

UF HISTORIC ST. AUGUSTINE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

UF HISTORIC ST. AUGUSTINE, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
UF Historic St. Augustine, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the UF Historic St. Augustine, Inc., a component unit of the University of Florida, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise UF Historic St. Augustine, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

UF Historic St. Augustine, Inc.'s management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UF Historic St. Augustine, Inc. as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

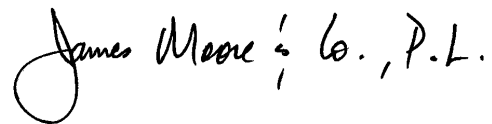
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of UF Historic St. Augustine, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UF Historic St. Augustine, Inc.'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 loop at the beginning of the word "James".

Gainesville, Florida
October 2, 2018

**UF HISTORIC ST. AUGUSTINE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017**

Introduction

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, 2018 and 2017, of UF Historic St. Augustine, Inc. (UFHSA). The MD&A should be read in conjunction with the accompanying presented financial statements.

In 2007, the State of Florida Legislature enacted Sections 267.1735 and 267.1736, Florida Statutes, which authorized the transfer of management and maintenance responsibilities of certain state-owned parcels in St. Augustine, FL to the University of Florida (University) and further authorized the University to establish a direct-support organization to assist it in carrying out its dual historic preservation and historic preservation education purposes and responsibilities for the City of St. Augustine, St. Johns County, FL, and the State of Florida (State). Pursuant to this, on June 11, 2010, the University Board of Trustees passed a resolution certifying UF Historic St. Augustine, Inc. as a direct-support organization. The sole purpose for UFHSA is to support the historic preservation efforts and historic preservation education programs and initiatives of the University.

The properties transferred by the State to the University comprise over 30 parcels and buildings. In addition, UFHSA agreed to lease certain additional historic properties from The Saint Augustine Historical Society. Collectively, the University and UFHSA now maintain and manage over 40 parcels in St. Augustine, FL.

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.

UFHSA'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 UFHSA

Statements of Net Position

The statements of net position reflect the assets and liabilities of UFHSA, using the accrual basis of accounting, and present the financial position of UFHSA at a specified time. Assets less liabilities equal net position, which is one indicator of UFHSA's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in UFHSA's financial condition. UFHSA's increase in noncurrent assets and net investment in capital assets is related to the documentary film. The documentary film, Secrets of Spanish Florida was completed and aired nationally on December 26, 2017 on PBS. The exclusive distribution rights for the film have been contractually granted to PBS for the next seven years.

UF HISTORIC ST. AUGUSTINE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017
(Continued)

The following schedule summarizes UFHSA's statements of net position as of June 30, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets	\$ 1,578,447	\$ 1,459,821	\$ 1,105,668
Noncurrent assets	1,739,157	1,236,166	1,087,109
Total assets	<u>\$ 3,317,604</u>	<u>\$ 2,695,987</u>	<u>\$ 2,192,777</u>
Liabilities			
Current liabilities	\$ 73,816	\$ 82,241	\$ 132,656
Total liabilities	<u>\$ 73,816</u>	<u>\$ 82,241</u>	<u>\$ 132,656</u>
Net Position			
Net investment in capital assets	\$ 1,739,157	\$ 1,236,166	\$ 1,087,109
Unrestricted	1,504,631	1,377,580	973,012
Total net position	<u>\$ 3,243,788</u>	<u>\$ 2,613,746</u>	<u>\$ 2,060,121</u>

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present UFHSA's revenue and expense activity categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. UFHSA functions as a single enterprise fund. The primary source of operating revenues was from rental income which accounted for 76%, 79% and 81% of operating revenues in fiscal years 2018, 2017 and 2016, respectively. Net other revenues included donations from the University related to the documentary film.

The following summarizes UFHSA's activities for the fiscal years ended June 30, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 846,916	\$ 801,454	\$ 778,312
Operating expenses	(492,213)	(384,679)	(363,187)
Operating income	354,703	416,775	415,125
Net other revenues (expenses)	275,339	136,850	(104,517)
Increase in net position	<u>\$ 630,042</u>	<u>\$ 553,625</u>	<u>\$ 310,608</u>

Statements of Cash Flows

The statements of cash flows provide information about UFHSA's financial results by reporting the major sources and uses of cash. These statements will assist in evaluating UFHSA'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 the operating activities of UFHSA. Cash flows from capital and related financing activities include cash provided by and cash used in the acquisition of capital assets. Cash flows from all other activities are shown as cash flows from noncapital financing activities.

