

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

Financial Statements
and
Independent Auditor's Reports

For the Fiscal Years Ended June 30, 2022 and 2021

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Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Foundation Seed Producers, Inc.

October 19, 2022

Report on the Audit of the Financial Statements

Opinion.

We have audited the financial statements of Florida Foundation Seed Producers, Inc. (the Organization), a direct-support organization and component unit of the University of Florida, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter.

As discussed in Note 1, the financial statements present only the financial information of Florida Foundation Seed Producers, Inc. and do not purport to, and do not, present fairly the financial position of the University of Florida, as of June 30, 2022 and 2021, the respective changes in financial position, or the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinion.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Report on the Audit of the Financial Statements (concluded)

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 on our consideration of the Organization's internal control over financial reporting (internal control) and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance.

Kattell and Company, P.L.

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

- Albert Einstein

Management's Discussion and Analysis
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

This discussion and analysis of the financial performance of Florida Foundation Seed Producers, Inc. (the Organization) provides an overview of the Organization's financial activities for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the Organization's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2022:

- The Organization's overall net position increased by \$1,132,599, which is about 8%.
- Total ending unrestricted net position was \$7,345,524.
- The Organization had total operating expenses for the year of \$19,149,893, operating revenues of \$20,300,528, and net non-operating expenses in excess of revenues of \$18,036.
- The Organization processed seed stocks produced on 972 and 955 acres in 2022 and 2021, respectively, and collected royalties related to 540 and 644 licenses in 2022 and 2021, respectively.

The following are various financial highlights for fiscal year 2021:

- The Organization's overall net position increased by \$1,064,870, which is about 9%.
- Total ending unrestricted net position was \$7,981,028.
- The Organization had total operating expenses for the year of approximately \$17,824,436, operating revenues of approximately \$19,233,533, and net non-operating expenses in excess of revenues of \$344,227.
- The Organization processed seed stocks produced on 955 and 977 acres in 2021 and 2020, respectively, and collected royalties related to 644 and 576 licenses in 2021 and 2020, respectively.

REQUIRED FINANCIAL STATEMENTS

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

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

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

Notes to Financial Statements. The notes provide additional information.

CONDENSED FINANCIAL INFORMATION

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

	2022	2021	2020
Net Position			
Assets:			
Non-capital Assets	\$ 17,731,359	\$ 17,718,423	\$ 15,943,517
Capital Assets, Net	7,137,753	5,369,650	4,921,277
Total Assets	<u>24,869,112</u>	<u>23,088,073</u>	<u>20,864,794</u>
Liabilities:			
Current Liabilities	<u>10,151,303</u>	<u>9,737,395</u>	<u>8,578,986</u>
Deferred Inflows:			
Leases	<u>234,532</u>	--	--
Net Position:			
Net Investment in Capital Assets	7,137,753	5,369,650	4,921,277
Unrestricted	<u>7,345,524</u>	<u>7,981,028</u>	<u>7,364,531</u>
Total Net Position	<u>\$ 14,483,277</u>	<u>\$ 13,350,678</u>	<u>\$ 12,285,808</u>

Management's Discussion and Analysis
June 30, 2021 and 2020
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

CONDENSED FINANCIAL INFORMATION (concluded)

	2022	2021	2020
Change in Net Position			
Operating Revenue:			
Sales of seed	\$ 2,032,796	\$ 2,328,563	\$ 1,795,389
Royalties	18,099,289	16,815,867	17,150,452
Other	168,443	89,103	40,329
Total Revenues	<u>20,300,528</u>	<u>19,233,533</u>	<u>18,986,170</u>
Operating Expenses:			
Cost of seed sold	2,077,716	2,130,285	1,665,793
Royalty expenses and distributions	16,308,049	15,154,721	15,466,883
Other expenses	764,128	539,430	575,189
Total Expenses	<u>19,149,893</u>	<u>17,824,436</u>	<u>17,707,865</u>
Excess of Revenues over Expenses	1,150,635	1,409,097	1,278,305
Non-operating revenues and expenses, net	(18,036)	(344,227)	4,909
Change in Net Position	<u>1,132,599</u>	<u>1,064,870</u>	<u>1,283,214</u>
Beginning Net Position	<u>13,350,678</u>	<u>12,285,808</u>	<u>11,002,594</u>
Ending Net Position	<u>\$ 14,483,277</u>	<u>\$ 13,350,678</u>	<u>\$ 12,285,808</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Organization has continued to make capital improvements to its buildings and warehouse. In addition, the Organization purchased administrative office space in Gainesville, Florida. Refer to the note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the Organization's capital asset activity.

