

**UNIVERSITY OF FLORIDA
INVESTMENT CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
JUNE 30, 2021 AND 2020
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INDEPENDENT AUDITORS' REPORT

The Board of Directors,
University of Florida Investment Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Florida Investment Corporation (UFICO), a direct support organization and component unit of the University of Florida, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the UFICO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

UFICO'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 audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UFICO as of June 30, 2021 and 2020, 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.

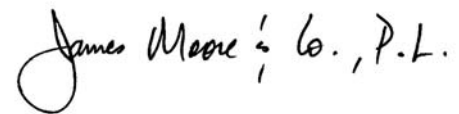
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 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 a report dated August 30, 2021 on our consideration of UFICO's internal control over financial reporting and 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 UFICO'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, flowing style.

Gainesville, Florida
August 30, 2021

**UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021 AND 2020**

INTRODUCTION

The University of Florida Investment Corporation (UFICO), a not-for-profit corporation, is a direct support organization of the University of Florida (UF). UFICO is self-supporting, and does not receive any State support. UFICO's purpose is to promote the educational purposes of UF by providing investment research, advice, counsel, and management to UF and affiliated organizations.

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an overview of UFICO's financial performance as of and for the fiscal year ended June 30, 2021 with comparative information as of and for the fiscal years ended June 30, 2020 and 2019, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statement Nos. 37, 38, 63, and 65. The MD&A, the financial statements, and the notes thereto are the responsibility of UFICO management.

Pursuant to GASB Statement No. 63, UFICO's financial report includes three basic financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position consist of current and non-current assets and liabilities. The Statements of Revenues, Expenses and Changes in Net Position characterize revenues and expenses as either operating or non-operating. Finally, the Statements of Cash Flows consist of cash flows from operating, capital and related financing, and investing activities.

SUMMARY OF NET POSITION

The Statements of Net Position reports all financial and capital resources of UFICO at the end of the fiscal year. Net position over time can be a useful indicator of an entity's financial position. The condensed Statements of Net Position follows:

UFICO's Net Position

	June 30, 2021	June 30, 2020	June 30, 2019
Current assets	\$ 3,129,947	\$ 2,895,132	\$ 2,262,515
Long term assets	2,039,038	1,838,113	1,708,177
Total assets	<u>5,168,985</u>	<u>4,733,245</u>	<u>3,970,692</u>
Current liabilities	3,271,835	2,441,479	2,239,399
Long term liabilities	1,783,277	1,540,074	1,568,519
Total liabilities	<u>5,055,112</u>	<u>3,981,553</u>	<u>3,807,918</u>
Total net position	<u>\$ 113,873</u>	<u>\$ 751,692</u>	<u>\$ 162,774</u>

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021 AND 2020
(Continued)

Highlights

UFICO's total assets exceeded total liabilities as of June 30, 2021, 2020 and 2019 by \$113,873, \$751,692 and \$162,774, respectively.

UFICO's total assets increased by \$435,740 or 9.2% in 2021. The biggest component of this change was an increase in cash and cash equivalents, which increased by \$261,272, mainly due to cash provided by operating activities. UFICO's total assets increased by \$762,553 or 19.2% in 2020. The biggest component of this change was also an increase in cash and cash equivalents, which increased by \$333,786, which was also due to cash provided by operating activities.

In addition, total liabilities increased by \$1,073,559 or 27.0% in 2021. The increase was primarily attributable to accrued expenses related to the current incentive compensation plan as the investment performance was strong for the fiscal year ended June 30, 2021 resulting in higher incentive compensation compared to the prior fiscal year. Total liabilities increased by \$173,635 or 4.6% in 2020. The increase was primarily attributable to accrued expenses related to the leasehold improvements in the prior year.

At June 30, 2021, UFICO had \$402,929 in capital assets, less accumulated depreciation of \$147,168 for net capital assets of \$255,761. Depreciation charges for the current fiscal year totaled \$42,143. At June 30, 2020, UFICO had \$403,064 in capital assets, less accumulated depreciation of \$105,025 for net capital assets of \$298,039. Depreciation charges for the current fiscal year totaled \$42,169.