UF HISTORIC ST. AUGUSTINE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017
(Continued)

The following summarizes UFHSA’s cash flows for the fiscal years ended June 30, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from:			
Operating activities	\$ 477,374	\$ 366,928	\$ 501,176
Noncapital financing activities	(107,418)	299,492	(174,945)
Capital and related financing activities	(257,404)	188,301	(277,388)
Net increase in cash and cash equivalents	<u>112,552</u>	<u>854,721</u>	<u>48,843</u>
Cash and cash equivalents, beginning of year	<u>999,417</u>	<u>144,696</u>	<u>95,853</u>
Cash and cash equivalents, end of year	<u>\$ 1,111,969</u>	<u>\$ 999,417</u>	<u>\$ 144,696</u>

Economic Outlook

Through state appropriations from the Florida Legislature for operations and maintenance along with lease revenues, and special appropriations for capital improvements, the University and UFHSA have been able to rehabilitate and protect many of the historic structures as well as repurpose some of the properties and stimulate economic activity. The “First Colony” exhibit moved into Governor’s House and as a result visitation continues to be strong. New renovations of the Governor’s House were initiated in 2018 and will be completed in 2019. The economic outlook for St. Augustine has been very strong, and visitor satisfaction is very positive.

Almost half of the University historic properties in St. Augustine are leased to commercial tenants that provide retail services. This market of tenants is very strong, and vacancies are usually filled in short order. The lease rates have been updated and reflect St. Augustine market rates. The outlook for the St. Augustine properties remains strong, and new programs are planned for the future that will further enhance the interpretation and delivery of a historic experience.

Requests for Information

If you have any questions about this report or need additional information, contact UFHSA’s management at:

UF Historic St. Augustine, Inc.
P.O. Box 113157
Gainesville, FL 32601

**UF HISTORIC ST. AUGUSTINE, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,105,519	\$ 995,667
Funds held with the University of Florida	450,000	450,000
Accounts receivable, net	16,478	10,404
Restricted cash and cash equivalents	6,450	3,750
Total current assets	1,578,447	1,459,821
Noncurrent assets		
Capital assets not being depreciated:		
Production in progress - documentary film	-	1,236,166
Capital assets		
Property and equipment, net of accumulated depreciation	7,393	-
Documentary film, net of accumulated amortization	1,731,764	-
Total noncurrent assets	1,739,157	1,236,166
Total assets	3,317,604	2,695,987
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	17,136	27,518
Sales tax payable	4,412	3,303
Unearned rent	25,330	27,890
Security deposits	26,938	19,573
Due to the University of Florida	-	3,957
Total liabilities	73,816	82,241
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	1,739,157	1,236,166
Unrestricted	1,504,631	1,377,580
Total net position	\$ 3,243,788	\$ 2,613,746

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

**UF HISTORIC ST. AUGUSTINE, INC.
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Operating revenues		
Rent	\$ 646,139	\$ 636,886
License fees	199,755	163,751
Fines and penalties	628	481
Other	394	336
Total operating revenues	846,916	801,454
Operating expenses		
Salaries and benefits	198,829	195,357
General and administrative	66,232	172,927
Depreciation and amortization	133,213	-
Repairs and maintenance	93,939	16,395
Total operating expenses	492,213	384,679
Operating income	354,703	416,775
Nonoperating revenues (expenses)		
Capital grants and donations	378,800	337,358
Contributions to the University of Florida	(103,461)	(200,508)
Total nonoperating revenues, net	275,339	136,850
Increase in net position	630,042	553,625
Net position , beginning of year	2,613,746	2,060,121
Net position , end of year	\$ 3,243,788	\$ 2,613,746

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

UF HISTORIC ST. AUGUSTINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Rent receipts	\$ 643,579	\$ 633,768
Receipts from licenses	193,681	164,289
Receipts from fines and penalties	628	391
Deposits received	7,365	2,132
Other receipts	394	335
Payments for personnel services	(198,829)	(195,357)
Payments to suppliers for goods and services	(169,444)	(238,630)
Net cash provided by operating activities	477,374	366,928
Cash flows from noncapital financing activities		
Transfer from the University of Florida	82,950	500,000
Contributions to the University of Florida	(190,368)	(200,508)
Net cash provided by (used in) noncapital financing activities	(107,418)	299,492
Cash flows from capital and related financing activities		
Capital grants and donations	378,800	337,358
Acquisition of capital assets	(636,204)	(149,057)
Net cash provided by (used in) capital and related activities	(257,404)	188,301
Net increase in cash and cash equivalents	112,552	854,721
Cash and cash equivalents, beginning of year	999,417	144,696
Cash and cash equivalents, end of year	\$ 1,111,969	\$ 999,417
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 354,703	\$ 416,775
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	133,213	-
Changes in assets and liabilities:		
Accounts receivable, net	(6,074)	568
Accounts payable	(10,382)	(51,703)
Sales tax payable	1,109	(1,563)
Unearned rent	(2,560)	(3,238)
Security deposits	7,365	2,132
Due to the University of Florida	-	3,957
Net cash provided by operating activities	\$ 477,374	\$ 366,928
Cash and cash equivalents are presented on the statements of net position as:		
Cash and cash equivalents	\$ 1,105,519	\$ 995,667
Restricted cash and cash equivalents	6,450	3,750
	\$ 1,111,969	\$ 999,417