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

ECONOMIC FACTORS

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

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

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

Statements of Net Position
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

Assets	2022	2021
Current Assets:		
Cash:		
Non-Interest Bearing	\$ 24,533	\$ 338,023
Interest Bearing	11,103,194	12,751,545
Total Cash	11,127,727	13,089,568
Receivables:		
Royalties	5,465,339	4,206,020
Sales of Seed	605,456	186,002
Leases	235,989	--
Prepaid Expenses	124,735	138,281
Seed Inventory	123,790	39,004
Investment in Growing Crop	48,323	59,548
Capital Assets:		
Property, Plant & Equipment (Net)	7,137,753	5,369,650
Total Assets	24,869,112	23,088,073
Liabilities		
Current Liabilities:		
Accounts Payable	161,676	215,454
Accrued Employee Leave	86,737	77,589
Royalty Distributions Payable	9,902,890	9,444,352
Total Liabilities	10,151,303	9,737,395
Deferred Inflows		
Leases	234,532	--
Net Position		
Net Position		
Net invested in capital assets	7,137,753	5,369,650
Unrestricted	7,345,524	7,981,028
Total Net Position	\$ 14,483,277	\$ 13,350,678

See accompanying notes.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

	<u>2022</u>	<u>2021</u>
Farm Income:		
Sale of Seed:	\$ 2,032,796	\$ 2,328,563
Cost of Seed Sold	<u>(2,077,716)</u>	<u>(2,130,285)</u>
Gross Profit/(Loss) on Sales of Seed	(44,920)	198,278
USDA/FSA Distribution	132,648	65,705
Other Farm Income	<u>35,795</u>	<u>23,398</u>
Gross Profit – Farming Operations	123,523	287,381
Licensing/Royalty Income:		
Gross Revenues	18,099,289	16,815,867
Licensing Expenses	(200,085)	(196,958)
Breeder Distributions	(3,480,182)	(3,228,296)
Transfers to FAES	<u>(12,627,782)</u>	<u>(11,729,467)</u>
Net Royalty	1,791,240	1,661,146
Net Operating Revenues	1,914,763	1,948,527
Expenses:		
Licensing Program	416,666	289,076
Farming Program	109,785	62,148
Support Activities	<u>237,677</u>	<u>188,206</u>
Total Expenses	764,128	539,430
Net Operating Income	1,150,635	1,409,097
Non-operating Revenues:		
Interest Income	20,650	30,561
Rental Income – Office Space	16,852	--
Insurance Proceeds	227,510	--
Gain/(Loss) on Asset Disposals	<u>(49,723)</u>	<u>(267)</u>
Total Non-operating Revenues	215,289	30,294
Other Transfers:		
UF – Overhead Charge	14,575	24,521
Donations – UF Affiliates	<u>218,750</u>	<u>350,000</u>
Total Transfers Out	233,325	374,521
Change in Net Assets	1,132,599	1,064,870
Net Assets, Beginning	13,350,678	12,285,808
Net Assets, End	<u>\$ 14,483,277</u>	<u>\$ 13,350,678</u>

See accompanying notes.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

	2022	2021
Cash Flows from Operating Activities		
Royalties:		
Collections	\$ 16,818,779	\$ 16,164,479
Payments to FAES	(12,219,894)	(10,972,114)
Payments to Breeders	(3,378,167)	(2,986,511)
Payments of Expenses	(232,943)	(213,941)
Net Cash from Royalties	<u>987,775</u>	<u>1,991,913</u>
Seed Production and Sales:		
Sales of Seed	1,613,342	2,624,854
Seed costs:		
Contract Growers	(870,278)	(837,941)
Wages and Benefits	(344,973)	(330,819)
Seed, Plants, Fertilizer and Supplies	(78,426)	(64,129)
Seed Processing Costs	(89,046)	(92,526)
Equipment and Facilities Costs	(173,210)	(198,605)
Insurance	(100,100)	(79,844)
All Other Costs	(68,217)	(54,812)
Net Cash from Production and Sales of Seed	<u>(110,908)</u>	<u>966,178</u>
Other Operating Cash Flows:		
Other Collections	160,943	89,103
Wages and Benefits	(564,411)	(521,034)
Other Disbursements	(210,770)	(81,609)
Transfers	(233,325)	(374,521)
Net Cash Provided by Operating Activities	<u>29,304</u>	<u>2,070,030</u>
Cash Flows from Investing Activities		
Interest on Deposits and Receivables	17,843	30,561
Rental Income	18,202	--
Net Cash Provided by Investing Activities	<u>36,045</u>	<u>30,561</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Disposal of Property and Equipment	26,970	--
Capitalized Purchases of Property and Equipment	(2,281,670)	(843,987)
Cost Sharing Program Reimbursements	--	120,672
Disaster-related Cash Flows - Insurance proceeds	227,510	--
Net Cash Used by Capital and Related Financing Activities	<u>(2,027,190)</u>	<u>(723,315)</u>
Net Change in Cash	(1,961,841)	1,377,276
Cash, Beginning	<u>13,089,568</u>	<u>11,712,292</u>
Cash, End	<u>\$ 11,127,727</u>	<u>\$ 13,089,568</u>