SUMMARY 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 operating revenues and expenses are related to providing investment management services. Non-operating revenues are not related to investment management services, such as interest income. UFICO strives to operate on a financial breakeven basis generating revenue sufficient to cover operating costs. Expenses are the driver for revenue that is billed to investors. A condensed Summary of Revenues, Expenses and Changes in Net Position follows:

UFICO's Revenues, Expenses and Changes in Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating revenues			
Management fees, net	\$ 5,710,785	\$ 5,599,001	\$ 4,892,745
Total operating expenses	<u>(6,345,645)</u>	<u>(5,028,533)</u>	<u>(5,170,582)</u>
Operating income (loss)	(634,860)	570,468	(277,837)
Non-operating revenues (expenses)	(2,959)	18,450	23,050
Change in net position	<u>\$ (637,819)</u>	<u>\$ 588,918</u>	<u>\$ (254,787)</u>

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021 AND 2020
(Continued)

Highlights

The management fee revenue for 2021 increased \$111,784 or 2.0% over the prior year. The increase over the prior year was primarily attributable to the additional fees associated with the investment earnings on deferred compensation. The management fee revenue for 2020 increased \$706,256 or 14.4% over 2019. The increase over 2019 was due to a budgeted increase in Net Reserves.

Total operating expenses for 2021 increased by \$1,317,112 or 26.2% over the prior year. The increase primarily relates to the increase in incentive compensation for the year due to strong investment performance. Total operating expenses for 2020 decreased by \$142,049 or -2.7% over 2019. The decrease related to the decrease in incentive compensation for the year.

SUMMARY OF CASH FLOWS

The Statements of Cash Flows provide information about UFICO's cash receipts and disbursements. The operating activities presents cash flows related to UFICO's operating income or loss along with changes in receivables and payables in the Statements of Net Position. The investing activities present cash flows from purchases, proceeds, or income received from investing activities.

UFICO's Cash Flows

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash provided by (used in):			
Operating activities	\$ 264,231	\$ 405,560	\$ 527,443
Investing activities	<u>(2,959)</u>	<u>(71,774)</u>	<u>(116,608)</u>
Net change in cash and cash equivalents	261,272	333,786	410,835
Cash and cash equivalents, beginning of year	1,981,162	1,647,376	1,236,541
Cash and cash equivalents, end of year	<u>\$ 2,242,434</u>	<u>\$ 1,981,162</u>	<u>\$ 1,647,376</u>

Highlights

The cash generated from operating and investing activities for all fiscal periods was primarily due to the excess of cash collected for management fees over cash paid to employees.

ECONOMIC OUTLOOK

UFICO's economic outlook is closely related to and largely dependent on the management fees received. Management fees are directly related to assets under management. This income source is expected to remain fairly stable, with moderate growth over the long-term.

CONTACTING MANAGEMENT

This financial narrative is designed to provide you with a general overview of UFICO'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:

University of Florida Investment Corporation
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UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 2,242,434	\$ 1,981,162
Due from investment funds	199,750	211,424
Management fees receivable - current portion	493,031	511,164
Due from University of Florida	175,000	175,000
Prepaid expenses and other current assets	19,732	16,382
Total current assets	<u>3,129,947</u>	<u>2,895,132</u>
Property and equipment, net	255,761	298,039
Management fees receivable, less current portion	1,399,272	1,267,589
Investments - deferred compensation - 457(b) plan	384,005	272,485
Total assets	<u>5,168,985</u>	<u>4,733,245</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	2,778,804	1,930,315
Deferred compensation - current portion	493,031	511,164
Total current liabilities	<u>3,271,835</u>	<u>2,441,479</u>
Long-term liabilities		
Deferred compensation, less current portion	1,399,272	1,267,589
Deferred compensation - 457(b) plan	384,005	272,485
Total long-term liabilities	<u>1,783,277</u>	<u>1,540,074</u>
Total liabilities	<u>5,055,112</u>	<u>3,981,553</u>
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	255,761	187,714
Unrestricted	(141,888)	563,978
Total net position	<u>\$ 113,873</u>	<u>\$ 751,692</u>