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

UF HISTORIC ST. AUGUSTINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

(a) **Reporting entity**—UF Historic St. Augustine, Inc. (UFHSA) is a not-for-profit entity organized June 28, 2010, whose goals are to ensure the long-term preservation and interpretation of state-owned historic properties in St. Augustine, Florida through the historic preservation efforts and historic education programs and initiatives of the University of Florida (the University) that will be responsive to the State of Florida's (the State) needs for professionals in historic preservation, archaeology, cultural resources management, cultural tourism, and museum administration and will help meet the needs of St. Augustine and the State through educational internships and practicums.

UFHSA is a direct-support organization of the University, authorized pursuant to Section 267.1736, Florida Statutes, and is a component unit (for accounting purposes) of the University.

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

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of UFHSA 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.

UFHSA distinguishes operating revenues and expenses from nonoperating and other items. Operating revenues are those revenues that are generated from the primary operations of UFHSA. All other revenues are reported as nonoperating or other revenues. Operating expenses are those expenses that are essential to the primary operations of UFHSA. All other expenses are reported as nonoperating or other expenses.

UFHSA follows 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 governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

(c) **Cash and cash equivalents**—UFHSA 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. Restricted cash and cash equivalents represent amounts received as security deposits for residential tenants and held in a separate bank account for the benefit of the tenants at June 30, 2018 and 2017.

(d) **Capital assets**—Capital assets are stated at cost. Costs of \$5,000 or more are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. Depreciation and amortization are 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, or intangible assets are sold or retired, the related costs and accumulated depreciation or accumulated amortization 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.

UF HISTORIC ST. AUGUSTINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

(e) **Income taxes**—UFHSA 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.

UFHSA files informational tax returns in the U.S. federal jurisdiction. UFHSA has reviewed and evaluated the relevant technical merits of each of its 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 UFHSA. UFHSA's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(f) **Use of estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(g) **Accounts receivable**—Accounts receivable represent unpaid rent, late fees, and license fees and are stated at the amount management expects to collect from outstanding balances. There was no balance in the allowance for doubtful accounts at June 30, 2018 or 2017.

(h) **Recent accounting pronouncements**—In June 2017, the GASB issued Statement No. 87, *Leases* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019 and may be adopted early. UFHSA is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

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

At June 30, 2018 and 2017, aggregate bank balances were \$1,111,969 and \$1,000,917, respectively. Deposits are maintained with a commercial bank which is organized under the laws of the United States and is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for all accounts.

(a) **Custodial credit risk**—Custodial credit risk represents the potential loss of UFHSA's deposits in the event of a bank failure. At June 30, 2018 and 2017, all deposits were held by qualified public depositories and collateralized with securities held in Florida's multiple financial institution collateral pool. The State of Florida maintains control over the collateral requirements and authorizes certain financial institutions to act as depositories for governmental units. UFHSA does not have a policy for custodial credit risk.

(3) **Funds Held with the University of Florida – University Strategic Fund:**

Effective November 1, 2014, UFHSA entered into an agreement with the University where substantially all investments and excess operating cash is held by the University on behalf of UFHSA. All earnings, losses and associated fees related to these funds will be retained or paid by the University. Funds held with the University are available for immediate withdrawal.