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Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida
(concluded)

	2022	2021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 1,150,635	\$ 1,409,097
Depreciation – general	17,347	13,911
Depreciation – related to farm operations	427,027	373,496
Value of Donated Property	(7,500)	--
Transfers	(233,325)	(374,521)
Changes in:		
Receivables	(1,678,773)	(400,988)
Prepaid expenses	13,546	(94,755)
Seed Inventory	(84,786)	99,063
Investment in growing crop	11,225	(950)
Payables	(44,630)	51,342
Royalty distribution payable	458,538	994,335
Net Cash Provided by Operating Activities	<u>\$ 29,304</u>	<u>\$ 2,070,030</u>

See accompanying notes.

Notes to Financial Statements
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 1 – NATURE OF THE ENTITY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

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

Cash

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

Receivables

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

Seed Inventory and Investment in Growing Crop

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

Notes to Financial Statements
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

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

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

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

Net Position

Net Position represents the difference between assets and liabilities and is reported in three categories. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net Position is reported as *restricted* when there are limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The Organization reported no restricted net position at June 30, 2021 and 2022. The balance of Net Position is reported as *unrestricted*.

Revenue Recognition - Sale of Seed.

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

Revenue Recognition - Royalty and Research Income.

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

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

Royalties are received throughout the year. The Organization summarizes receipts for the two six-month periods ending December 31 and June 30. Distributions are made shortly thereafter. The amount reported on the Statement of Financial Position as Royalty Distribution Payable is the amount of distributions due from collections for the six-month periods ended June 30, 2022 and 2021.

Expense Allocations

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

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

Notes to Financial Statements
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Expense Allocations (concluded)

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

Use of Estimates

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

NOTE 3 – LEASES

On April 1, 2022, the Organization acquired an office building subject to lease agreements with two tenants. The Organization recorded a lease receivable and deferred inflows for the net present value of the leases using an estimated incremental borrowing rate of 7%. Deferred inflows will be recognized as income on a straight-line basis over the lease terms. The following provides details of the two leases:

	<u>Lease #1</u>	<u>Lease #2</u>
Original lease term date:	January 31, 2024	September 30, 2024
Options to renew:	None	Two three-year terms
Lessee reasonably certain to renew:	NA	Yes
Estimated lease term date:	January 31, 2024	September 30, 2030
For the year ended June 30, 2022:		
Lease revenue	\$9,499	\$7,353
Interest income	\$ 488	\$2,319

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 448,266	\$ --	\$ --	\$ 448,266
Construction in progress	210,490	(210,490)	--	--
Total	658,756	(210,490)	--	448,266
Capital assets being depreciated:				
Buildings	2,479,811	1,925,198	64,524	4,340,485
Farm equipment	1,523,079	354,541	73,945	1,803,675
Warehouse Equipment	3,689,597	169,415	165,984	3,693,028
Vehicles	110,720	39,709	--	150,429
Office Furniture & Equipment	31,936	10,797	3,633	39,100
Total	7,835,143	2,499,660	308,086	10,026,717
Accumulated depreciation:				
Buildings	740,121	83,610	58,436	765,295
Farm equipment	830,272	94,012	64,487	859,797
Warehouse equipment	1,469,455	248,241	104,837	1,612,859
Vehicles	56,577	14,886	--	71,463
Office furniture & equipment	27,824	3,625	3,633	27,816
Total	3,124,249	444,374	231,393	3,337,230
Net Capital Assets	\$ 5,369,650	\$ 1,844,796	\$ 76,693	\$ 7,137,753

Notes to Financial Statements
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 5 – CONCENTRATIONS

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

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

Accounts Receivable. The Organization’s accounts receivable generally have a limited concentration of credit risk because of the dispersion of receivables from different individual farmers, farming organizations and geographies. At June 30, 2022, 61% of receivables from the sale of seed were due from two vendors and 87% of royalty receivables were due from three licensees. At June 30, 2021, 29% of receivables from the sale of seed were due from one vendor and 78% of royalty receivables were due from two licensees.