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

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Management fees, net	\$ 5,710,785	\$ 5,599,001
Total operating revenues	<u>5,710,785</u>	<u>5,599,001</u>
Operating expenses		
Salaries, benefits and payroll taxes	5,920,869	4,517,494
Services purchased	7,500	7,500
Travel	85	65,547
General operating	417,191	437,992
Total operating expenses	<u>6,345,645</u>	<u>5,028,533</u>
Operating income (loss)	<u>(634,860)</u>	<u>570,468</u>
Non-operating revenues (expenses)		
Interest	(2,959)	18,390
Gain on sale of furniture and equipment	-	60
Total non-operating revenues (expenses)	<u>(2,959)</u>	<u>18,450</u>
Change in net position	<u>(637,819)</u>	<u>588,918</u>
Net position, beginning of year	751,692	162,774
Net position, end of year	<u><u>\$ 113,873</u></u>	<u><u>\$ 751,692</u></u>

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

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from management fees	\$ 5,597,235	\$ 5,542,207
Cash paid to vendors	(470,623)	(515,946)
Cash paid to employees	(4,862,381)	(4,620,701)
Net cash provided by operating activities	<u>264,231</u>	<u>405,560</u>
Cash flows from investing activities		
Interest income (expense)	(2,959)	18,390
Proceeds from sale of furniture and equipment	-	60
Purchase of property and equipment	-	(90,224)
Net cash used in investing activities	<u>(2,959)</u>	<u>(71,774)</u>
Net increase in cash and cash equivalents	<u>261,272</u>	<u>333,786</u>
Cash and cash equivalents, beginning of year	1,981,162	1,647,376
Cash and cash equivalents, end of year	<u><u>\$ 2,242,434</u></u>	<u><u>\$ 1,981,162</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ (634,860)</u>	<u>\$ 570,468</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization expense	42,143	42,169
Changes in assets and liabilities:		
Due from investment funds	11,674	(157,487)
Management fees receivable	(113,550)	(56,794)
Prepaid expenses and other current assets	(3,350)	(2,805)
Accounts payable and accrued expenses	848,624	(46,785)
Deferred compensation payable	113,550	56,794
Total adjustments	<u>899,091</u>	<u>(164,908)</u>
Net cash provided by operating activities	<u><u>\$ 264,231</u></u>	<u><u>\$ 405,560</u></u>
Supplemental disclosure of noncash investing activities		
Purchase of property and equipment through accrued expenses	<u><u>\$ -</u></u>	<u><u>\$ 110,325</u></u>

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

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of the University of Florida Investment Corporation, which affect the elements of the accompanying financial statements.

(a) **Organization**—The University of Florida Investment Corporation (UFICO) is a not-for-profit entity that commenced business July 1, 2004, to promote the educational purposes of the University of Florida (the “University” or “UF”) by providing investment research, advice, counsel and management to and for the University of Florida Board of Trustees and affiliated organizations of the University. UFICO functions as a direct support organization of the University and is a component unit (for accounting purposes only) of the University.

In May 2009, UFICO, LLC (the “Subsidiary”) was formed and its sole member is UFICO. The Subsidiary began operations on July 1, 2009, for the purpose of acting as general partner or managing member of the investment funds managed by UFICO. The Subsidiary has no significant commitments or contingencies as general partner or managing member of the investment funds managed by UFICO. Further, the Subsidiary has no capital ownership or profit/loss sharing in the investment funds managed by UFICO. There was no financial activity for the Subsidiary during the years ended June 30, 2021 and 2020.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of UFICO have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reports.

For financial reporting purposes, UFICO is considered a special purpose government entity engaged only in business-type activities. Accordingly, UFICO prepares its financial statements using the economic resources measurement focus and the accrual basis of business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

The entire net position of UFICO is considered to be unrestricted, in accordance with the purpose and bylaws of UFICO.

(c) **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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates relate to the unpaid portion of employee incentive compensation at year-end. These estimates impact the calculation of the noncurrent portion of management fees receivable, accrued expenses, and deferred compensation. These estimates may be adjusted as more current information becomes available, and any adjustment could be material.

(d) **Cash and cash equivalents**—Cash and cash equivalents consist of cash in operating accounts and cash invested in money market funds, and have original maturities of three months or less.

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

(e) **Management fees receivable**—Management fees receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are considered uncollectible after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to management fees receivable. No amounts due at June 30, 2021 and 2020, are considered to be uncollectible. Management fees that have been earned but are not due to be collected during the next fiscal year are reflected as noncurrent assets in the accompanying statements of financial position.