UF HISTORIC ST. AUGUSTINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(4) Capital Assets:

Capital assets consist of the following at June 30, 2018:

	Balance July 1, 2017	Additions	Reclass	Deletions	Balance June 30, 2018
Capital assets not being depreciated/amortized:					
Production in progress – documentary film	\$ 1,236,166	\$ 628,811	\$ (1,864,977)	\$ -	\$ -
Total capital assets not being depreciated/amortized	<u>1,236,166</u>	<u>628,811</u>	<u>(1,864,977)</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated/amortized:					
Property and equipment	-	7,393	-	-	7,393
Documentary film	-	-	1,864,977	-	1,864,977
Total capital assets being depreciated/amortized	<u>-</u>	<u>7,393</u>	<u>1,864,977</u>	<u>-</u>	<u>1,872,370</u>
Less: Accumulated depreciation/amortization:					
Property and equipment	-	-	-	-	-
Documentary film	-	(133,213)	-	-	(133,213)
Total accumulated depreciation/amortization	<u>-</u>	<u>(133,213)</u>	<u>-</u>	<u>-</u>	<u>(133,213)</u>
Total capital assets being depreciated/amortized, net	<u>-</u>	<u>(125,820)</u>	<u>1,864,977</u>	<u>-</u>	<u>1,739,157</u>
Total capital assets, net	<u>\$ 1,236,166</u>	<u>\$ 502,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,739,157</u>

Capital assets consist of the following at June 30, 2017:

	Balance July 1, 2016	Additions	Reclass	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Production in progress	\$ 1,087,109	\$ 149,057	\$ -	\$ -	\$ 1,236,166
Total capital assets	<u>\$ 1,087,109</u>	<u>\$ 149,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,236,166</u>

(5) Related Party Transactions:

UFHSA has no employees but pays for services rendered to UFHSA by employees of the University. During the fiscal years 2018 and 2017, UFHSA transferred \$230,000 and \$191,400, respectively, to reimburse the University for the salary and benefit costs of the University employees. Actual expenses incurred for personnel services provided to UFHSA totaled \$198,829 and \$195,357, in fiscal years 2018 and 2017, respectively. The excess of amounts transferred over expenses at June 30, 2018, of \$31,170 is reported on the statements of revenues, expenses and changes in net position as a portion of the total contributions to the University of Florida of \$103,461. The deficit of amounts transferred over actual expenses at June 30, 2017, of \$3,957 is reported on the statements of net position as due to University of Florida.

UF HISTORIC ST. AUGUSTINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(5) **Related Party Transactions:** (Continued)

In fiscal years 2018 and 2017, the University assessed UFHSA an administrative overhead charge in the amount of \$26,099 and \$16,153, respectively, for providing personnel services to UFHSA.

In the fiscal year ended June 30, 2018, UFHSA transferred \$106,099 to the University for expenses related to the Government House landscape project.

In the fiscal year ended June 30, 2017, UFHSA transferred \$41,560 to the University to support the George A. Smathers Libraries digitization project, \$66,125 for expenses related to the Government House landscape project, \$82,950 for expenses related to roof replacement projects, and \$35,190 for general research program support provided by the College of Design, Planning, and Construction.

UFHSA purchased various planning and project management services, transcription services, permits, telecommunication services, postage, and photography services from the University at a cost of \$27,000 in both the fiscal years ended June 30, 2018 and June 30, 2017.

The table below summarizes the related party activity with the University for fiscal years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Revenue and transfers	\$ 82,950	\$ 500,000
Expenses	\$ 358,028	\$ 460,558
Assets	\$ 450,000	\$ 450,000
Liabilities	\$ -	\$ 3,957

(6) **Operating Leases:**

Pursuant to Section 267.1735, Florida Statutes, the Florida Board of Trustees of the Internal Improvement Trust Fund leased various state-owned properties in St. Augustine to the University. UFHSA is authorized by law and permitted by the University to operate the state-owned facilities including the renting or leasing of the facilities. At June 30, 2018, UFHSA had non-cancellable operating leases with 18 commercial tenants and 4 residential tenants. Future minimum rentals on non-cancellable leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 579,056
2020	556,665
2021	127,261
2022	53,364
2023	37,885
Total future minimum rentals	<u>\$ 1,354,231</u>

(7) **Subsequent Events:**

UFHSA evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 2, 2018, the date the financial statements were available to be issued.

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

To the Board of Directors
UF Historic St. Augustine, Inc.

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 UF Historic St. Augustine, Inc. (UFHSA) which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended and the related notes to the financial statements and have issued our report thereon dated October 2, 2018.

Internal Control Over Financial Reporting

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

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

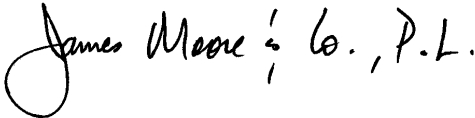
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UFHSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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 UFHSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UFHSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Gainesville, Florida
October 2, 2018