

# 2020

Cattle Enhancement Board, Inc.

Financial Statements  
and Independent Auditor's Report

June 30, 2020

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

**CATTLE ENHANCEMENT BOARD, INC.  
KISSIMMEE, FLORIDA**

**JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cattle Enhancement Board, Inc.  
Kissimmee, Florida

We have audited the accompanying financial statements of the business-type activities of Cattle Enhancement Board, Inc. (the Board), a component unit of the University of Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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.

### **Auditor's Responsibility**

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

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Board of Directors  
Cattle Enhancement Board, Inc.  
Kissimmee, Florida

## INDEPENDENT AUDITOR'S REPORT

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Substantial Doubt about the Organization's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Board will continue as a going concern. As discussed in Note 5 to the financial statements, the Board does not expect to receive any funding for the 2020-21 fiscal year, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the Board's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **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 4 and 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.

Board of Directors  
Cattle Enhancement Board, Inc.  
Kissimmee, Florida

## INDEPENDENT AUDITOR'S REPORT

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of the Board'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 the Board'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 the Board's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style with a large initial "P".

November 18, 2020  
Gainesville, Florida

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INTRODUCTION**

The University of Florida Cattle Enhancement Board, Inc. (the Board) discussion and analysis is designed to assist the reader in focusing on significant issues, provide an overview of the financial activities, identify changes in financial position, identify any material deviations from the financial plan, and identify issues and concerns. Since the Management's Discussion and Analysis is intended to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements attached.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements include the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, which provide information about the activities of the Board, and present a long-range view of the Board's financial position. The Statement of Cash Flows provides information regarding cash used in activities of the Board.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Since these notes are an integral part of the financial statements, they should be read in conjunction with the financial statements in order for the reader to have a clear understanding of the Board's activities and performance.

### **FINANCIAL ANALYSIS**

#### **THE STATEMENT OF NET POSITION**

The Statement of Net Position reflects the assets and liabilities of the Board, using the accrual basis of accounting, and presents the financial position of the Board at a specified time. Net position, the difference between total assets and total liabilities, is one indicator of the Board's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Board's financial condition. The following summarizes the Board's assets, liabilities, and net position at June 30:

	<b>Net Position</b>	
	<b>2020</b>	<b>2019</b>
Total Assets	\$ 448,738	\$ 485,902
Total Liabilities	\$ 448,326	\$ 485,567
<b>Net Position</b>	<b>\$ 412</b>	<b>\$ 335</b>

Total assets decreased by \$37,164. The biggest component of this change was due to a decrease in due from State Appropriations in the amount of \$61,107 and an increase in cash and cash equivalents by \$23,443.

#### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during each year. The revenues and expenses are related to providing services related to cattle research projects.

## MANAGEMENT DISCUSSION AND ANALYSIS

	<u>Change in Net Position</u>	
	<u>2020</u>	<u>2019</u>
Revenues	\$ 639,082	\$ 998,687
Expenses	\$ 639,005	\$ 998,352
Change in Net Position	<u>\$ 77</u>	<u>\$ 335</u>

The revenue decreased by \$359,605 due to reduction in state appropriations funding. The expenses decreased proportionally due to funding decrease by \$359,347. Decrease is related to cattle research projects, cattle marketing and promotion, administrative expenses, and professional services.

### **SUMMARY OF CASH FLOWS**

The decrease in cash flow in the current year is due to impact of reduced state appropriations funding for Cattle Research projects.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The Board has not received funding from the Florida Department of Agriculture and Consumer Services Division of Administration for the 2020-21 fiscal year due to reduction in State funding towards this program. Future funding is dependent on legislative actions; however, the Board will continue to disburse remaining available funding in FY21.

The global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020, and a national emergency by the President of the United States on March 13, 2020. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. There have been some early signs of improving economic conditions; however, the extent and duration of the pandemic and related economic volatility remains unclear.

### **CONTACTING MANAGEMENT**

This financial narrative is designed to provide you with a general overview of the Board's finances and to show accountability for the various revenues we receive. If you have questions about this report or need additional financial information, please contact the Board's office at (863)287-8591.