(f) **Property and equipment**—Furniture, equipment and leasehold improvements purchased with a cost of \$5,000 or more and software with a cost of \$20,000 or more are capitalized and depreciated over their estimated useful lives, generally five years using the straight-line method. Assets are not depreciated until they are placed in service. Depreciation expense was \$42,143 and \$42,169 for the years ended June 30, 2021 and 2020, respectively.

(g) **Income taxes**—UFICO is generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to UFICO's status as a not-for-profit entity. Management believes the organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. UFICO's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(h) **Classification of revenues**—UFICO 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 management royalty and licensing fees.
- *Non-operating revenues*—Include activities that have characteristics of non-exchange transactions, such as investment income.

(i) **Net position**—Net position may be classified and displayed in three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of assets that are available to UFICO for any legal use.

UFICO did not have any restricted assets for the years ended June 30, 2021 and 2020.

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(2) Management Fees:

Management fees are billed and received at the beginning of each quarter and are computed based on UFICO budgeted management fees and the market value of the assets as reported by the custodian at the previous quarter-end. The asset valuations used in the fee calculations include all funds and assets under management, including cash and accrued income. Annualized fees charged were 0.11% and 0.13% of assets under management for the years ended June 30, 2021 and 2020, respectively. In addition, UFICO aims to maintain a reserve based on next fiscal year budgeted expenses and rebates management fees that are in excess of the reserve. Management fees earned during the years ended June 30, 2021 and 2020, were derived from UFICO's agreements with the University and various affiliated organizations of UF (collectively, the UF entities) as described in Note 3.

(3) Related Party Transactions:

The University of Florida Foundation (the "Foundation") processes various disbursements on behalf of UFICO, and UFICO reimburses the Foundation for these disbursements. The Foundation provides these services to UFICO for an annual fee of \$7,500 for each of the years ended June 30, 2021 and 2020. Included in accounts payable and accrued expenses at June 30, 2021 and 2020, is \$330,668 and \$316,792, respectively, due to the Foundation.

UFICO pays various investment expenses and enters into various agreements on behalf of the investment funds that it manages. The investment funds reimburse these expenses to UFICO on a quarterly basis. Included in due from investment funds at June 30, 2021 and 2020, is \$199,750 and \$211,424, respectively, due to UFICO from these investment funds.

UFICO has management agreements with each of the UF entities. These agreements range from three to five years with one-year automatic extensions unless terminated by either party. Information regarding management fees receivable and investment balances at June 30 is as follows:

	Management Fees Receivable		Investment Balance (In Millions)	
	2021	2020	2021	2020
University of Florida Foundation	\$ 1,197,329	\$ 1,155,763	\$ 2,425	\$ 1,881
University of Florida	282,785	284,084	2,247	1,319
University of Florida Athletic Association	-	-	7	6
Florida Proton Therapy Institute	-	-	-	35
Shands Teaching Hospital & Clinics	412,189	338,906	878	588

The management fees receivable above are presented on a gross basis. There were no rebates payable to investors as of June 30, 2021 and 2020.

The management fees receivable is related to the deferred compensation liability described in Note 6.

UFICO has an agreement with UF where excess operating cash is held by UF on behalf of UFICO. All earnings, losses and associated fees related to these funds will be retained or paid by UF. UFICO has same day liquidity in regards to these funds up to \$10,000,000. A withdrawal of more than \$10,000,000 requires two days written notice. The balances of these funds held by UF are \$175,000 at June 30, 2021 and 2020. These funds are shown as Due from University of Florida on the Statements of Net Position.

UNIVERSITY OF FLORIDA INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(4) Cash and Cash Equivalents:

UFICO maintains an operating cash account with a national bank with a bank balance of \$860,052 and \$997,800 at June 30, 2021 and 2020, respectively. This account is federally insured up to FDIC limits.

UFICO also maintains a money market account with a bank balance of \$1,382,381 and \$983,362 at June 30, 2021 and 2020, respectively. This account is not insured by the FDIC.