Sales. For the years ended June 30, 2022 and 2021, sales to the top three customers accounted for 84% and 79%, respectively, of the Organization’s annual sales of seed.

NOTE 6 – DEFINED CONTRIBUTION PENSION PLAN

The Organization makes contributions of 10% of salary to individual retirement accounts of all eligible employees under a Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement as authorized by Section 408(k) of the Internal Revenue Code. Retirement contributions for the years ended June 30, 2020, 2021 and 2022 were \$30,493, \$26,088 and \$28,334 respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

University of Florida.

The Organization reimburses the University for the cost of certain employees who provide services on behalf of the Organization but who are employees of the University. Costs reimbursed include salary, taxes, benefits, and cell phone allowances. These costs were \$489,972 and \$350,723 for the years ended June 30, 2022 and 2021, respectively. These employees occupied 810 square feet of office space in McCarty Hall on the main campus of the University in Gainesville, Florida, until April 1, 2022, when the Organization purchased an office building and moved its personnel off campus.

The Organization utilizes certain administrative services of the University, including accounting, information technology, and human resources. For these services, for the year ended June 30, 2022, the University charged the Organization a \$14,575 general administration fee. For the year ended June 30, 2021, the University charged the Organization a \$15,168 general administration fee and a \$9,353 information technology fee.

The Organization reported \$7,134,901 and \$7,368,340 royalties payable to the University of Florida at June 30, 2022 and 2021, respectively.

Other.

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

	<u>2022</u>	<u>2021</u>
Receipts from royalties	\$ 62,251	\$ 110,062
Receipts from sales of seed	\$ --	\$ 16,500
Disbursements for purchases of services	\$ 32,340	\$ 4,903

Notes to Financial Statements
June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

NOTE 8 – COMMITMENTS

There were no outstanding commitments at June 30, 2022.

Prior to June 30, 2021, the Organization initiated a purchase order for a truck costing \$39,500 that was not delivered until after June 30, 2021. In addition, the Organization entered into a contract for the construction of facilities costing \$314,260. The Organization paid \$154,445 on this contract prior to June 30, 2021, leaving a construction commitment of \$159,815.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through October 19, 2022, which is the date the financial statements were available to be issued.

Schedules of Functional Expenses
For the Years Ended June 30, 2022 and 2021
Florida Foundation Seed Producers, Inc.
A Component Unit of the University of Florida

	Program Services			Support Activities	Total
	Licensing	Farming			
2022					
Advertising and Marketing	\$ 1,167	\$ 1,167	\$ --	\$ 2,334	
Bad Debts	--	5,014	--	5,014	
Depreciation	6,505	3,036	7,806	17,347	
Dues and Memberships	5,319	2,482	6,383	14,184	
Insurance	2,546	1,188	3,056	6,790	
Meeting Expense	20,108	2,722	8,129	30,959	
Other	1,550	724	1,861	4,135	
Office Supplies	10,819	5,049	12,982	28,850	
Payroll and Benefits – Employees	35,383	20,415	34,432	90,230	
Payroll – IFAS Agreement	316,601	60,210	120,419	497,230	
Accounting and Legal Services	--	--	22,605	22,605	
Repairs and Maintenance	10,644	4,967	12,774	28,385	
Telephone	2,192	1,023	2,631	5,846	
Utilities – Water and Electric	3,832	1,788	4,599	10,219	
Total	\$ 416,666	\$ 109,785	\$ 237,677	\$ 764,128	
2021					
Advertising and Marketing	\$ 612	\$ 123	\$ 671	\$ 1,406	
Depreciation	6,058	1,212	6,641	13,911	
Dues and Memberships	15,364	385	2,109	17,858	
Insurance	1,070	214	1,174	2,458	
Meeting Expense	1,577	316	1,729	3,622	
Other	1,032	206	1,131	2,369	
Office Supplies	12,940	2,588	14,185	29,713	
Payroll and Benefits – Employees	36,026	7,205	39,491	82,722	
Payroll – IFAS Agreement	206,164	47,690	95,380	349,234	
Accounting and Legal Services	--	--	16,851	16,851	
Repairs and Maintenance	1,874	937	1,874	4,685	
Telephone	2,170	434	2,378	4,982	
Utilities – Water and Electric	4,189	838	4,592	9,619	
Total	\$ 289,076	\$ 62,148	\$ 188,206	\$ 539,430	

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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

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

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

October 19, 2022

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Florida Foundation Seed Producers, Inc. (the Organization) as of and for the year ended June 30, 2022, as listed in the table of contents, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 19, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kattell and Company, P.L.