**CATTLE ENHANCEMENT BOARD, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2019**  
**KISSIMMEE, FLORIDA**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash	\$ 116,584	\$ 93,141
Account Receivable	500	-
Due from State Appropriations	331,654	392,761
<b>Total Current Assets</b>	<b>448,738</b>	<b>485,902</b>
 <b>Total Assets</b>	 <b>448,738</b>	 <b>485,902</b>

**LIABILITIES AND NET POSITION**

**Liabilities and Net Position**

**Current Liabilities**

Due to Grantees	448,326	485,567
<b>Total Current Liabilities</b>	<b>448,326</b>	<b>485,567</b>

**Net Position**

Unrestricted	412	335
<b>Total Net Position</b>	<b>412</b>	<b>335</b>

<b>Total Liabilities and Net Position</b>	<b>\$ 448,738</b>	<b>\$ 485,902</b>
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See accompanying notes.



**CATTLE ENHANCEMENT BOARD, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2020,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2019**  
**KISSIMMEE, FLORIDA**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
State Appropriations	\$ 638,582	\$ 998,352
<b>Total Operating Revenues</b>	<u>638,582</u>	<u>998,352</u>
<b>Operating Expenses</b>		
Cattle Research Projects	480,150	783,449
Cattle Marketing and Promotion	76,680	104,635
Administrative Expenses	56,752	94,014
Professional Services	25,001	16,254
Bank Fees and Financial Charges	422	-
<b>Total Operating Expenses</b>	<u>639,005</u>	<u>998,352</u>
<b>Net Operating Income (Loss)</b>	<u>(423)</u>	<u>-</u>
<b>Non-Operating Revenues</b>		
Interest and Other Revenue	500	335
<b>Total Non-Operating Revenues</b>		
<b>Change in Net Position</b>	<u>77</u>	<u>335</u>
<b>Net Position, Beginning of Year</b>	<u>335</u>	<u>-</u>
<b>Net Position, End of Year</b>	<u>\$ 412</u>	<u>\$ 335</u>

See accompanying notes.

**CATTLE ENHANCEMENT BOARD, INC.**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2020,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2019**  
**KISSIMMEE, FLORIDA**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Cash Receipts from Grantors	\$ 699,189	\$ 714,082
Cash Payments to Suppliers	(676,246)	(865,161)
<b>Net Cash Provided by (Used in) Operating Activities</b>	22,943	(151,079)
<b>Cash Flows from Investing Activities</b>		
Interest Received	500	335
<b>Net Cash Provided by Investing Activities</b>	500	335
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	23,443	(150,744)
<b>Cash and Cash Equivalents, Beginning of Year</b>	93,141	243,885
<b>Cash and Cash Equivalents, End of Year</b>	\$ 116,584	\$ 93,141
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>		
Operating Income	\$ (423)	\$ -
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities:		
Change in Assets - Increase (Decrease) and Liabilities - Increase (Decrease):		
Account Receivable	(500)	2,533
Due from State Appropriations	61,107	(286,803)
Due to Grantees	(37,241)	133,191
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ 22,943	\$ (151,079)

See accompanying notes.

**CATTLE ENHANCEMENT BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**KISSIMMEE, FLORIDA**

**Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

**Reporting Entity**

The University of Florida Cattle Enhancement Board, Inc. (the Board) is a direct support organization as provided for in Section 1004.28, Florida Statutes, and is considered a component unit of the University of Florida. The Board was formed as a not-for-profit organization in the State of Florida to promote the Florida cattle industry, including but not limited to production, disease prevention, forage development, and genetic research and to make contributions to and confer benefits upon the University of Florida.

**Basis of Accounting**

The Board's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements are entirely those of the Board alone and, accordingly, are not intended to present the financial position or the results of operations of the University of Florida. Pursuant to Florida Senate Bill 4, the Board's financial statement presentation follows the recommendations contained under guidance provided by the Governmental Accounting Standards Board (GASB) Statement No. 29.

Under GASB Statement No. 35, for financial reporting purposes, the Board is considered a special purpose government engaged only in business-type activities

**Classification of Revenues**

The Board classifies its revenues as operating or non-operating according to the following criteria:

- **Operating Revenues**  
Include activities that have the characteristics of exchange transactions, such as grant revenue.
- **Non-Operating Revenues**  
Include activities that have characteristics of non-exchange transactions, such as investment income.