(5) Property and Equipment:

Property and equipment balances and activity for the fiscal years ended June 30, 2021 and 2020, are summarized as follows:

Fiscal year ended June 30, 2021	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Property and equipment					
Equipment	\$ 144,341	\$ -	\$ -	\$ -	\$ 144,341
Leasehold improvements	258,723	-	-	(135)	258,588
Total property and equipment	403,064	-	-	(135)	402,929
Less: Accumulated depreciation					
Equipment	79,153	-	16,298	-	95,451
Leasehold improvements	25,872	-	25,845	-	51,717
Total accumulated depreciation	105,025	-	42,143	-	147,168
Total property and equipment, net	\$ 298,039	\$ -	\$ (42,143)	\$ (135)	\$ 255,761
Fiscal year ended June 30, 2020	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Property and equipment					
Equipment	\$ 204,211	\$ (76,108)	\$ 74,929	\$ (58,691)	\$ 144,341
Leasehold improvements	107,971	76,108	125,621	(50,977)	258,723
Total property and equipment	312,182	-	200,550	(109,668)	403,064
Less: Accumulated depreciation					
Equipment	121,547	-	16,297	(58,691)	79,153
Leasehold improvements	50,977	-	25,872	(50,977)	25,872
Total accumulated depreciation	172,524	-	42,169	(109,668)	105,025
Total property and equipment, net	\$ 139,658	\$ -	\$ 158,381	\$ -	\$ 298,039

(6) Deferred Compensation Agreement:

UFICO maintains a deferred compensation bonus plan covering certain employees. Under this plan, certain employees are eligible for an annual bonus. For fiscal years 2021 and 2020, 75% of the calculated bonus is payable as soon as reasonably possible after the bonus is determined. The remaining 25%, plus investment earnings, is payable to the employee three years after it is earned, provided the employee has continued employment with UFICO and is under the age of 65. For those employees 65 and older, the remaining 25%, plus investment earnings, is payable to the employee one year after it is earned, provided the employee has continued employment with UFICO. As of June 30, 2021 and 2020, \$1,892,303 and \$1,778,753 in bonuses and related fringe benefits, respectively, have been accrued under this plan.

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(7) Retirement Plan:

UFICO has an Internal Revenue Code Section 403(b) retirement savings plan (the “Plan”) covering substantially all of its employees. Participants are eligible to receive non-elective contributions from UFICO after six months of service and become immediately vested in UFICO’s non-elective contribution account. For the years ended June 30, 2021 and 2020, UFICO contributed \$229,745 and \$227,575, respectively, to the Plan.

(8) Investments and Fair Value Measurements:

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UFICO has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s and liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes to the methodologies used at June 30, 2021 and 2020.

Deferred compensation – 457(b) plan investment – Valued at quoted market prices of shares held by UFICO at year-end.

Deferred compensation – 457(b) plan liability – Valued at the corresponding balance in the investment account at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UFICO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The deferred compensation plan investment and liability amounts of \$384,005 and \$272,485 as of June 30, 2021 and 2020, respectively, are recorded in UFICO's financial statements at fair value. Plan assets are invested in a short-term bond fund and a large value stock fund, both of which are traded on an active market. As such, the investment and liability amounts are categorized as Level 1 in the fair value hierarchy.

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(9) **Operating Lease:**

UFICO is currently in year two on a ten-and-a-half-year lease for office space effective July 2019. Rent expense was \$249,819 and \$155,764 for the years ended June 30, 2021 and 2020, respectfully. The lease will expire at the end of December 2030. Future payments required under this operating lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 254,720
2023	266,542
2024	274,664
2025	282,743
2026	291,067
Thereafter	1,088,921
	<u>\$ 2,458,657</u>

(10) **Recent Accounting Pronouncements:**

GASB issued Statement No. 87, *Leases*, in June 2017. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB No. 87 are effective for UFICO's fiscal year ending June 30, 2022. Management is still evaluating the impact of this pronouncement on UFICO's financial statements.

**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**

The Board of Directors,
University of Florida Investment Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the University of Florida Investment Corporation (UFICO), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise UFICO's basic financial statements, and have issued our report thereon dated August 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UFICO'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 UFICO's internal control. Accordingly, we do not express an opinion on the effectiveness of UFICO'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 UFICO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style.

Gainesville, Florida
August 30, 2021