$ 5,164,530</u>	<u>\$ 10,826,778</u>

OTHER REPORTS

**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**

Board of Trustees
University of Florida Development Corporation

We have audited, in accordance with the 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 University of Florida Development Corporation (UFDC), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net positions, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UFDC'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 UFDC's internal control. Accordingly, we do not express an opinion on the effectiveness of UFDC'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UFDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material

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**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***

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 non-compliance 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 UFDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UFDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 10, 2024
Gainesville, Florida

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