**Net Position**

The Board's net position is classified as follows:

- **Unrestricted**  
Represents net position that is not restricted for any purpose and available for current operations. All of the Board's net position is unrestricted.

**Donated Services**

The Board occupies office space at the Florida Cattlemen Association office and is assisted by employees of the University of Florida. The Board also receives donated services from the officers and members of the Board of Directors. Since there is no clearly measurable basis to value these contributed services and facilities, no value for such services and facilities is recorded in the accompanying financial statements.

**Cash**

Cash represents deposits held with financial institutions.

**CATTLE ENHANCEMENT BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**KISSIMMEE, FLORIDA**

**Due from State Appropriation**

Due from state appropriations consist of amounts due to the Board from the state in accordance with executed contracts with the Florida Department of Agriculture and Consumer Services Division of Administration. Amounts due represent reimbursement request for expenses incurred before June 30, 2020.

**Due to Grantees**

Due to Grantees consists of amounts due to grantees or contract vendors for expenses incurred as of June 30, 2020.

**Capital Assets**

All capital assets purchased through grant funded projects are approved by the Board and recorded by the organization conducting the research project. The Board does not include these capital assets on their statement of net position and the costs of additions incurred by the Board are expensed as incurred.

**Revenues**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions.

**Concentration of Income Sources**

During 2020, the Board received 100% of its total revenue from two contracts with the Florida Department of Agriculture and Consumer Services Division of Administration.

**Income Taxes**

The Board is currently exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expenses. The Board's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after they are filed.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Board is subject to U.S. federal or state income tax examinations for the previous three years. If applicable, the Board would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense.

**Use of Estimates in the Preparation of Financial Statements**

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 reported period. Actual results could differ from those estimates.

**CATTLE ENHANCEMENT BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**KISSIMMEE, FLORIDA**

**Prior Year Comparative Totals**

The financial statements include certain prior year summarized comparative information in total, but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's financial statements and notes for the year ended June 30, 2019, from which summarized information was derived.

**Note 2 - Cash and Deposits**

The carrying amount of deposits with the bank was \$116,584, and the related bank balance was \$116,584 as of June 30, 2020.

**Note 3 - Related-Party Transactions**

Both the University of Florida and the Board share a common focus on improving the Florida cattle industry. The University of Florida provides certain administrative services to the Board and is also the recipient of funding for various cattle related research projects. In 2020, the Board incurred \$66,752 in administrative expenses and \$480,151 in research project expenses payable to the University of Florida. At June 30, 2020, the Board reported due to grantee to the University of Florida of \$401,808.

**Note 4 - Risk and Uncertainty – COVID-19**

A novel strain of coronavirus (COVID-19) was first identified in December 2019, and was subsequently declared a pandemic by the World Health Organization during the first quarter of 2020. The outbreak of COVID-19 has caused significant volatility in U.S. and international economic conditions. There have been some early signs of improving economic conditions; however, the extent and duration of the pandemic and related economic volatility remains unclear.

**Note 5 - Going Concern**

The Board does not expect to receive new funding from the Florida Department of Agriculture and Consumer Services Division of Administration for the 2020-21 fiscal year. Since this is the Board's only revenue source, the loss of this funding raises substantial doubt about the Board's ability to continue as a going concern within one year from the issuance of these financial statements.

**Note 6 - Subsequent Events**

In preparing these financial statements, the Board has evaluated events and transactions for potential recognition or disclosure through November 18, 2020, the date the financial statements were available to be issued.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES**

**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 Directors  
Cattle Enhancement Board, Inc.  
Kissimmee, Florida

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 Cattle Enhancement Board, Inc. (the Board), a non-profit organization, which comprise the statement of net position as of June 30, 2020, and 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, and have issued our report thereon dated November 18, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board’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 the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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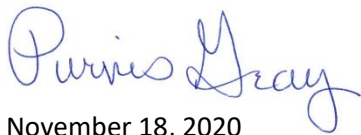
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board'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 effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 the Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 18, 2020  
Gainesville, Florida



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